

October 28, 2016

The Honorable Don Shooter  
Arizona State Senate  
1700 West Washington Street  
Phoenix, Arizona 85007

Dear Senator Shooter:

Pursuant to the committee approval of the CYE 17 capitation rates on September 21, 2016, AHCCCS is submitting the following detail regarding direct-acting antiviral (DAA) medications for treatment of Hepatitis C.

The approval of a variety of DAA medications for treatment of Hepatitis C resulted in Medicaid programs and other payers across the country having to establish criteria for approval. As has been widely reported in the media, the costs of the newer DAAs can be expensive. The newer DAAs are much more effective and better tolerated/safer than the older medications and have become the standard of care to treat HCV. The typical course of treatment runs 12 weeks, with some members requiring 24 weeks. Additionally, the sustained virologic response (SVR, which is a measure of the absence of the virus in the blood) for members that were able to tolerate older therapies (which was not everyone treated) was approximately 45%. In comparison, with the newer DAAs, the SVR is greater than 90%.

Prior to October 1, 2016, AHCCCS covered the newer DAAs for members who had a fibrosis/cirrhosis of Metavir (i.e., fibrosis level) stage F3, and required 6 months substance use abstinence. We estimate that approximately 830 members will have received treatment in Contract Year (CY) 2016 (October 1, 2015 through September 30, 2016)<sup>1</sup>.

As of October 1, 2016, AHCCCS amended its clinical criteria for members using the newer DAAs to assure access to this effective treatment and in compliance with federal requirements for coverage of prescription drugs. AHCCCS modified the clinical criteria for members utilizing Hepatitis C by lowering the fibrosis level from F3 to F2 and reducing the abstinence requirement to 3 months. Broadly, the change to the criteria for Hepatitis C drugs stems from multiple factors, including but not limited to: additional information available about the efficacy of the treatments, federal guidance, other state experiences including litigation, decreased cost of agents due to market forces/supplemental rebates. The AHCCCS actuaries estimate that under the new criteria, approximately 1,469 members will be treated in CY 2017 (October 1, 2016 through September 30, 2016).

Below are the following DAAs and their pricing per course of treatment, by preferred and non-preferred status.<sup>2</sup> Courses of treatment can run between 8 and 24 weeks.

<sup>1</sup> It is too soon after the close of the contract year, i.e., September 30, 2016, to be able to identify all utilizers of these DAAs due to claims lag. Thus, the CYE 2016 is an estimate.

<sup>2</sup> Drugs not on the preferred list are available via prior-authorization if a preferred agent is not appropriate to treat the member. We expect minimal utilization of the non-preferred drugs.

	Pre-Rebate Price	Course of Treatment
<i>Preferred</i>		
Epclusa	\$75,359	12 weeks
Technivie	\$77,267	12 weeks
Viekira	\$83,987	12 weeks
Zepatier	\$55,038	12 weeks
Harvoni (8 weeks)	\$63,505	8 weeks
Harvoni (12 weeks)	\$97,257	12 weeks
<i>Non-Preferred</i>		
Daklinza	\$63,505	12 weeks
Sovaldi	\$84,673	12 weeks
Olysio	\$66,892	12 weeks

It is important to note that these medications are eligible for federal rebates and AHCCCS has negotiated confidential supplemental rebates on these medications. Both federal and supplemental rebates reduce the net cost of these medications to the state and result in additional monies flowing through the Prescription Drug Rebate Fund (PDRF). As discussed in the September 21, 2016, JLBC meeting, 42 U.S.C. 1396r-8(b)(3)(D), prohibits prescription drug pricing and rebate information from being publicly disclosed. The AHCCCS supplemental rebate agreements with manufacturers also include prohibitions on public disclosure, consistent with federal law. However, in total, AHCCCS collects almost \$600 million annually in rebates; of this amount approximately \$124 million is available in the PDRF to offset General Fund expenditures on the program and the remainder is returned to the federal government.<sup>3</sup>

Sincerely,



Beth Kohler  
Deputy Director

cc: The Honorable Justin Olson, Arizona House of Representatives  
Richard Stavneak, Joint Legislative Budget Committee  
Christina Corieri, Office of the Governor  
Bret Cloninger, Office of Strategic Planning and Budgeting

---

<sup>3</sup> This total amount includes all rebates collected, not only supplemental rebates associated with DAAs.