



March 19, 2014

Glen Shor, Secretary
Executive Office for Administration and Finance
State House, Room 373
Boston, MA 02133

Kristin Thorn, Director
Office of Medicaid
One Ashburton Place, 11th Floor
Boston, MA 02108

Dear Secretary Shor and Director Thorn:

On behalf of the Massachusetts Association of Health Plans (MAHP), and our six member Medicaid Managed Care Organizations (MCOs) providing coverage to Massachusetts residents in the MassHealth and Commonwealth Care programs, I am writing to raise our concerns with the coverage of a new class of recently approved drugs that treat Hepatitis C, including Sovaldi and Olysio, and to request a meeting with you and your staff to discuss the financial implications and solutions to ensure the sustainability of the programs.

While these drugs represent a major advancement in the effective treatment of Hepatitis C for our plans' members, these drugs carry an extremely high cost. For example, one twelve week cycle of Sovaldi costs approximately \$84,000 and this amount climbs to well over \$100,000 when used in combination with other medications, as is required for effective treatment. These numbers do not include costs associated with members who require multiple courses of treatment or those with more resistant strains of Hepatitis C. In these instances, the cost of treatment would double. There are other all-oral combinations coming later in 2014 that may be even more effective and likely more expensive.

The MCOs are committed to the treatment of their members through the appropriate use of these drugs. However, whenever a new drug or treatment is made available, it is important to balance the significant costs to the system with the benefits. In the cases of Sovaldi and Olysio, the combination of a potentially large patient population and the price of the medication is creating concerns regarding the affordability of the treatment across the country, particularly in state Medicaid programs.

We have tremendous concerns of the financial impact to the Massachusetts MCOs. The cost of providing Sovaldi and Olysio was not factored into calendar year 2014 (CY14) MassHealth and Commonwealth Care rates, and the projected financial impact will be significant, resulting in further losses for all the MCOs, after a year in which MCOs experienced operating losses in excess of \$100m on a combined basis across both MassHealth and Commonwealth Care

programs. For these reasons, it is imperative that we begin conversations around the coverage of these drugs as soon as possible.

According to the Centers for Disease Control (CDC), Hepatitis C is the most common chronic blood borne infection in the United States, with an estimated 3.2 million persons chronically infected. Massachusetts MCOs are already receiving requests for coverage of Sovaldi from their members. The MCOs have an average of 20 members on Sovaldi, and some have as many as 67 members currently on the drug. This number is only growing with several MCOs reporting as many as 3-5 requests *per day* for the drug.

Based on research on disease prevalence in the general population (i.e, not a Medicaid only population) and indications for these new therapies, the MCOs estimate an annual financial impact of between \$105M and \$170M or 3%-5% of total MCO revenue¹. These costs are expected to be even higher in Massachusetts because our MCOs have a disproportionate number of adult members relative to other Medicaid programs nationally. If all known individuals infected with Hepatitis C were to obtain the new therapies at current costs, the financial impact would be in excess of \$700m or 20% of MCO revenue.

Our member MCOs have already received hundreds of requests for the new therapies. We expect these numbers to continue to grow as more patients and physicians demand this new treatment option for Hepatitis C and are screened for the disease. Both the U.S. Centers for Disease Control and Prevention and the U.S. Preventive Services Task Force recommended screening for Hepatitis C for those individuals born between 1945 and 1964. Additionally, we have reviewed reports, and have heard anecdotally, that a number of medical providers have delayed initiating any alternative treatment regimen for their Hepatitis C patients until Sovaldi was approved for treatment of Hepatitis C. Therefore, it is likely that there could be additional demand for Sovaldi and other upcoming drugs and that the number of Medicaid and Commonwealth Care beneficiaries seeking such treatment could be even greater than current projections.

In order to ensure the financial stability of the MassHealth and Commonwealth Care programs and the participating MCOs, we would like to begin a dialogue with the Administration to discuss strategies to provide for the treatment of Hepatitis C in an efficient and cost-effective manner. The costs associated with this new treatment is not an issue unique to Massachusetts. State Medicaid programs, MCOs, and commercial health plans across the country are developing solutions to balance the availability of a potential effective treatment for patients with Hepatitis C with the drug's tremendous costs. For example, the California Technology Assessment Forum agreed that for cost and medical reasons not every patient with Hepatitis C needs to be immediately treated with these drugs. We believe that it would be helpful to hold similar public policy conversations within the Massachusetts health care payment and delivery systems. Without the active financial and policy engagement of the state and relevant health care stakeholders in addressing this public health issue and new treatment, the MCOs financial standing will be severely undermined.

¹ Overall Hep-C prevalence rates by FPL category based on Milliman Study (Dec 10, 2013)

(<http://nvhr.org/sites/default/files/Milliman%20HCV%20ACA.pdf>)

% seek treatment & % Ineligible for PEG assumption per Institute for Clinical & Economic Review, draft for Mar 10, 2014 meeting, pp 73-74 , pp 73-74 (http://ctaf.org/sites/default/files/assessments/CTAF_Hep_C_Draft_021214.pdf)

We would like to request a meeting with you and your staff at your earliest convenience to begin to discuss the anticipated costs to the Medicaid and Commonwealth Care programs associated with coverage of these new drugs and begin a dialogue on possible solutions, including the ability of MCOs to implement management practices that ensure appropriate coverage for these high costs medications, flexibility in MCO contract requirements, evaluating the risk adjustment methodology, making mid-year adjustments to MCO rates to reflect new and costs, such as those associated with Sovaldi, and collecting data to measure the costs and benefits of covering these new drugs.

Please let me know if you have any questions or require any further information. We look forward to discussing this matter with you and your staff.

Sincerely,



Sarah Gordon Chiaramida
Massachusetts Association of Health Plans

Cc: John Polanowicz, Secretary, Executive Office Health & Human Services
Hon. Brian Dempsey, Chair, House Committee on Ways and Means
Hon. Stephen Brewer, Chair, Senate Committee on Ways and Means