

AbbVie rival Gilead makes exclusive deal with CVS for hep C drugs

January 05, 2015

(Bloomberg) — Gilead Sciences Inc. agreed to make its hepatitis C medicines the exclusive treatments for CVS Health Corp. customers, intensifying a drug-industry rivalry to win patients for the \$1,000-a-day medicines.

Gilead's Harvoni and Sovaldi will be the only pills covered on CVS's main list of drugs, as well as on its list for health plans through Obamacare, Medicare Part D and Medicaid, the benefits manager said today in an e-mail.

The deal blocks North Chicago-based AbbVie Inc.'s treatment, called Viekira Pak, which will only be available to patients given approval because of medical exceptions or through a process called prior authorization, according to CVS. Patients already taking Viekira Pak will be allowed to finish their treatment.

Related:

- Why AbbVie needs to rethink the price of its hepatitis C drug
- FDA approves AbbVie combo hepatitis C treatment
- AbbVie hepatitis C drug cures 97% in transplant patient study

“Our goal was to create the lowest net-cost solution for the entire population of patients with all genotypes of hepatitis C,” CVS said. The company didn't say whether it got a special price for Gilead's drugs, and a spokeswoman for Gilead wouldn't comment on details of the agreement.

The agreement with CVS helps Gilead recover after AbbVie struck its own deal with Express Scripts Holding Co., the biggest U.S. drug-benefits manager, which chose last month to favor Viekira Pak for most U.S. patients. AbbVie offered an unspecified discount to Express Scripts, to the dismay of biotech investors who have bet on the industry's ability to maintain high prices.

Express Scripts has about 30 percent to 33 percent of the U.S. pharmacy benefits management market, and CVS 27 percent to 30 percent, according to Robyn Karnauskas, an analyst with Deutsche Bank.

IT'S NOT OVER

The hepatitis C pricing struggle isn't likely to end with this agreement. “The fact that Gilead is fighting back with rebates is incrementally negative for AbbVie,” said Alex Arfaei, an analyst at BMO Capital Markets Corp. “It tells you that they're going to fight back, and what they have going for them is a better product and volume” of patients.

Gilead gained 2 percent to close at \$96.79 in New York, while AbbVie slid 1.9 percent to \$64.65. The Wall Street Journal reported on the CVS decision earlier today.

After AbbVie's deal, "people were worried that Gilead's market share was at risk," said Michael Yee, an analyst at RBC Capital Markets, in a telephone interview. "Now we've moved back to comfort and confidence."

Yee said analysts had already assumed that AbbVie would take about 15 percent of the market for hepatitis C drugs, and Gilead's deal with CVS shouldn't affect that assumption.

EXCLUSIVE DEAL

"AbbVie believes in broad market access to Viekira Pak for appropriate patients," said AbbVie spokesman David Freundel in an e-mail. "Our multiyear agreement with Express Scripts is an example of how we will ensure all hepatitis C patients beyond just the very sickest gain access to treatment."

The hefty price tags for the hepatitis C drugs have drawn criticism from insurers and lawmakers. Gilead's Sovaldi costs \$84,000 for a 12-week course of treatment, and Harvoni, which combines Sovaldi with another medication, taken as a single pill, costs \$94,500 for 12 weeks. Viekira Pak's 12-week price is \$83,319.