



ACAP
Association for Community
Affiliated Plans

1015 15th Street, N.W., Suite 950 | Washington, DC 20005
Tel. 202.204.7508 | Fax 202.204.7517 | www.communityplans.net
Howard A. Kahn, Chairman | Margaret A. Murray, Chief Executive Officer

April 30, 2014

Ms. Cindy Mann
Director
Center for Medicaid and CHIP Services
Centers for Medicare & Medicaid Services
Hubert H. Humphrey Building
200 Independence Avenue SW
Room 445-G
Washington, DC 20201

Sent via email

Dear Ms. Mann:

We are writing to raise a critical issue that is impacting the potential viability of the ACAP member health plans. The Association of Community Affiliated Plans (ACAP) is a trade association that represents 57 safety net, mission-driven health plans that serve more than 10 million publicly-insured individuals.

As I am sure you are aware, a new drug regimen has been approved for individuals with hepatitis C. To be sure, the drug promises several benefits: a higher cure rate, fewer side effects and availability of a therapy option for patients with other conditions (such as HIV) for whom effective treatment may not have previously been available. Our Safety Net Health Plans seek to deliver such benefits to as many patients as could practically and appropriately benefit.

While this is a very desirable and welcomed medical breakthrough, the cost of the treatment was not considered when the current managed care rates were set. As I am sure you know, the *minimum* cost for a single course of treatment with Sovaldi is \$84,000. When considered in light of the number of individuals who have been identified as having hepatitis C, combined with the number of individuals who may be diagnosed with the advent of improved screening, the impact on the financial viability of Medicaid health plans becomes apparent. One plan reports treating fewer than 50 patients with this class of drug, yet Sovaldi accounted for more than 6 percent of the plan's total medical costs in March. Several other ACAP plans have reported expenditures in the millions already.

It is not possible to determine if and when the drug costs will be offset by any treatment cost savings, especially given the amount of churn in the Medicaid program. According to the April 14, 2014 assessment completed by the California Technology Assessment Forum Technology (*The Comparative Clinical Effectiveness and Value of Simeprevir and Sofosbuvir in the Treatment of Chronic Hepatitis C Infection*), "Even at a 20-year horizon, if all patients infected with hepatitis C are treated with the new regimens, the cost offset will only cover approximately three-quarters of initial drug costs."



Moreover, all rebates that accrue for the use of the drug will be paid to government purchasers, not the health plans that are paying the full cost of the drug. Being an ardent supporter of drug rebate equalization because it fosters integrated care management, we do not believe that it was the intent of that legislation to benefit states and federal government in a situation like this at the expense of the health plans that are managing the care.

Our major concern is that in the spirit of actuarially sound rates and the reality of overturned rate assumptions, the issue must be addressed and must be addressed *immediately*. That way, we can maximize access to this promising treatment for hepatitis C without adversely affecting access for the nearly 10 million others who count on safety net plans for the coverage and care they need. We support the call for the immediate initiation of a working group to address this issue and would be willing to participate in this effort. We also request that CMS offer quick guidance in the form of a State Medicaid Directors Letter to encourage swift state action in addressing these concerns and, through the federal oversight function, ensure immediate and timely action has been taken by the states.

ACAP plans are mission-driven organizations; it is hardly customary for Safety Net Health Plans to request rate relief midstream. However, in this case, the risk is well beyond the reasonable risk level that a health plan should be expected to bear using its reserves. We are concerned that without federal and state action to address this situation our member health plans will not be able to survive this unfunded financial strain. The resulting elimination of safety net health plans from the market will impede access to health care services for all Medicaid members.

Please feel free to contact me (mmurray@communityplans.net; 202-204-7509) or Kathy Kuhmerker, our Vice President for Medicaid Policy (kkuhmerker@communityplans.net; 202-204-7510) if you would like to discuss any of these issues in greater depth.

Sincerely,

Margaret Murray
CEO

cc: Matt Salo, Executive Director
National Association of Medicaid Directors