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NEWS RELEASE

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Academy: Introduction of BTD Medications Like Sovaldi™ Complicates Projections of Medicaid Expenses

WASHINGTON – The impact of breakthrough therapy designation (BTD) medications—namely, Sovaldi—on the Medicaid program is a key concern for the American Academy of Actuaries. In [comments](#) sent to the Centers for Medicare & Medicaid Services (CMS) today, the Academy examines challenges that this emerging and high-cost issue poses for Medicaid-specific rates and asks CMS to provide states with flexibility in terms of implementing pricing methodologies and risk-mitigation strategies to address these challenges.

In late 2013, the U.S. Food and Drug Administration (FDA) approved the use of Sovaldi to treat Hepatitis C. Although considered to be an effective treatment protocol, a full 12 weeks of medication carries a significant cost. Sovaldi was the third BTD approved by the FDA since implementing an expedited review process for that category of drugs in 2012. In 2014 to date, 10 more drugs have received approval.

“The rapid introduction and associated uncertainties of new therapies, such as BTD medications, have made it more difficult for state operational and budget staff, as well as actuaries, to accurately project future Medicaid expenses based on historical experience,” said Michael Nordstrom, chairperson of the Academy’s Medicaid Work Group.

The work group’s comments highlight four potential pricing methodologies that could help ensure actuarially sound capitation rates and suggest states consider how each option might affect administrative expenses, state budget predictability and neutrality, incentives for health plans to manage costs, and whether it would be a permanent or temporary approach.

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“Given the cost uncertainties associated with BTD medications, a key factor in ensuring capitation rates are actuarially sound will be the funding approaches actuaries are allowed to use,” said Nordstrom.

More information on the potential pricing methodologies and risk-mitigation strategies can be found in the work group’s letter to CMS. The full letter is [available on the Academy’s website](#).

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The American Academy of Actuaries is an 18,000+ member professional association whose mission is to serve the public and the U.S. actuarial profession. The Academy assists public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.