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Medicaid Directors Suggest Gov't Price Controls For Drugs Like Sovaldi

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Medicaid directors want the federal government to either control the price of specialty drugs such as Sovaldi or help states pay for them. The National Association of Medicaid Directors wrote Congress Tuesday (Oct. 28) with several suggestions, including government price controls and the state vaccination model, in which the federal government pays for drugs and states pay to administer them.

"While we recognize that direct price controls would be a politically volatile topic which could be expected to encounter substantial pushback, a strong case can be made for the unique circumstances of hepatitis C in particular," NAMD states in a letter to the Senate Finance and health committees, and House Ways & Means and Energy & Commerce committees.

NAMD acknowledges flaws in the suggested policies but says the federal government must start thinking about how it will help states afford expensive drugs.

Many people infected with hepatitis C are covered by public health insurance, be it Medicare, Medicaid, prisons or the Veterans Health Administration. The government also has a public health interest in eradicating the infection, which is responsible for more deaths in America each year than HIV/AIDS.

The Medicaid directors are not endorsing the policies that they outlined in the letter, but they hope those ideas will kick start debate over how to pay for the drugs. Medicaid programs are being asked to cut their budgets at a time that drug spending is increasing, and soon states will have to cut programs and services to cover the cost of the drugs, they say.

Also, Tennessee Medicaid Director Darin Gordon told *Inside Health Policy* that Medicare benefits when Medicaid cures hepatitis C so the federal government should pay for more of the cost of the cure. Harvoni, which combines Sovaldi and (sofosbuvir)

and ledipasvir, costs $94,500 for a 12-week course. In clinical trials, the drug had a cure rate of nearly 100 percent.

"The potential savings associated with the initial Medicaid purchase of Sovaldi would therefore not accrue to the state's Medicaid program, but rather to another payer," the letter states. "It is not reasonable to expect states to finance the full cost of an expensive treatment whose associated savings likely accrue to another entity decades in the future."

Another suggestion is to apply to specialty drugs the approach used for funding vaccinations: The federal government buys the drugs, and states pay to administer them. Although Sovaldi and Harvoni are pills and don't need to be administered like vaccines, the vaccination approach could be used because Medicaid must continue to treat patient's liver disease once the virus is cleared from their system. The federal government could pay for the drugs and leave the cost of treating patient's liver problems to the states, NAMD says.

The federal government also could pay higher match rates for Sovaldi and other curative drugs, the letter states. It could mandate additional rebates from manufacturers by, for example, triggering those rebates if a disease state or condition affects a certain percentage of the Medicaid population. The government could modify so-called best-price policies for breakthrough drugs to include the selling price in other countries. Risk corridors and other reinsurance tools could be extended to states based on subsidizing spending in excess of clearly articulated federal projections of coverage and costs. Congress could set up a federal program for financing Sovaldi drug that is similar to the Ryan White and state ADAP programs for HIV/AIDS drugs, in which Medicaid is a payer of last resort. Medicaid programs could be allowed to use cost-effectiveness research to identify whether drugs are included in the program's formulary by letting Medicaid exclude products that are not cost-effective. Finally, HHS could grant waivers to states that allow them to contract with drug manufacturers outside of the Medicaid rebate program. For example, waivers could allow states to pay drug makers only after the drugs have worked.

"Sovaldi is just the first of many such exceptionally high-cost 'curative' specialty drugs," Medicaid directors state. "As more of the specialty drugs that are brought to market adopt this same pricing rationale, new thinking and approaches are required to safeguard the financial integrity of state Medicaid programs and ensure low-income patients are able to access appropriate medical innovations." -- *John Wilkerson*
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