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Dear Paul,

I am writing to you today on behalf of the Hemophilia Alliance, a non-profit organization comprised of federally funded hemophilia treatment centers (HTCs) participating in the 340B Drug Purchasing Program, which includes the 11 HTCs in California. The CA HTCs brought to my attention the state's proposal to reduce Medicaid reimbursement for all outpatient services, including payment for clotting factor therapies by 10%. This proposed reduction in reimbursement would negatively impact all providers of clotting factors in the state, but would be catastrophic for the CA HTCs, the centers of excellence charged with the clinical care of people with hemophilia. The centers operate as the specialty medical home for the hemophilia community and have a long history of producing markedly superior clinical outcomes and reducing healthcare costs. The 11 HTCs in CA participating in the 340B Drug Purchasing Program coordinate the provision of pharmacy services as part of their comprehensive care program, providing constant monitoring of bleeds and clotting factor utilization to allow for quick response to needed changes in treatment. They are also cost effective providers of pharmacy services, tracking dosing, compliance with medication orders, and providing assay inventory management. In addition, as 340B providers, the HTCs are able to provide the state savings in drug prices.

The HTCs providing clotting factor to their patients through their participation in the 340B program are able to sustain their comprehensive care model through the revenue derived from factor sales to this very small patient population. Unlike large commercial providers they do not have other lines of business to offset revenue shortfalls from the 40%-50% of the patient population served by MediCal, Chip, CSS, GHPP. The 10% reduction will significantly impact the HTCs ability to support the coordination of care services that are critical to patient health, but not separately reimbursable. MediCal may view this as a simple cost-cutting pharmaceutical reimbursement, but for the centers of excellence, it negatively impacts the medical care provided to these patients.

While we certainly applaud the efforts of California and states across the country to better manage healthcare costs, the HTCs have a long history of producing markedly superior clinical

outcomes and reducing healthcare costs. Superior clinical services save money by reducing complications, the number of Emergency Room visits and hospital inpatient stays, and have the added benefit of producing healthier, happier, more productive patients.

When California adopted its current reimbursement model of acquisition plus 20%, which became effective July 1, 2004, the state immediately realized a significant savings in its expenditures for clotting factor. For example, assuming the current pricing formula for commercial providers, a factor product with a commercial acquisition price of \$1.00 is reimbursed at \$1.20. Assuming the state collects 100% of the mandated federal rebate of 17.1%, the net Medicaid price would be \$1.03 ($1.00 \times 17.1\%$). For commercial providers of clotting factor, the state must actively manage the federal rebate system, wait 90 days before billing, wait additional time for rebate collection and if problems arise, work through the dispute management process.

Under the current HTC shared savings model, the same product dispensed by the HTC has an acquisition price of only \$.83 per unit ($1.00 \times 82.9\%$, the 340B pricing already nets out the equivalent of the federal rebates) and is reimbursed at \$.996 per unit ($$.83 \times 20\%$). This provides the state an immediately realized saving of \$0.034 per unit as compared to commercial providers. A single patient could easily use a million units of factor (costing a similar per unit value) a year which would translate to a savings of over \$30,000 per year.

The comprehensive hemophilia care centers have been demonstrating successful outcomes for the last 37 years since they were originally funded by Congress. The centers in California and around the country are part of the solution for the better health care, and better health at reduced overall healthcare costs through effective and compassionate management of the hemophilia population. The Centers want to be a partner with MediCal, but they cannot provide these services without an adequate revenue stream to cover the costs of the care. The proposed cuts will undermine their ability to provide these services and ultimately cost the state far more than they stand to save.

If you would like to know more about the Hemophilia Alliance please visit us online at <http://hemoalliance.org/>. I can be reached by email at joe@hemoalliance.org or by phone at 215-439-7173.

Best Regards,



Joseph N. Pugliese
President