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THE FUTURE OF HEALTH CARE

A Plan to Fight Hep C

Louisiana is a testing ground for a new payment model that may help states provide life-saving medicine for everybody who needs them

BY TED ALCORN

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 wasn't prompted by the discovery of a new cure. Officials were unveiling a new way to *pay* 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

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3,846

Total Louisiana Medicaid and correctional patients treated for hepatitis C, fiscal 2015-19

10,000

Projected patients treated, July 2019-Dec. 2020, under new program

Note: For treatments with direct-acting retrovirals

Source: Louisiana Health and Corrections departments

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 lead 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 Aseguia the primary provider of hepatitis C therapies for the state's Medicaid and correctional populations for the next five years.

In return, the drug company agreed 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.

For Aseguia, the deal gives it guaranteed income and a chance to claim credit for helping expand treatment at a time of growing public anger about high drugs prices. "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.

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.

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.

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.

"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,"

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.

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

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