December 2025

GENErating cost Reductions fOr US Medicaid (GENEROUS) Drug Rebate Model

Overview

On November 6, 2025, the Centers for Medicare & Medicaid Services (CMS) announced the GENErating cost Reductions fOr US Medicaid (GENEROUS) Model ("the Model"), which seeks to match Medicaid drug costs to those of other developed countries; an approach known as most-favored-nation (MFN) pricing. This initiative allows CMS to negotiate supplemental rebate agreements (SRAs) for covered outpatient drugs (CODs) as defined by the Medicaid Drug Rebate Program (MDRP). The MFN-based discounts promised to government programs by multiple drug manufacturers, including Pfizer, Novo Nordisk, and Eli Lilly, are expected to be made available through the Model.

The Model mirrors the structure of the Cell and Gene Therapy (CGT) Access Model, which offers opted-in Medicaid programs access to CMS-negotiated rebates for two sickle cell disease gene therapies. SRAs generated by this Model will create drug-specific Key Terms, including uniform drug coverage criteria. Participating Medicaid programs will have access to all of the Model's SRAs with the ability to accept them on a drug-by-drug basis. Manufacturers, however, are obliged to offer MFN pricing on their entire portfolio of CODs, which may result in lower net costs for drugs with limited or no existing SRA opportunities. Medicaid programs are free to maintain, renew, and seek SRAs through other channels such as multi-state purchasing pools, but cannot utilize a Model SRA in conjunction with a non-Model SRA. The five-year pilot begins January 1, 2026, and will run through December 31, 2030; retroactive rebates will be available to programs with qualifying utilization.

The manufacturer request for applications (RFA) gives details about the Model requirements and invites interested pharmaceutical companies to apply through March 31, 2026. Key Terms negotiations between CMS and manufacturers will take place through June 30, 2026, by which time manufacturers must sign a participation agreement (PA) with CMS and have at least one rebate offer in place. A state RFA is expected in December 2025; Medicaid programs that participate in the MDRP may apply as soon as one or more manufacturers have a PA in place. States must also sign a PA with CMS and execute their chosen SRAs with manufacturers by August 31, 2026. PAs will last one year and are renewable throughout the duration of the Model. States and manufacturers can negotiate the duration of individual SRAs and, with CMS approval, any required deviations from the Model's key terms for legal or regulatory reasons. If states cannot meet operational requirements by August 31, 2026, they may be able to join the Model later at the discretion of CMS.

CMS has asked interested states to submit a Letter of Intent (LOI) posing several questions to states and requesting submission by January 15, 2026. A critical component of state participation is that Model SRAs must include both fee-for-service (FFS) and managed care lives, necessitating alignment of coverage criteria across all Medicaid program beneficiaries. Although this condition is likely already met by the many states employing a universal preferred drug list (PDL), other programs will have to create and implement such an arrangement. This may include approval of a state plan amendment (SPA), managed care contract updates, a new or updated PDL, and other program changes. States

must alter each drug's coverage criteria to conform to its SRA's key terms, which may prompt changes to current utilization management strategies and result in off-cycle review and implementation of new or changed coverage criteria and/or PDL placement of Model drugs.

In short, the GENEROUS Model aims to offer Medicaid programs low-effort access to MFN prices in the form of supplemental rebates beyond those mandated by the MDRP. Depending on a state's current supplemental rebate program, the Model has the potential to meaningfully reduce net drug expenditures. It remains to be seen how the Model and other factors will affect manufacturer list prices, prescription drug reimbursements, and managed care capitation rates in 2026 and beyond.

Next Steps for Medicaid Programs

Medicaid programs that are considering participating should evaluate the Model's requirements and the potential administrative, operational, and systems impacts. This may include:

- Reviewing CMS materials, including Model details, frequently asked questions, LOI, and the RFA for states (expected December 2025)
- Participating in CMS informational sessions
- Submitting a (non-binding) LOI to CMS (soft deadline January 15, 2026)
- Evaluating capitation rate impacts of beginning a universal PDL program, updating coverage criteria, and/or other major changes
- Creating a universal PDL applicable to FFS and managed care programs, as well as any associated legal or regulatory actions, such as SPA submission
- Aligning utilization management criteria to Model SRAs across FFS and managed care plans
- Revising managed care and/or other vendor agreements
- Reviewing and implementing Model SRAs via existing or modified processes (e.g., pharmacy and therapeutics committee)
- Identifying clinical and/or administrative resources needed to negotiate, execute and implement SRAs, and perform rebate invoicing
- Completing and submitting the state RFA
- Signing a PA with CMS by August 31, 2026
- Executing state-selected, CMS-authorized SRAs with manufacturers by August 31, 2026

Caveats and limitations

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Questions for your specific state?

Please contact Noah Greenberg, Tiina Drum, Zach Larsen, or your Mercer pharmacy consultant to talk through the potential implications and updates to your specific Medicaid program.

You may also email us at: mercer.government@mercer.com.

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