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JOURNAL REPORTS: HEALTH CARE

Louisiana's Deal for Hepatitis C Drugs May Serve as Model

The state has broadened access to hepatitis C therapies with a payment deal that has been likened to a Netflix subscription

By Ted Alcorn

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The crowd at the New Orleans health clinic in late June filled the seats and overflowed into the wings. Louisiana Gov. John Bel Edwards was there, as were employees from Gilead Science's affiliate Asegua Therapeutics. They had gathered to launch a plan for the statewide elimination of hepatitis C, which killed more than 17,000 Americans in 2017.

The event, however, wasn't prompted by the discovery of a new cure. Officials were unveiling a new way of *paying* for an existing therapy.

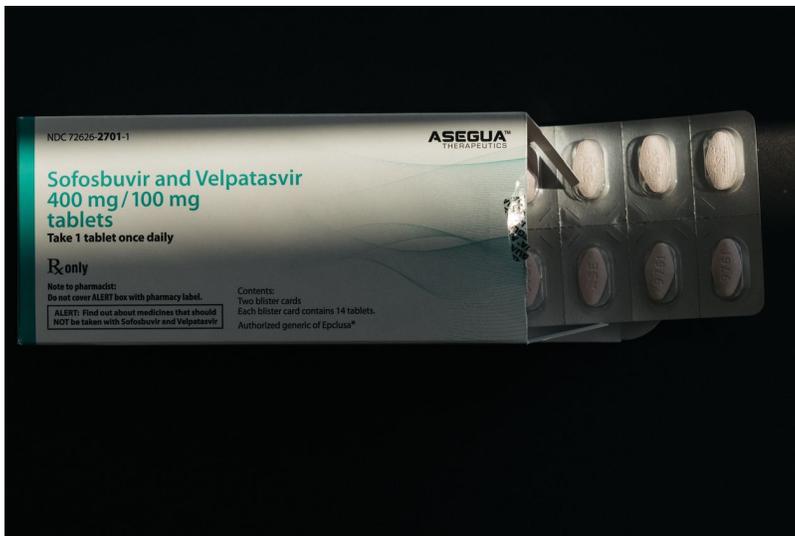
It is rare for government officials and companies to celebrate a financial agreement. But in recent years, progress in addressing hepatitis C has been hampered not by a lack of innovative drugs but by a marketplace that fails to make those drugs widely available. When breakthrough therapies that rapidly cure the chronic infection were introduced starting in late 2013, manufacturers charged prices in the tens of thousands of dollars per course of therapy. Many insurers proved willing to pay, bringing the drug companies tens of billions of dollars.

But many health-care payers with fixed budgets such as state Medicaid programs and correctional health systems balked at the prices, and set criteria that effectively reduced the number of infected patients eligible for treatment. Louisiana exemplified the problem: An estimated 39,000 people in the state's Medicaid program or in its prisons are infected with hepatitis C, but in 2018 just over 1,000 were treated.

So shortly after her appointment in 2016, Louisiana Secretary of Health Rebekah Gee decided it was time for a new approach. “I found it unacceptable that people would get sick and die from a disease that is curable,” she says.

Early on, Dr. Gee played hardball, openly exploring whether to ask the federal government to invoke a century-old provision of patent law that would force the manufacture of the drugs for the public good, at a vastly discounted price. The proposal, strongly opposed by drugmakers, may have helped bring them to the negotiating table, where a framework for a voluntary agreement began to emerge.

Sealed after nearly two years of subsequent negotiation, the final agreement effectively made Asegua the primary provider of hepatitis C therapies for the state’s Medicaid and correctional populations for the next five years.



Breakthrough treatments for hepatitis C were introduced starting in 2013, but cost was an issue for many fixed-budget health-care payers such as state Medicaid programs. PHOTO: ANNIE FLANAGAN FOR THE WALL STREET JOURNAL

In return, the drug company agrees to de-link the volume of drugs it provides from the payments received. That means instead of selling the medication by the dose, the company will provide as much as the state can dispense to the Medicaid and correctional populations. This arrangement has been likened to a Netflix “subscription,” where the price customers pay isn’t linked to the volume of movies they stream, and their total consumption isn’t capped. The state will effectively pay a fixed price to access all of the drugs it can use. The agreement sets this amount at roughly \$60 million, equivalent to what the state paid in the 2019 fiscal year.

Crucially, where Louisiana previously saw costs increase with every patient it enrolled in treatment, this arrangement incentivizes the state to identify and treat as many people as possible because the marginal cost of each additional patient is essentially zero. With the new contract signed, the state has promised to treat 80% of both Medicaid and correctional populations by 2024.

If it achieves that goal, by treating more than 31,000 people in five years, the cost per patient will be less than \$10,000. Experts say that is likely lower than the price paid by many other states but still highly profitable for Asegua, as the company has long since recouped its investment in hepatitis C therapies. Ingredients to make a course of treatment are estimated to cost less than \$100.

For Asegua, which declined to comment on the price per patient, the deal gives it guaranteed income and a chance to claim credit for helping expand treatment at a time when public anger about high drugs prices is growing. “Partnering with Louisiana on this unique model was born from our commitment to making our innovative medicines accessible to those who need them,” the company said in a statement.

Enormous promise

Health-policy experts say the agreement—the first of its kind for a U.S. state—could serve as a model for other health-care payers increasingly looking for innovative ways to manage costs and pay more directly for health itself.

A month after Louisiana’s agreement was revealed, Washington state announced a similar arrangement with drugmaker AbbVie. Other states have expressed interest in these approaches, too, though none have confirmed they are developing their own models. “We’re all sort of learning from each other and trying to figure out what works best,” says Judy Zerzan, chief medical officer of Washington state’s Health Care Authority.

Although the hepatitis C epidemic is unique in many respects—there is a large and clearly defined population of infected people who lack access to treatment, all of whom can be effectively cured with a single therapy, and multiple, competing manufacturers capable of providing it—experts say the subscription model could have applications for other diseases, as well.

Rena Conti, an associate professor at Boston University’s Questrom School of Business who helped Louisiana develop its agreement, says the model might be applied to purchases of medications for pre-exposure prophylaxis for HIV, known as PrEP. She also points to products that are on the horizon, including gene and stem-cell therapies to treat children with congenital disorders like sickle cell anemia.

The U.K., meanwhile, recently announced it will test a subscription agreement to purchase antibiotics. Unlike Louisiana, which sought to expand treatment, the U.K. hopes to reduce drugmakers’ incentives to widely market their products, limiting unnecessary use that can contribute to antimicrobial resistance.

These endeavors are part of a larger wave of innovative payment models that attempt to better align the price of drugs with the scale and pace of benefit they provide. Oklahoma, Colorado,

and Michigan recently obtained federal approval to negotiate new value-based agreements with drugmakers, like scaling payment for a drug to the health benefit it yields. And the Senate's leading effort to reduce drug prices, introduced by Sens. Chuck Grassley and Ron Wyden in late July, would allow installment plans for some expensive one-time therapies, so insurers could gradually pay for them as treated patients accrue benefit from them.

“There is enormous promise in the idea,” says Josh Sharfstein, a vice dean at the Johns Hopkins Bloomberg School of Public Health. “Way too much of the discussion on drug pricing is about the cost per pill, and way too little is about whether we’re really improving the health of the community,”

Clearing hurdles

Louisiana's payment model may sound simple, but the route to it was far from straightforward.



In the first week of the new program, Dr. Youmans says, she started 65 Medicaid patients on medication for hepatitis C, more than she had ever initiated in a comparable period. PHOTO: ANNIE FLANAGAN FOR THE WALL STREET JOURNAL

In addition to getting drugmakers to the negotiating table, Louisiana had to overcome federal regulations meant to keep drugs affordable for the poorest patients. By law, drugmakers must offer their drugs to state Medicaid programs at the best price they sell to any other payer. It wasn't until June that the Centers for Medicare and Medicaid Services authorized Louisiana to implement its subscription agreement outside of the “best price” rule, which could have forced Asegua to revise its Medicaid contracts with other states.

When the Louisiana agreement went into effect on July 15, Cassandra Youmans, a doctor who has been treating patients with hepatitis C at University Medical Center New Orleans since 2008, combed through her records to identify Medicaid patients who had previously been denied treatment.

In the first week, she started 65 of them on medications, more than she has ever initiated in a comparable period. And a once-labyrinthine process of getting insurers' approval was now

instantaneous and nearly seamless: She could see a patient for the first time, order a prescription at the pharmacy downstairs and begin the patient's treatment immediately.

"This new program has revolutionized treatment," she says.

Making medications accessible is a crucial step, but officials acknowledge that on its own, it isn't sufficient to end the hepatitis C epidemic. Most people with hepatitis C are early in what can be a decadeslong progression of disease, and are unaware they are infected. To help identify those patients, Louisiana is asking health-care providers to begin offering opt-out testing to people who visit their emergency departments, among many other changes.

In Australia, which adopted a subscription model for hepatitis C treatment in 2016 but didn't pair it with broad screening of the population, treatment numbers spiked at first, but then tapered off.

"Subscription models are great if they are a holistic program that includes screening, linkage to care, and treatment," says Homie Razavi, who directs the nonprofit Centers for Disease Analysis Foundation, which has modeled hepatitis C elimination strategies for both the Australian and Louisianian governments. "But if the focus is only treatment, it's going to fizzle out in a few years."

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