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AbbVie Deal Heralds Changed Landscape for Hepatitis Drugs

By ANDREW POLLACK DEC. 22, 2014

In a sign that price competition may take hold for hepatitis C drugs, the nation's largest manager of prescriptions will require all patients to use AbbVie's newly approved treatment rather than two widely used medicines from its rival Gilead Sciences.

The pharmacy benefit manager, Express Scripts, said it had negotiated a significant discount from AbbVie in exchange for making the drugmaker's treatment, Viekira Pak, the exclusive option for 25 million people. Express Scripts also said it would allow all people with hepatitis C to be treated with AbbVie's drug, not only those with more serious liver damage.

"We really believe we want all patients treated," Dr. Steve Miller, the chief medical officer of Express Scripts, said in an interview Sunday. He said that AbbVie had made that affordable by offering "a significant discount."

Gilead's drugs have set a new standard, curing the vast majority of patients in only 12 weeks with few side effects. But their prices have ignited an outcry. One drug, Sovaldi, has a list price of \$84,000 for a typical 12-week course of therapy, or \$1,000 per daily pill. The newer Harvoni costs \$94,500 for 12 weeks.

Gilead says the prices reflect the value the drugs bring to patients and the health care system. But some health plans, state Medicaid programs and prison systems say the drugs are busting their budgets. Many have been limiting treatment to only the sickest patients. Congress has investigated the prices, and Philadelphia's transit authority sued Gilead this month, saying its "price-gouging" violated antitrust laws.

Express Scripts has been one of the loudest complainers, with Dr. Miller even calling himself the “chief whining officer.” He has threatened to boycott Gilead’s drugs once alternatives were available and now seems to be doing just that.

Initial hopes that AbbVie would compete on price seemed to be dashed Friday, when Viekira Pak won approval from the Food and Drug Administration. AbbVie set the price at \$83,319 for the typical 12-week course, not a huge discount to Harvoni.

But list prices are not the entire story. Health plans and pharmacy benefit managers negotiate discounts in exchange for a better positioning on the formulary, the list of approved drugs. Express Scripts’ announcement suggests AbbVie is being more aggressive behind the scenes than it is with its list price.

The discounts will help hold down health care costs for employers that use Express Scripts but patients will probably not notice an immediate cost difference, such as lower co-payments.

Preferred position on the formulary typically means the preferred drug must be tried first, or has a lower co-payment.

But recently pharmacy benefit managers have been trying a more powerful weapon to increase their bargaining leverage — refusing to pay at all for the less preferred drug. Express Scripts’ national preferred formulary, which is used by many employers and covers 25 million people, will exclude about 70 drugs next year, including Harvoni, Sovaldi and another new hepatitis C drug, Johnson & Johnson’s Olysio.

Gilead, in a statement, said it had “been negotiating in good faith with Express Scripts and other payers” and hoped to continue to have discussions “that focus on the best interests of patients with hepatitis C.” A company spokeswoman declined to say what fraction of Gilead’s hepatitis C sales were covered by Express Scripts.

Doctors who treat hepatitis C cheered the fact that all patients would be treated, regardless of the severity of their disease.

“It’s going to expedite treatment for patients,” said Dr. Rena Fox, a hepatitis specialist at the University of California, San Francisco. “It certainly avoids putting doctors in a very uncomfortable position of having to say yes to

some patients and no to other patients.” Dr. Fox said that any differences between AbbVie’s and Gilead’s drugs were minor, so there was no problem in excluding Gilead’s drugs.

But Dr. Eugene Schiff, director of the center for liver diseases at the University of Miami, disagreed. He said Harvoni was one pill once a day while AbbVie’s drug required four pills, three in the morning and one in the afternoon. And many patients getting Viekira also have to take ribavirin, an older drug that can have serious side effects.

“To say that it’s exclusively this drug is not right,” Dr. Schiff said.

Harvoni and Viekira Pak are approved only for so-called genotype 1 hepatitis C, which accounts for about 70 percent of cases in the United States. Express Scripts said it would still pay for Sovaldi when used to treat other genotypes. And patients already taking Sovaldi or Harvoni can continue.

Dr. Miller would not disclose the discounts AbbVie is providing but said it would significantly narrow the gap between prices charged in the United States and Western Europe. Sovaldi has been selling for \$50,000 to \$70,000 in some European countries.

AbbVie also agreed not to charge twice as much when patients needed to take 24 weeks of Viekira Pak instead of 12. And Express Scripts will distribute the drug exclusively through its own specialty pharmacy, so it will make money on distribution.

In addition to giving AbbVie exclusivity and agreeing to treat all patients, Express Scripts also said it would allow doctors other than liver specialists and infectious disease specialists to prescribe Viekira, further widening the market.

AbbVie declined to comment.

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