

## Mass. Outlines Deal For A \$2 Million Drug: Pay Only If It Works

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February 07, 2020

By [Martha Bebinger](#) 



This photo provided by Novartis shows Zolgensma. (Novartis via AP)

If it works, we pay. If not, we get most — if not all — of our money back.

That's the gist of a deal the Massachusetts Medicaid program, MassHealth, has reached for one of the most expensive drugs on the market.

MassHealth has directly negotiated with six drug manufacturers over the price of 12 drugs, which has saved the agency a net of \$13 million.

- **Gilead:** Biktarvy, Genvoya, Odefsey, Descovy (to treat HIV)
- **Indivior:** Suboxone film (to treat opioid use disorder)
- **AveXis (A Novartis subsidiary):** Zolgensma (to treat spinal muscular atrophy)
- **Asegua:** Ledipasvir/Sofosbuvir, Sofosbuvir/Velpatasvir (to treat hepatitis C)

- **Viiv:** Triumeq, Juluca, Dovato (to treat HIV)
- **AbbVie:** Mayvret (to treat hepatitis C)

Zolgensma is a one-time infusion that replaces a defective gene in babies born with [spinal muscular atrophy](#). Early results are [promising](#). The drug hit the market last June, priced at [\\$2.1 million dollars](#).

“We think it makes sense to pay for innovation for a drug that could really work. And we think the Commonwealth, with public dollars, should not pay for something if it doesn’t do what it’s advertised to do,” said MassHealth director Dan Tsai.

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MassHealth will pay slightly less than \$2 million for each Zolgensma infusion, which Tsai called a fair price for approved patients: children under two years of age. The condition the drug treats is rare; Novartis expects to administer about [100 infusions per quarter](#) in 2020.

State payments, evaluations and refunds if the drug is not effective would stretch over five years. Novartis routinely offers a five-year [payment plan](#) for Zolgensma. The company said in a statement that these so-called value-based or outcomes-based agreements are becoming routine as well. It says it is in "active discussions" with Massachusetts.

“We recognize innovative therapies like Zolgensma require innovative solutions for access,” a Novartis spokesperson said.

But such agreements aren't routine within Medicaid. [Massachusetts](#) is one of just a few states with approval from the Centers for Medicare and Medicaid Services to pursue these deals. That’s one reason this one is important, said Matt Salo, executive director at the National Association of Medicaid Directors.

“Massachusetts is kind of the vanguard on a lot of these prescription drug pricing issues,” Salo said. “They are blazing a trail that every other state is

watching and saying, if Massachusetts can make this work, we think we can do it too.”

Salo said complicated and restrictive drug pricing rules may get in the way. Take what’s known as the best price rule. Medicaid programs have to cover all approved drugs, but they don’t have to pay more than the lowest, or best, price on the market. There’s some concern that if Massachusetts, for example, were to pay just a fraction of Zolgensma’s list price in a case where the drug didn’t work, that would become a new “best price,” he said.

“While some argue that’s the letter of the law, it’s not the spirit of the law,” Salo said, “So to me it strains credulity.”

Oklahoma, Colorado and Michigan [also have federal approval](#) for value-based Medicaid agreements. [Louisiana](#) and Washington are testing another strategy, employing subscription or fixed payments for hepatitis C drugs.

“Drug costs are a national concern, especially for states” said Rachel Dolan, senior policy analyst at the Kaiser Family. “So states are looking for alternative ways to pay for drugs, particularly new breakthrough drugs that come with large price tags.”

Dolan said it’s too early to know if any of these new drug pricing strategies will help state Medicaid programs save money. CMS recently offered states the [option of negotiating drug prices](#) if they agree to a Medicaid funding cap. CMS rejected a [similar proposal](#) from Massachusetts last year.

At MassHealth, prescription drugs are already the fastest growing line item. Gov. Charlie Baker has taken a lot of heat from biotech leaders who say his efforts to curb rising drug prices make scientists and financiers nervous about whether their investment in new drugs will pay off.

The Baker administration has pledged to save \$28 million dollars for MassHealth this fiscal year by negotiating better deals with drug makers. The state says it has secured agreements with six manufacturers, including Novartis, that include 12 drugs for a total of \$13 million in savings so far.

Salo said Massachusetts has another advantage most states don't have — a new [law](#) that says if Medicaid negotiations fail, the state can name its own “proposed value” for the drug. The [final regulations](#) for that process have just been approved.

*This segment aired on February 7, 2020.*

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