

PRESS RELEASE



FOR IMMEDIATE RELEASE:

June 30, 2015

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New Analysis Reveals High-Priced Hepatitis C Drugs Could Have Costly Impact on State

Taxpayers, State Programs Exposed to Unsustainable Drug Prices

Sacramento, CA – A new [analysis](#) and [infographic](#) released today estimate California’s exposure to high-priced Hepatitis C medications could range from hundreds of millions of dollars, even if only 5 percent of Californians infected with Hepatitis C receive treatment through state programs. The analysis, which looks at the costly impact of new Hepatitis C treatments on public programs, comes at a time when state and federal agencies grapple with hefty price tags for drugs like Gilead Sciences’ Harvoni and Sovaldi.

California’s state agencies have already acknowledged the impact of high-priced Hepatitis C drugs by setting aside hundreds of millions in the state budget and establishing workgroups to address the high-cost drug trend. The analysis released today supports the need for these proactive actions as these highly-effective, but costly, treatments pose a significant threat to the stability of our health care system at a time when health care reform has expanded coverage to millions of Americans.

“With a host of potentially six-figure priced drugs due to hit the market this year, this report shows how just one new treatment can blow a hole in state and federal budgets,” said Charles Bacchi, President and CEO of the California Association of Health Plans. “These findings illustrate that this pricing trend is not sustainable for our state, its taxpayers and our public programs.”

The introduction of Hepatitis C drugs with prices as high as \$94,000 per treatment caused prescription spending for the disease to increase 750 percent in just the last year. And, with the state paying the health care tab for one-third of Californians through Medi-Cal, the state and taxpayer liability for these increased costs has risen significantly. The report estimates that if just 5 percent of those with Hepatitis C in state

Even with Discounts, Underlying Prices Drive Total Spending

	MEDI-CAL, CALPERS, PRISONS, ADAP, STATE HOSPITALS	Treatment Course Cost Per Person	5% OF HEP C POPULATION	10% OF HEP C POPULATION	15% OF HEP C POPULATION	20% OF HEP C POPULATION	25% OF HEP C POPULATION
WEIGHTED WHOLESALE ACQUISITION COST*		\$117,000	\$1 Billion	\$2 Billion	\$3.1 Billion	\$4.1 Billion	\$5.1 Billion
DISCOUNTED RATE OFF Weighted Wholesale Acquisition Cost	10%	\$105,300	\$921 Million	\$1.8 Billion	\$2.8 Billion	\$3.7 Billion	\$4.6 Billion
	30%	\$81,900	\$716 Million	\$1.4 Billion	\$2.2 Billion	\$2.9 Billion	\$3.6 Billion
	50%	\$58,500	\$512 Million	\$1 Billion	\$1.5 Billion	\$2.1 Billion	\$2.6 Billion

*The baseline treatment cost used in the study is the wholesale acquisition cost weighted by percentage of patients likely to be prescribed a specific treatment regimen. Treatment costs for Hep C vary from patient to patient, ranging anywhere from \$63,000 to \$189,000 or more for a treatment regimen lasting 8 to 24+ weeks.

programs receive discounted treatment, costs could range from \$512 million to \$921 million. If the percentage of those receiving treatments increases, costs could run into the billions, even with steep discounts.

The report estimates the number of people receiving health coverage/services in state programs (Medi-Cal, CalPERS, prisons, state hospitals and the AIDS Drug Assistance Program) who are infected with Hepatitis C. It then offers a range of cost estimates based on different scenarios for price discounts and those obtaining treatment.

The report illustrates the state's vulnerability to high-priced Hepatitis C drugs. The Governor's 2015-16 budget recognized this exposure, calling for \$228 million in supplemental funding for high-priced Hepatitis C treatments. The numbers revealed in the report support the state's efforts, while illustrating the need to prepare for future impacts as the costs seen to-date are only the tip of the iceberg.

"We look forward to working with the Administration and the Legislature -- both of which have acknowledged the challenges posed by high-priced drugs -- to ensure we have greater transparency around the cost of these drugs and to identify additional strategies that will sustain the long term affordability of our health care system," added Bacchi.

The analysis, produced by the Taylor Feldman Group for the California Association of Health Plans, uses a linear model based on prevalence of Hepatitis C in state-funded health programs, Hepatitis C treatment prices, and percentage of patients seeking treatment in a given year to determine how California may be impacted by high-priced Hepatitis C drugs. The findings provide a range of cost estimates for the entire state population as well as sub-populations covered by public programs and illustrate a significant burden to the state across the board.

A variety of Hepatitis C specialty drugs and drug combinations are available, but the market is currently dominated by Gilead Sciences' Harvoni and Sovaldi, which hold more than 90 percent of the market share. While new drugs -- like AbbVie's Viekira Pak -- have recently hit the market, the pricing of these drugs is similar to Harvoni and Sovaldi, allowing the Gilead products used in the study to serve as a good proxy for the impacts of new drugs, like Viekira Pak, as market share grows.

The introduction of high-priced drugs that treat widespread diseases like Hepatitis C is an unsustainable trend that runs counter to efforts to make quality health care affordable and accessible. California is already seeing the impact of these high prices, and the analysis released today underscores additional strains to come. These new drugs have great potential as effective treatments, but their price tags strain state budgets and stand in the way of patients' ability to access treatments.

To read the full analysis and accompanying infographic, please visit http://www.calhealthplans.org/pdfs/CAHP_HepC-TFGReport_Final062915.pdf & http://www.calhealthplans.org/pdfs/RunawayRx_%20Hep%20C_Infographic_FINAL063015.pdf.

To read what others are saying about high-priced drugs, please visit http://www.calhealthplans.org/pdfs/WhatOthersAreSayingCAHPRxReport_06.30.15.pdf.

For more information on the impact of high-priced drugs, please visit [Health Care Cost Drivers: Spotlight on Specialty Drugs](#) & [Runaway Rx: Shedding Light on Prescription Drug Pricing](#).

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