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# Generic drugs pose specific problems for healthcare providers

Lack of availability has many healthcare facilities are weighing their options.

Chuck Green

(/news/author/2621)

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Rebounding from a tough couple of years due to lack of availability of generic drugs, many healthcare facilities are weighing their options.

Rebounding from a tough couple of years due to lack of availability of generic drugs, many healthcare facilities are weighing their options.

"You need to understand all the information about the drugs; know what you can and can't buy; and work with clinical staff who use them to guarantee they can provide input into how to use them safely," said Bonnie Levin, assistant vice president of Pharmacy (/directory/pharma) Services at Medstar, a health system

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based in Maryland. "We have to make sure that when our doctors and nurses (veer from their normal procedures), they have all the information they need. It's a sense of ownership, and it ensures our patients' safety."

Ascension Health developed a rapid review and communication model that includes all physicians, pharmacists and operations (/directory/operations) leaders from across the country to understand the literature and practice within the hospital, through the outpatient setting and the retail settings, said Michael Gray, vice president and chief strategy officer for The Resource Group, a subsidiary of St. Louis-based Ascension.

**[Also:** CMS spent \$103 billion on Medicare Part D in 2013, \$2.5 billion on Nexium (/news/cms-spent-103-billion-medicare-part-d-2013-25-billion-nexium).]

The use of substitute drugs also requires hospitals to devote considerable time to issues with the system, Levin said. "If you can't get one (substitute), you get another, so our pharmacy staff spends many hours every week to assure doing all the workarounds and accommodations required to use alternative drugs safely and efficiently."

When substitutes are unavailable, MedStar is "forced to pay exorbitant prices" for what they can get, Levin said, which affects its margins. And the reimbursement (/directory/reimbursement) systems have changed, too, she added. "We're not in the days anymore where, if it costs you more, you can charge more. It's challenging."

Meanwhile, there is also an emphasis on how generics affect ordering. "We're such a collaborative system, we're able to move drugs around. Where one (hospital) doesn't have enough and others have more, we share," she said. It's a luxury smaller systems or stand-alone hospitals don't have. However, it's expensive. "We just need to absorb the cost when the time comes."

While MedStar always wanted to use generic drugs because they were less expensive, as the market shifts, fewer manufacturers are making them, Levin said. As a result, between that and drug shortages, costs are being driven up. "We're paying a lot of money for some generic drugs for which there is no branded equivalent. If there's only one drug on the market, we have to use it."

Where generic versions of branded pharmaceuticals that provide a safe and effective outcome for its patients at a lower cost are available, Ascension changed its ordering patterns to include the generic product, said Gray.

In any event, the drug shortage isn't as severe as it was a year or two ago said Levin, but it's expected to worsen. "Critical drugs have been shorted, and some really critical ones have dramatically increased in price, so we're feeling the financial impact."

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For her part, Mary Beth Lang, vice president of HC Pharmacy and Supply Chain (/directory/supply-chain) Management Commercial Services at the University of Pittsburgh Medical Center, said that over the past year or two, industry consolidation and regulatory changes have yielded very different pricing strategies from manufacturers. It's common now for prices to increase as much as 2,500 percent when a product shifts to a new manufacturer, leading to higher prices for hospitals and patients, Lang said. At the same time, manufacturers are

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avoiding traditional distribution channels and forcing hospitals and patients to use specialty distributors, layering additional costs on the hospital and making it difficult to manage a population when a patient's forced to use multiple pharmacies, she said.

Meanwhile, the FAST Generics Act, legislation that aims to speed up delivery of generics, will lead to improved patient access to life-saving and life-sustaining therapy through competition by drug manufacturers, said Lang. The industry's hopeful that the act will create an environment that positions the Department of Health and Human Services (/directory/us-department-health-and-human-services-hhs) as the intermediary between the generic and innovator manufacturers and will have the power to remove the ability to unfairly deny access to product samples, she said.

The FAST Act's a critical piece of legislation that will significantly help the members it serves, according to healthcare consultant Novation. The company also feels it will improve patient access to life-saving therapies and reduce healthcare costs by increasing competition in the drug marketplace. "The legislation establishes clear processes that promote innovation, competition and, most importantly, patient safety," a spokesperson told Healthcare Finance.

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