

Hospitals, foundations launch Civica RX, first nonprofit drug making company



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By Laura Kelly - *The Washington Times* - Thursday, September 6, 2018

Seven hospitals and three philanthropic foundations announced Thursday the launch of the first nonprofit pharmaceutical company, which will produce generic versions of more than a dozen life-saving medications with the aim of stabilizing drug shortages and cutting health care costs.

The company, Civica RX, will produce 14 generic drugs at prices 20 to 90 percent lower than currently on the market, said Dan Liljenquist, board chairman of the company.

"We're interested in markets that are broken, where supply is unpredictable and where the prices are also, equally unpredictable," he told *The Washington Times*.

The company didn't name the 14 drugs it will manufacture, but Dr. Marc Harrison, president and CEO of Intermountain Healthcare, said the company will focus on "practical" drugs.

"As we decided on the drugs we were really practical," Dr. Harrison said in an interview with NPR. "We looked for drugs that were now in short supply. We looked for drugs that were on the lists of essential medications, and we looked for drugs that have had huge spikes in their prices."

An initial investment of \$30 million has been donated by the Laura and John Arnold Foundation, the Peterson Center on Healthcare, and the Gary and Mary West Foundation.

The hospital systems include Catholic Health Initiatives, HCA Healthcare, Mayo Clinic, Providence St. Joseph Health, SSM Health, Trinity Health and Intermountain Healthcare, where Mr. Liljenquist is senior vice president and chief strategy officer. They represent a network of about 500 U.S. hospitals.

Since first announcing the initiative in January, more than 120 hospitals have committed to working with Civica, the company said.

Mr. Liljenquist calls these hospitals "members," paying a one-time membership fee and committing to drug purchases.

“The more people that are willing to commit, the better redundancy we can build, the more robust supply chain we can build and frankly, the more predictable prices will be,” he said. “We want everybody with us and don’t want anyone to feel like they can’t participate.”

They expect to start manufacturing drugs in early 2019.

The Food and Drug Administration identifies over 100 current drug shortages in the U.S., with a major reason identified as quality manufacturing issues. The discontinuation of low-cost generic drugs that don’t yield large profits also contribute to shortages and increase price in the marketplace without competition.

Most notably is the case of Martin Shkreli, known as the “Pharma Bro”, who increased the price by 5,000 percent of a life-saving medication used to treat malaria and complications from HIV/AIDS.

In July, FDA Commissioner Scott Gottlieb initiated a task force to look at the root causes of drug shortages, beyond manufacturing and quality problems, delays and discontinuations.

“Historically, many drugs in short supply have been low-profit margin generic medicines,” he said in a statement.

“The only way to produce these low-margin products profitably is to manufacture them at tremendous scale. This has resulted in fewer and fewer manufacturers for certain key products. The result is very little margin for error in this space.”

Martin VanTrieste, former chief quality officer of major biopharmaceutical company Amgen, was named as CEO of the new company. In a statement, he said the mission is to make sure that essential generic drugs are accessible and affordable.

“The fact that a third of the country’s hospitals have either expressed interest or committed to participate with Civica Rx shows a great need for this initiative,” he said in a statement. “This will improve the situation for patients by bringing much needed competition to the generic drug market.”

Yet critics say the launch of a non-profit drug manufacturer doesn’t address root causes of drug shortages.

Phillip Zweig, executive director of the non-profit Physicians Against Drug Shortages, is against Civica’s launch and said it ignores the issues in the marketplace that raise prices and limit competition.

“This is nothing more than a device to avoid confronting the real issue,” he said, specifically pointing to Group Purchasing Organizations.

GPO’s were established to cut costs by increasing purchasing power of multiple hospitals to buy in bulk. Manufacturers also finance administrative costs of the purchasing group, increasing savings for hospitals.

Mr. Liljenquist said Civica will contract with GPO’s as well as individual hospitals. Intermountain is the parent company of GPO Intalere, Inc.

But Mr. Zweig charges that GPO’s are incentivized to negotiate with the manufacture who will pay the highest fees, not provide the lowest drug price.

“The big hospital chains, big hospital systems, their CEOs get share-backs and patronage fees and other remunerations as a percentage of the kickbacks that the suppliers pay the group purchasing organizations,” he said.

“This is a failed market and some of the same people that have caused the market to fail are behind this nonprofit drug maker.”






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