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SUMMARY

OBJECTIVES

- To examine how the CMS GENEROUS model operationalises international price benchmarking within Medicaid through GNUPs, supplemental rebates, and standardised coverage criteria.
- To evaluate whether this price-based approach is likely to generate net savings for Medicaid, based on lessons from previous US pricing and payment reforms.
- To identify key implementation factors and policy interactions, such as state uptake, manufacturer participation, and existing rebate structures.

METHODS

- A thematic review of publicly available documentation was conducted to characterise the design, pricing mechanics, and implementation features of the CMS GENEROUS model, with particular focus on GNUP price setting, MFN benchmarking, stakeholder roles across CMS states, and manufacturers.
- Primary CMS sources were synthesized alongside independent policy and legal analyses to interpret regulatory structure, implementation considerations, and interactions with existing Medicaid statutory and supplemental rebate frameworks.
- Sources were restricted to 2019-2026 and to official CMS publications, peer-reviewed journals, and reputable policy outlets.

RESULTS

- The GENEROUS model establishes a delinked, value-based payment structure in which Medicaid pays manufacturers a price aligned with the second-lowest net price from a basket of countries, adjusted using purchasing-power parity.
- This framework provides predictable revenue for manufacturers while preventing incentives for over-prescribing.
- Evidence from comparable reforms demonstrates that tightly engineered price-based models can yield substantial payer savings.
- For example, global hospital budgets have produced meaningful expenditure reductions, and refinements to CMS's episode-based models have generated savings when pricing and discount parameters are rigorously defined.

CONCLUSIONS

- Current evidence indicates that the GENEROUS model has a credible theoretical pathway to delivering sustained cost savings.
- Its success in the real world will depend on broad state participation, manufacturer engagement with delinked pricing, robust price-validation mechanisms, and alignment with existing rebate frameworks.
- If effectively executed, the model offers a scalable and sustainable approach to improving access to high-value therapies while reducing Medicaid expenditures.

BACKGROUND & AIMS

- Rising prescription drug costs remain a significant driver of Medicaid expenditure, with existing statutory and supplemental rebate mechanisms proving insufficient to fully offset high and rising list prices for certain outpatient drugs.
- In response, the Centres for Medicare and Medicaid Services (CMS) Innovation Centre has increasingly explored price-based reforms that directly target unit costs rather than relying on utilization management or post-hoc rebates.
- The GENEROUS (GENERating cost reductions for US Medicaid) model represents a further evolution of this approach, proposing internationally benchmarked pricing through a Guaranteed Net Unit Price (GNUP) anchored to a Most Favored Nation (MFN) framework. By combining supplemental rebates, centralised price auditing, and standardised coverage criteria, the model seeks to lower net prices for selected Medicaid drugs while preserving beneficiary access.
- This review aims to summarise the design of the CMS GENEROUS model and, in the absence of formal evaluation data, assess the likelihood of net Medicaid savings by comparison with analogous US pricing and payment models, while identifying factors that may influence savings during implementation.

METHODS

- We conducted a thematic review of publicly available documentation describing the design and implementation of the CMS GENEROUS model, with a focus on identifying its core structural elements, pricing logic, and operational features, including how the model is intended to function across federal state, and manufacturer stakeholders.
- Primary sources included CMS model materials, state and manufacturer Requests for Application, and official press releases.
- To support interpretation of MFN and GNUP pricing mechanisms, independent policy and legal analyses were reviewed, providing contextual insight into the regulatory basis, implementation challenges, and potential interactions with existing Medicaid statutory and supplemental rebate frameworks.
- Given the absence of evaluation data, adjacent literature on US pricing reforms, including episode-based payment models and global budget arrangements, were examined, in order to contextualise expectations for net savings and assess whether comparable price anchoring reforms have demonstrated financial impact in other healthcare settings
- Sources were restricted to 2019-2026 and limited to official CMS publications, peer-reviewed journals, and reputable policy outlets, ensuring relevance to current US policy discussions and consistency with established analytical standards.

RESULTS and DISCUSSION

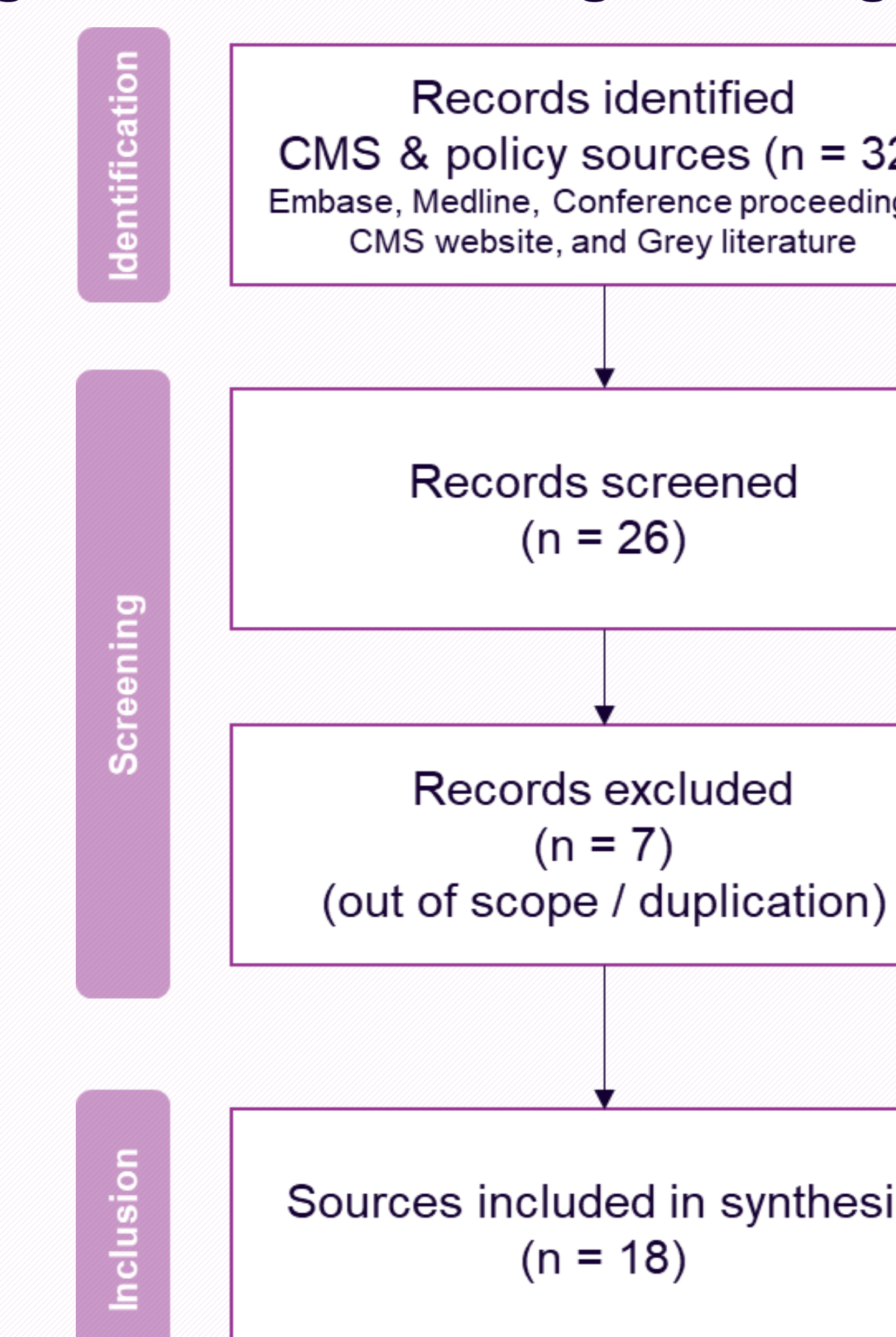
- A targeted review of literature from recognised sources including EMBASE, Medline, CMS websites and grey sources was carried out, identifying 18 sources (listed in **table 1**). Sources were analysed to give a thematic analysis. Search was conducted in-line with PRISMA diagram in **figure 1**.
- The GENEROUS model introduces a delinked, value-based Medicaid payment framework, separating manufacturer revenue from utilisation volumes to reduce volume-driven incentives while maintaining access to innovative therapies. Under the model, Medicaid reimbursement is benchmarked to the second-lowest net price observed across an international reference basket, with prices standardised using purchasing-power parity (PPP) to ensure cross-country comparability and economic neutrality.
- International price anchoring combined with PPP adjustment creates a transparent and rules-based pricing mechanism, limiting excessive price variation while preserving flexibility across differing health system cost structures.
- By replacing marginal, utilisation-linked revenues with a predictable payment stream, the GENEROUS model provides manufacturers with greater revenue certainty, supporting long-term investment planning and supply stability.
- The delinked design explicitly mitigates incentives for over-prescribing or demand stimulation, aligning manufacturer incentives more closely with clinical value rather than sales volume.
- Evidence from analogous payment reforms indicates that tightly specified price-based models can deliver sustained payer savings when parameters are rigorously defined and enforced.
- Similarly, refinements to CMS episode-based payment models have generated measurable savings, particularly where benchmark pricing, discount factors, and risk corridors were carefully calibrated.
- These precedents suggest that price discipline—not utilisation suppression—is the primary driver of savings, reinforcing the rationale for delinked pricing approaches such as GENEROUS.
- Taken together, the GENEROUS model represents a scalable policy mechanism capable of achieving cost containment, revenue predictability, and prescribing neutrality within Medicaid pharmaceutical purchasing.

Table 1. Identified sources

#	Source	#	Source
1	Centers for Medicare & Medicaid Services. GENEROUS Model overview page. https://www.cms.gov/priorities/innovation/innovation-models/generous	10	CMS. Episode Payment Models synthesis. https://www.cms.gov/priorities/innovation/files/reports/episode-payment-models-wp.pdf
2	CMS. Request for Applications – Applicable Manufacturers (GENEROUS). https://www.cms.gov/priorities/innovation/files/generous-rfa.pdf	11	CMS. BPCI Advanced Evaluation – Findings at a Glance (Model Year 5). https://www.cms.gov/priorities/innovation/data-and-reports/2025/bpci-adv-ar6-aag
3	CMS. Request for Applications – States (GENEROUS). https://www.cms.gov/priorities/innovation/files/generous-state-rfa.pdf	12	Healio summary of JAMA Net Open: Savings in BPCI-A. https://www.healio.com/news/orthopedics/20250106/bundled-payment-program-associated-with-savings-for-medical-surgical-episodes
4	CMS. State Letter of Intent (LOI) – GENEROUS. https://www.cms.gov/priorities/innovation/files/generous-loi-state-medicare.pdf	13	Penn LDI. Bundled payments saved money for outpatient surgeries. https://ldi.upenn.edu/our-work/research-updates/surprising-result-bundled-payments-saved-money-for-outpatient-surgeries/
5	CMS Press Release: New Drug Payment Model to Strengthen Medicaid. https://www.cms.gov/newsroom/press-releases/cms-announces-new-drug-payment-model-strengthen-medicare-better-serve-vulnerable-americans	14	ACS Bulletin. TEAM payment model overview. https://www.facs.org/for-medical-professionals/news-publications/news-and-articles/bulletin/2025/january-2025-volume-110-issue-1/new-team-payment-model-brings-opportunities-challenges-for-surgeons-and-hospitals/
6	Sidley Austin. Voluntary MFN pricing in Medicaid through the GENEROUS model. https://www.sidley.com/en/insights/newsupdates/2025/11/cms-announces-voluntary-most-favored-nation-pricing-in-medicare-through-the-generous-model	15	AJMC. Mandatory Medicare Bundled Payment and the Future of Hospital Reimbursement (TEAM). https://www.ajmc.com/view/mandatory-medicare-bundled-payment-and-the-future-of-hospital-reimbursement
7	Manatt Health. Understanding the GENEROUS Model in Six Infographics. https://www.mondaq.com/unitedstates/healthcare/1721104/understanding-the-generous-model-in-six-infographics	16	CMS Innovation Insight: CJR generated savings to Medicare (PY7). https://www.cms.gov/priorities/innovation/innovation-insight-comprehensive-care-joint-replacement-cjr-model-generates-savings-medicare
8	Tiber Creek Group. Health Policy Spotlight: CMS' New GENEROUS Model. https://www.tibercreekgroup.com/archives/insights/tiber-creeks-health-policy-spotlight-cms-new-generous-model	17	RCPA summary: CJR PY6 net savings. https://paproviders.org/comprehensive-care-for-joint-replacement-model-evaluation-report-released-by-cms/
9	Centers for Medicare & Medicaid Services. GENEROUS Model overview page. https://www.cms.gov/priorities/innovation/innovation-models/generous	18	JAMA Health Forum. Transforming specialty care under Maryland global budgets. https://jamanetwork.com/journals/jama-health-forum/fullarticle/2806814

Abbreviations: ACS, American College of Surgeons; AJMC, American Journal of Managed Care; CJR, Comprehensive Care for Joint Replacement; CMS, Centres for Medicare & Medicaid Services; GENEROUS, Generating Evidence to Inform Research on the Use of Screening; GNUP, Global Nursing Undergraduate Programme; JAMA, Journal of the American Medical Association; LOI, Letter of Intent; MFN, Most Favoured Nation; PPP, Purchasing Power Parity; RCPA, Royal College of Pathologists of Australasia; US, United States.

Figure 1. PRISMA diagram: targeted review



CONCLUSIONS

- Credible pathway to sustained savings:** Current evidence suggests that the GENEROUS model has a well-defined and credible theoretical pathway to delivering sustained Medicaid cost savings, primarily through delinked, price-based reimbursement rather than utilisation controls.
- Importance of scale and participation:** Real-world effectiveness will depend on broad state participation, as fragmented or partial adoption may limit the model's ability to generate predictable pricing signals and aggregate fiscal impact.
- Manufacturer engagement with delinked pricing:** Successful implementation requires meaningful manufacturer acceptance of delinked revenue structures, including confidence that predictable, volume-neutral payments can offset reduced exposure to utilisation-based returns.
- Robust price-validation and governance:** The integrity of the model rests on rigorous price-validation mechanisms, including transparent reference pricing inputs, reliable international price data, and consistent purchasing-power parity adjustments to prevent arbitrage or gaming.
- Alignment with existing rebate frameworks:** Operational success will also depend on clear alignment with current Medicaid rebate structures, ensuring that the GENEROUS payment mechanism complements rather than conflicts with statutory rebate obligations and reporting requirements.
- Balance between fiscal discipline and access:** By decoupling payment from volume while anchoring prices to externally validated benchmarks, the model has the potential to contain expenditure growth without restricting access to clinically valuable therapies.
- Scalability and sustainability:** If effectively executed, the GENEROUS model represents a scalable and administratively durable policy option, capable of supporting long-term budget predictability while encouraging access to high-value medicines across diverse Medicaid populations.