Oregon

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March 3, 2021

The Honorable Chris Gorsek, Co-Chair
The Honorable Janeen Sollman, Co-Chair
Ways and Means Public Safety Subcommittee
900 Court Street NE
H-178 State Capitol
Salem, OR 97301

RE: Responses to question asked during Ways and Means presentation on March 1, 2021

Dear Co-Chairpersons,

Thank you for the opportunity to provide information related to the Oregon Department of Corrections (DOC). Below is the response to the information requested during the presentation to the Ways and Means Public Safety Subcommittee.

1. **Provide detailed information about what adults in custody (AICs) earn working for DOC and Oregon Corrections Enterprises (OCE).**

   AICs receive awards from DOC (or from OCE) through the Performance Recognition and Award System (PRAS). PRAS was implemented in December 1996 under OAR 291-077, which allows DOC to provide discretionary incentives based on behavior and program compliance. These incentives include:

   - Non-monetary awards, which allow tiered access to services and privileges; and
   - Monetary awards, which are determined monthly using a Schedule of Monetary Awards that range from $8 to $82 per month and can be used for discretionary spending.

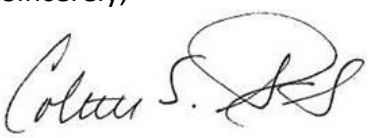
   OCE was established in 1999 as a result of Ballot Measure 68. OCE is a semi-independent state agency that provides work and on-the-job training to AICs. Individuals assigned to OCE programs earn OCE awards through:

   - PRAS, which range from $8 to $82 per month;
   - Team Goal Awards (TGA), which range from $8 to $82 per month;
   - Individual Meritorious Awards Program (IMAP) up to $110; and
   - Prison Industries Enhancement Certification Program, which is hourly based on comparable work. AICs receive 20 percent for personal use of total hourly earnings.

Additional information can be found in the attached issue brief.

Thank you, for the opportunity to respond to your question. If you wish to further discuss the item listed above, we would be happy to schedule a time to meet.

Sincerely,



Colette S. Peters
Director

BUDGET NARRATIVE

Health Services Division

102 DOC Foundational – HEP-C

Purpose

In November 2019, the Oregon Department of Corrections confirmed a projected 2019-21 biennial budget deficit of over $110 million, or $60 million if a $50 million Salary Pot addback was assumed. The agency traced the origins of the shortfall to two categories of cost: health care, and prior biennium reductions to Services & Supplies budgets.

The budget shortfall relative to health care was attributed to two areas: Hepatitis C treatment, and other costs related to new treatments and an increase in offsite health care.

In addition, the agency experienced a significant shortfall in Services & Supplies (S&S) budget due to prior biennium reductions to this budget category. Over the past 10 years, statewide budget shortfalls forced General Funded agencies to take both undesignated cuts to Personal Services and to S&S costs. The impact to DOC's budget ranged from $10M to $20M per biennium for multiple biennia. The Personal Services reductions were mitigated by PICS freeze in the follow-up budget builds for the agency, allowing the value of position costs to reset. The S&S cuts, however, never reset and carried forward into the base budget of following biennia.

In reviewing the agency's budget shortfall with both the Executive and Legislative branches during the first quarter of 2020, DOC was directed to submit policy option packages to request funding that return the agency's S&S budget to appropriate levels that avoid future shortfalls. The series of policy option packages that accomplish this are entitled DOC Foundational – {Specific Line Item}. This DOC Foundational package is specific to Hepatitis C costs.

How Achieved

Hepatitis C is caused by a virus (HCV) that can be contracted through intravenous drug use (dirty needles) or unprotected sexual contact. A predominant number of HCV cases will lead to chronic hepatitis; in which extensive liver damage may occur. This can lead to cirrhosis or liver failure that requires a liver transplant. If these cases are not treated, survival is unlikely.

The treatment of HCV in the last five years predominantly involves the use of four different medications. They are branded as Zepatier®, Mavyret®, Epclusa® and Harvoni®. These four medications can be used to treat all the different varieties of HCV, known as genotypes.

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The genotypes of HCV found in North America range from genotype 1a and 1b through genotype 6. Typically genotype 1a, 1b and 4 are more difficult to treat then 2, 3, 5 or 6. Some of the medications can be used pangenotypic, meaning that they can be used in any of the genotypes, while others are specific to only certain classes. The genotype also determines the duration of treatment required to obtain cure or sustained viral relapse (SVR). In North America, roughly 70% of patients with HCV are afflicted with genotype 1a or 1b. The rest are usually a compilation of genotypes 2 and 3.

A query was compiled calculating the number of treatments started during each calendar year of 2016 through 2019. This correlates well to the number of patients treated but isn't identical to treatments started. Numbers drawn from this data do allow for a small percentage of error. This information was broken down by drug, and then referenced to the cost of each treatment by total drug course. Some treatments have a duration of 8 weeks while others have a duration of 12 weeks, and this was taken into consideration when determining cost.

Cost was calculated both in the amount of funds actually spent during that time frame in question, as well as using a single point in time as a price point. This allows patterns of costs to be viewed and is of help when determining if monies being spent on treatment are increasing or decreasing.

Lastly, with the data analyzed both in a single point in time as well as in actuals spent, the price per patient was calculated.

The following table reveals the individual cost of treatments based on duration and drug selection as decided by genotype and patient case. This data is from a single point in time, 1/8/2020.

	1 Package	Total Course	Duration
Zepatier®	$4,320.23	$12,960.69	12 weeks
Mavyret®	$9,663.25	$19,326.50	8 weeks
Epclusa®	$7,596.00	$22,788.00	12 weeks
Harvoni®	$10,641.46	$21,282.92	8 weeks

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Total number of treatments administered by DOC from 2016-2019, along with the percentage of drug regimens ordered and the cost associated with each using the single point in time pricing above.

	Total	Zep	Mav	Epc	Har
Year 2019 - Treatments (~patients)	711	393	217	101	0
Percentage	100.00%	55.27%	30.52%	14.21%	0
Cost using pricing from Jan 2020	$11,588,989.67	$ 5,093,551.17	$ 4,193,850.50	$ 2,301,588.00	$ -
Year 2018 - Treatments (~patients)	494	105	67	256	66
Percentage	100.00%	21.26%	13.56%	51.82%	13.36%
Cost using pricing from Jan 2020	$ 9,894,148.67	$ 1,360,872.45	$ 1,294,875.50	$ 5,833,728.00	$ 1,404,672.72
Year 2017 - Treatments (~patients)	343	1	41	136	165
Percentage	100.00%	0.29%	11.95%	39.65%	48.10%
Cost using pricing from Jan 2020	$ 7,416,196.99	$ 12,960.69	$ 792,386.50	$ 3,099,168.00	$ 3,511,681.80
Year 2016 - Treatments (~patients)	105	1	0	27	77
Percentage	100.00%	0.95%	0.00%	25.71%	73.33%
Cost using pricing from Jan 2020	$ 2,267,021.53	$ 12,960.69	$ -	$ 615,276.00	$ 1,638,784.84

Actuals reflect the amount of purchases made for the medications in question from our pharmaceutical wholesaler, Cardinal Health. Please keep in mind that the amount spent may not actually reflect the amount given, as there is stock of the medications in each of the pharmacies. What should also be taken into consideration is the fluctuation of drug pricing during the review period. Overall, prices of these medications were decreasing during the review period as medications competed with one another, and treatment guidelines changed.

	Zep	Mav	Epc	Har	Total
2019	$4,373,756.00	$4,235,932.00	$1,943,037.00	$ -	$10,552,725.00
2018	$1,410,716.00	$1,391,666.00	$5,401,915.00	$1,219,511.00	$ 9,423,808.00
2017	$ 70,907.20	$1,203,691.20	$4,968,796.53	$6,952,782.86	$13,196,177.79
2016	$ 70,907.20	$ -	$1,577,685.20	$3,237,459.12	$ 4,886,051.52

The last portion of the data looked at the cost per patient based on overall drug cost both in a single point in time (1/8/2020) as well as based from actuals spent.

	Single point in Time (1/8/2020)	Actuals
Cost per Patient in 2019	$ 16,299.56	$ 14,842.09
Cost per Patient in 2018	$ 20,028.64	$ 19,076.53
Cost per Patient in 2017	$ 21,621.57	$ 38,472.82
Cost per Patient in 2016	$ 21,590.68	$ 46,533.82

Quantifying Results

DOC has gone from administering 105 treatments in 2016, to 343 in 2017, 494 in 2018 and 711 in 2019. This reflects nearly a seven-fold increase in treating patients during the review period, but at a 2-fold increase in cost from 2016 to 2019. This disparity is because the cost per patient has decreased both in actual monies spent from ~$46,000 to $15,000, as well as patterns of use.

The large fluctuation in pricing over the review period is likely to end, as competitive pricing has stabilized the market. The price per patient is likely to remain at roughly $15,000 per patient (regardless of genotype treated) and is not expected to change in the near

future. The current trending of DOC's prescribing pattern for treating HCV patients leads us to believe that we'll likely treat approximately 900 to 1000 patients during fiscal year 20-21 at an estimated cost of $13 million.

Considering that all other pharmaceuticals approximate an average cost of $15.7 million a year without taking into consideration other trending criteria (i.e. inflation, new treatments, etc.), DOC is expected to spend roughly $28.7 million during the 2021-23 biennium.

It cannot be emphasized enough that prescribing patterns and costs of medications are likely to change. It is also worth stating that if HCV infections were to be aggressively treated, that the infection rate of the AIC population and the infection rate of incoming AICs would decrease, thus in kind decrease the overall costs represented within this document.

Agency Request Budget

Staffing Impact
No impact.

Revenue Source

General Fund	$28,787,101

2023-2025 Fiscal Impact
The on-going costs will become part of the 2023-25 Base Budget.