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November 30, 2015

Ms. Karen Chang  
Bureau Chief  
Medicaid Program Analysis  
Florida Agency for Health Care Administration  
2727 Mahan Drive – Building 3  
Tallahassee, FL 32308-5407

**Re: September 2015 – December 2015 High Cost Hepatitis C Kick Payment Development for AIDS / HIV Members**

Dear Karen:

The Florida Agency for Health Care Administration (AHCA) retained Milliman to develop kick payments to be paid to capitated plans to cover high cost hepatitis C treatments for AIDS / HIV members under MMA. The kick payments vary by length of authorization but not by treatment type. This letter documents the process used to create the proposed kick payment and the types of treatments that would trigger this payment. Beginning September 1, 2015, costs for treating hepatitis C are included as part of the regular capitation rate development for all eligibilities other than AIDS / HIV. Therefore, the developed kick payment rates in this letter only apply to the AIDS / HIV population.

## RESULTS

We are proposing to decrease the September 2015 – December 2015 high cost hepatitis C kick payments by approximately 9.7% from the April 2015 – August 2015 payment levels as shown in Table 1:

<b>Table 1</b>		
<b>Proposed High Cost Hepatitis C Kick Payment</b>		
<b>September 2015 – December 2015</b>		
	<b>Apr 2015 – Aug 2015</b>	<b>Sep 2015 – Dec 2015</b>
<b>Payment Tier</b>	<b>Amount</b>	<b>Amount</b>
4-week payment	\$34,972	\$31,566
8-week payment	\$69,943	\$63,132
12-week payment	\$104,915	\$94,699

Below are some additional details regarding the kick payment:

- A kick payment is triggered if a member in a capitated plan is authorized for a hepatitis C treatment that includes Olysio, Sovaldi, Harvoni, Viekira Pak, Daklinza, or Technivie.

- The payment is intended to cover the pharmacy costs of the entire hepatitis C treatment when Olysio, Sovaldi, Harvoni, Viekira Pak, Daklinza, or Technivie is part of the treatment.
- If a kick payment is triggered, the 4-week payment will be paid for the initial 4 week treatment. The 8 – week payment is triggered if a member is authorized and continues treatment from 4 – 12 weeks. The 12-week payment is triggered if a member is authorized and continues treatment from 12 – 24 weeks.
- The kick payment is the same amount by authorization duration regardless of the type of treatment that is authorized.
- Recent data is showing more reliance on Harvoni and Viekira Pak treatments, including a significant increase in Viekira Pak usage. The updated kick payment reflects the increased use of Harvoni and Viekira Pak, which reduces the need for the more expensive Sovaldi plus Olysio treatment.
- No utilization data is currently available for Daklinza and Technivie treatments. We will consider these treatments in future updates of the kick payment.

## BACKGROUND

There are currently four high cost hepatitis C Food and Drug Administration (FDA) approved drugs used to treat patients with genotype 1, which is the most common type of hepatitis C and the most difficult to treat, and two other high cost hepatitis C FDA approved drugs for other genotypes:

- **Sovaldi:** In December 2013, the FDA approved Sovaldi. Sovaldi can be taken with or without interferon plus ribavirin (PR). Efficacy of treatments for hepatitis C can be measured by their sustained virological response (SVR) in patients. In initial tests, the drug has a SVR slightly under 90% when taken with PR. Additionally, more patients may be eligible for this treatment. The treatment is one pill per day for 12 - 24 weeks and has fewer side effects than previous treatments, which allows more patients to complete the treatment.
- **Olysio:** The FDA approved Olysio in November 2013. This drug has also shown an increase in the SVR in studies and requires fewer treatments than Incivek and Victrelis, which were the drugs used to treat hepatitis C prior to the introduction of Sovaldi and Olysio.
- **Harvoni:** The FDA approved Harvoni in October 2014. The drug has a similar SVR to Sovaldi and Olysio. It does not require the use of interferon or ribavirin with the treatment, which had the potential for severe side effects, such as fatigue, fever, anemia, depression, and anxiety. The removal of the requirement to use interferon or ribavirin and fewer side effects from hepatitis C treatment potentially allows more people to take the treatment.
- **Viekira Pak:** The FDA approved Viekira Pak in December 2014. The cost of treatment using this medication is approximately 10% lower than Harvoni treatment for a four week treatment, however, a small number of treatments used this medication until more recent time periods.
- Additionally, the FDA approved Daklinza and Technivie in July 2015. Daklinza will be primarily used to treat patients with genotype 3, and Technivie will be used to treat patients with genotype 4. Since a vast majority of members with hepatitis C have genotype 1, and no utilization is currently available for hepatitis C treatments with Daklinza and Technivie, we did not consider these treatments in the development of the kick payment.

AHCA will provide plans with an additional kick payment for Sovaldi, Olysio, Harvoni, Viekira Pak, Daklinza, and Technivie for September 2015 – December 2015 services based on the length of authorization approved.

## METHODOLOGY

AHCA provided Milliman with the following items to assist in the development of the hepatitis C kick payment:

- Cost per 28 days of hepatitis C treatment by drug mix and member for January 2015
- High cost drug claim detail by member for August 2015

We used the following approach to develop the kick payment:

1. Determine the average 28 day treatment cost by drug mix for January 2015.
2. Count the number of members using hepatitis C drugs in August 2015 by drug mix.
3. Multiply the count of members in step 2 by the average 28 day treatment cost in step 1, and divide by the count of members in step 2 to determine the average 28 day treatment cost in August 2015.
4. Include a 5.5% administrative expense, consistent with the percentage used in the development of the September 2014 – August 2015 kick payment.

The result of this calculation is a 4-week kick payment of \$31,566. Table 1 below provides the details of the average 4-week cost per treatment calculation.

<b>Table 1</b> <b>Proposed High Cost Hepatitis C Kick Payment</b> <b>September 2015 – December 2015</b>		
<b>Treatment</b>	<b>Average 4-week cost</b>	<b>August 2015 Utilization</b>
Sovaldi + Ribavirin	\$30,041	51
Harvoni	\$30,966	74
Olysio + Sovaldi	\$50,131	2
Viekira Pak	\$27,747	65
<b>Total</b>	<b>\$29,830</b>	<b>192</b>

## CAVEATS AND LIMITATION ON USE

This letter is intended to provide AHCA with a kick payment for high cost hepatitis C treatments for September 2015 – December 2015 service dates. This information may not be appropriate for other purposes.

In preparing this information, we relied on information provided by AHCA and the capitated plans. We accepted this information without audit but reviewed the information for general reasonableness. Our results and conclusions may not be appropriate if this information is not accurate.

Differences between the kick payments for high cost hepatitis C treatments and actual experience will depend on the extent to which future experience conforms to the kick payments. It is certain that actual experience will not conform exactly to the kick payments. Actual amounts will differ from kick payments to the extent that actual experience is better or worse than the current summaries.



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This information should not be relied upon by anyone other than AHCA. Milliman does not intend to benefit, and assumes no duty or liability to, other parties who receive this work. This letter assumes that the reader is familiar with the Florida Medicaid program.

I am a member of the American Academy of Actuaries and I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

The terms of Milliman's contract with AHCA signed on October 22, 2014 apply to this report and its use.



If you have any questions, please contact John Meerschaert (262-796-3434) or me (262-641-3562).

Sincerely,

A handwritten signature in black ink that reads "Andrew L. Gaffner".

Andrew L. Gaffner, FSA, MAAA  
Actuary

ALG/vrr