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2026 Drug Trend & Pipeline

Overview

The complex pharmacy marketplace continues to evolve as new products are introduced, prices change, and treatment paradigms are updated. Mercer Government's Pharmacy team (Mercer)—consisting of consultants and licensed pharmacists—monitors market and pipeline developments to incorporate real-time insights into our analyses. This FLASH contains projected pharmacy trend highlights for 2026 and beyond.

National Trend Projections

Overall Medicaid Spending Projections

In their June 2025 publication, the CMS Office of the Actuary projected annual growth of 7.4% for Medicaid spending in 2025, 6.8% during 2026–2027 and slowing to an annual average of 6.2% over 2028–2033.

“Medicaid expenditure growth is projected to rebound to 7.4 percent in 2025 as the decrease in enrollment slows. During 2026–27, Medicaid spending growth is projected to be 6.8 percent each year, with enrollment projected to start increasing once again during the period. Over 2028–33, Medicaid spending is projected to average 6.2 percent, with enrollment growth expected to be positive and steady, and to average 0.7 percent per year.”

CMS projects average annual growth in retail prescription drug spending of 7.0% in 2025, 5.6% during 2026–2027 and 4.7% over 2028–2033.

Medicaid Drug Trend

Overall, Mercer Medicaid pharmacy trend projections are positive for 2025–2027 but decreased from the previous period (2024–2026). Traditional drug trend is expected to be notably lower in 2026 due to significant brand price decreases for a number of highly utilized drugs, including Jardiance®, Farxiga® and Eliquis®, as well as downward pressure from generic competition for Entresto®. Higher positive trends are expected to return in 2027, driven by increased use of GLP-1 agonists used to treat diabetes and new or expanded indications. Specialty drug trends are expected to remain relatively stable

compared to previous periods as discounts from biosimilars have begun to offset high launch prices and high utilization of other specialty drugs.

Mercer reports per member per month trend gross of any rebates collected by state Medicaid programs or their contracted managed care organizations. Mercer's pharmacy trends are developed without consideration of enrollment and eligibility changes.

The Mercer team's robust trend development and review process projects trends based on industry insights, professional judgement, and experience observed through Mercer Government's Medicaid clients. Mercer continuously monitors market dynamics, including policy changes, drug pipeline, clinical guidelines, and new drug launches to assess their influence on pharmacy trends.

Traditional Drugs

2025–2026: 0.0% to 1.0%

2026–2027: 6.0% to 7.0%

Specialty Drugs

2025–2026: 7.0% to 11.0%

2026–2027: 6.5% to 10.5%

Overall Projected Medicaid Drug Trend

2025–2026: 4.0% to 6.5%

2026–2027: 6.0% to 9.0%

Trend Drivers and Other Considerations

Drivers in Traditional Drug Categories

The 2025–2026 projections for traditional drugs are lower compared to 2026–2027 estimates. In 2026, manufacturer brand price decreases and generic price erosion are expected to offset steady utilization gains in top categories, particularly diabetes. Higher upward trends are expected to return by 2027.

- **Diabetes:** GLP-1 products like Ozempic® and Mounjaro™ are key growth drivers, with expanded and new indications, including cardiovascular benefits and potential off-label obesity treatment, boosting their use. Price reductions for SGLT2 inhibitors Jardiance® and Farxiga® will mitigate unit cost trend in 2026 as will multiple generic entrants for the latter. Insulin prices are largely expected to remain stable through 2027, despite price cuts for additional insulins, including Tresiba®, in 2026. Slight utilization growth and a modest trend increase is anticipated in 2027 due to the potential launch of new once-weekly basal insulins.
- **Infections:** The commercialization of oral COVID-19 therapies in late 2023 continues to influence positive trends during this period. Xifaxan® continues to be the top drug driver of trend within this

class. However, in October 2025, the manufacturer of Xifaxan® terminated its National Drug Rebate Agreement with the Department of Health and Human Services, which may reduce utilization based on state-specific coverage policies.

- **Mental Health/Neurological Disorders:** This category will contribute to positive trends in both 2026 and 2027. While most utilization in this category is for generic drugs, branded psychiatric drugs make up over 70% of category spend and continue to grow with new indications. Caplyta® was approved for major depressive disorder in November 2025, boosting growth. Cobenfy™ has been available to treat schizophrenia since September 2024 and is expected to gain approval for Alzheimer's-related psychosis by late 2026 or early 2027 at a cost of around \$22,500 annually.
- **Diabetic Supplies:** Continuous glucose monitors (CGMs) continue to account for most of the growth in this category. Pricing for these products has remained relatively stable, with small annual price increases likely through 2027. Utilization of diabetic supplies is expected to increase annually. Coverage of CGMs is moving under the pharmacy benefit instead of solely under the medical benefit.
- **Blood Modifying:** Trends are expected to decline in 2026 as the price of market leader Eliquis® was reduced significantly in January 2026, which will offset double-digit utilization growth. In 2027, generics for all strengths of Xarelto® will further reduce unit cost trends.

Drivers in Specialty Drug Categories

Trend projections for 2026–2027 are comparable to 2025–2026 despite emergence of several expensive new products for rare diseases, which are offset to some degree by increasing uptake of deeply discounted biosimilars. Specialty drugs will continue to grow as a percentage of drug spend, accounting for over half of drug spend in 2026-2027 and beyond.

- **Rheumatoid Arthritis and Other Inflammatory Conditions:** Expect continued utilization growth of both new and established therapies like Taltz®, Tremfya®, Skyrizi®, and Bimzelx® as patients and providers seek the best-fit treatments. The large market supports a strong pipeline with ever-increasing launch prices. Continued uptake of Humira® and Stelara® biosimilars provide significant cost savings due to the low cost of these products relative to originators.
- **Other Specialty/Dermatology:** Products to treat atopic dermatitis and other similar dermatologic conditions continue to contribute significantly to utilization growth in this category. While Dupixent® continues to dominate the atopic dermatitis space, other products, like Adbry® and Ebglyss®, have seen an increase in utilization. These products come with similar annual costs to Dupixent®, which is approved for multiple dermatologic uses.
- **Oncology:** Oncology continues to drive specialty trend growth, both in utilization and in unit cost. The rising incidence of cancer remains the key driver of market expansion, prompting increased demand for advanced treatments. In 2025 and 2026, continued uptake of generics for Sprycel® and Revlimid® will modestly mitigate unit cost increases, as will Xtandi® and Ibrance® generics in 2027 and beyond. No other generic launches are expected in the near-to-medium term. The new drug pipeline is extensive, with products targeting previously untreated forms of cancer, offering better

survival rates and/or fewer side effects; therapies often launch at an annual list price of \$300,000 or more.

- **HIV:** Single-tablet regimens (STRs) dominate HIV treatment and spending, with no generics expected in the near future, and prices rising 3 to 5% annually. Biktarvy® holds the largest market share, about half of category spend, with continued steady, albeit slower, growth predicted. Long-acting injectables like Apretude® and Cabenuva® are gaining popularity for their convenient dosing. Yeztugo®, launched in 2025 for PrEP, is a twice-yearly injectable option priced at \$28,000 annually. Unmet HIV needs persist in the Medicaid population, while PrEP use continues to grow.
- **Movement/Neuro Disorders:** The Duchenne Muscular Dystrophy (DMD) patient population is stable, but new therapies are driving high trends for these members. Oral corticosteroids like prednisone, Emflaza® and recently launched Agamree® remain standard treatments. However, new drugs that work differently, such as Duvyzat™ and pipeline products ataluren and deramiocecl, will increase costs as these expensive treatments are additive to the current standard of care.

Gene Therapy Pipeline

Gene therapies, which modify or correct specific human genes to improve function or cure a disease, are commonly priced over \$2 million for a one-time dose. These treatments must be administered in a clinic or hospital setting and are not dispensed by outpatient pharmacies. As such, gene therapies are not incorporated into Mercer's general pharmacy trend projections. Itvisma®, an intrathecal version of Zolgensma®, was approved in November 2025 at a cost of nearly \$2.6 million; this is potentially significant as it expands the eligibility for spinal muscular atrophy gene therapy beyond infants.

Potentially significant cell and gene therapies expected to receive the Food and Drug Administration (FDA) approval over the next 18 months include:

- Kresladi™ for the treatment of severe leukocyte adhesion deficiency-1 (LAD-1) is anticipated to launch in 2026 and is the first treatment for this pediatric disease outside of stem cell transplant.
- Sonpiretigene isteparvovec is under development for a serious eye disease called advanced Retinitis Pigmentosa (RP) with severe vision loss.
- Pariglasgene breCAPARVovec has the potential to be the first approved treatment for glycogen storage disease type 1a (GSD1a).

Conclusion and Outlook

Pharmacy trend projections for 2025–2026 reflect a notable moderation compared to previous periods, driven largely by significant brand price decreases for a handful of widely used drugs and the impact of generic competition. This results in a relatively lower overall trend in 2025–2026. However, this moderation is expected to be temporary, as trends are projected to increase in 2026–2027. Key drivers of this upward shift include increased utilization of GLP-1 agonists for diabetes, expanded indications for specialty drugs, and the continued launch of costly new therapies, particularly for rare and previously untreatable conditions. While biosimilars and price reductions will continue to exert downward pressure

on costs, their ultimate impact will depend on coverage policies and market acceptance. Outside of pharmacy trend, new gene therapies will further increase drug spend. Additionally, the effect of recent policy developments, such as pharmaceutical tariffs and most-favored nation pricing initiatives, on drug costs remains to be seen.

Mercer Government's Pharmacy team remains dedicated to monitoring these evolving market dynamics and policy changes, providing clients with actionable insights to manage the financial and clinical implications of pharmacy trends and pipeline innovations in this complex environment.



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National Health Expenditure Projections 2024-2033 Forecast Summary



For More Information

The Mercer Government Pharmacy team works with clients to inform and educate on the financial and clinical implications of pipeline products and pharmacy trends.

Please contact Ryan Ferguson, Noah Greenberg, Payal Kotadiya, Leslie Lugo, or your Mercer pharmacy consultant to talk through the potential impact of these new therapies and updates to your specific state program. You may also email us at: mercergovernment@mercerc.com.

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