

# Nonprofit drugmaker Civica Rx aims to cure a health care system ailment

October 24 2018, by Stacie B. Dusetzina

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Credit: AI-generated image ([disclaimer](#))

Several years ago, drug shortages [became headline news](#) when supplies of three different drugs used to treat childhood cancers were running low in major hospitals. Sometimes shortages like those are resolved before patients are harmed. [Sometimes they are not.](#)

There are two main reasons for [drug shortages](#) that are both terrifying and becoming more frequent: There are not enough companies making these drugs and those companies aren't producing [adequate supplies](#). This situation has led several hospitals and foundations to form [Civica Rx](#), a nonprofit generic drugmaker.

As a [health policy researcher](#), I have [studied patient access](#) to [prescription drugs](#) for more than a decade. I believe there is an obvious need for Civica Rx to increase the supply of [generic drugs](#) that are in short supply and introduce more competition for drugs whose prices remain stubbornly high.

## Supplies

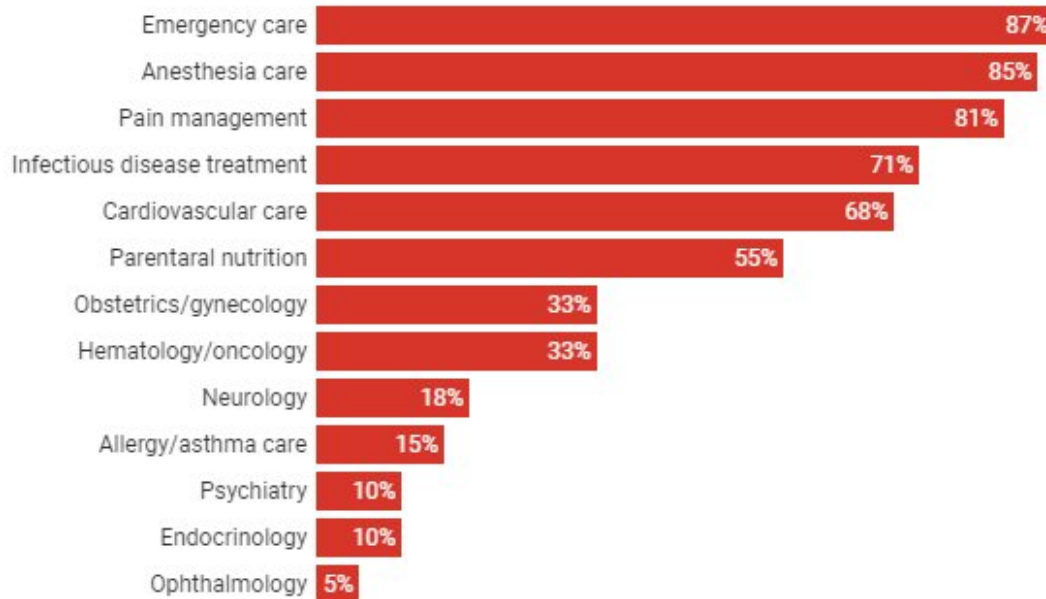
According to the [American Society of Health-System Pharmacists](#) the number of drugs in short supply at the end of every three-month period has ranged between 174 and 320 between the middle of 2012 and the middle of 2018.

Manufacturing disruptions become a major problem if products are produced by a small number of companies, especially when there's just one source. An [extreme example of this](#) is the disruptions in pharmaceutical supplies – particularly IV bags used for saline – following Hurricane Maria in Puerto Rico, a manufacturing hub for the industry.

The government cannot require or force companies to make and sell drugs. That leaves drugmakers free to exit the market or refuse to increase supplies – even if that creates a drug shortage.

## Drug shortages

In a survey of 300 U.S. health care workers, over half reported that more than 20 drugs were involved in shortages during the six months prior to the survey. Emergency care, anesthesia care and pain management drugs were the most likely to be affected.



Credit: Chart: The Conversation, CC-BY-ND Source: Institute for Safe Medication Practices

The [Government Accountability Office](#), a federal agency, recently suggested that drug shortages are more likely with generics, where the prices are quite low. In some cases, when manufacturers see limited opportunity to profit from additional drug sales, they discontinue production even when demand is high and there are few or no other options available.

## Prices

In addition to shortages, access to some generic drugs can be limited by

exorbitant prices. For [cancer drugs](#) that patients pick up from the pharmacy, branded drug prices have been rising for years and these prices do not drop as quickly when generic drugs are introduced. Generic drug prices may also increase [over time](#), which increases spending by Medicare and other insurers.

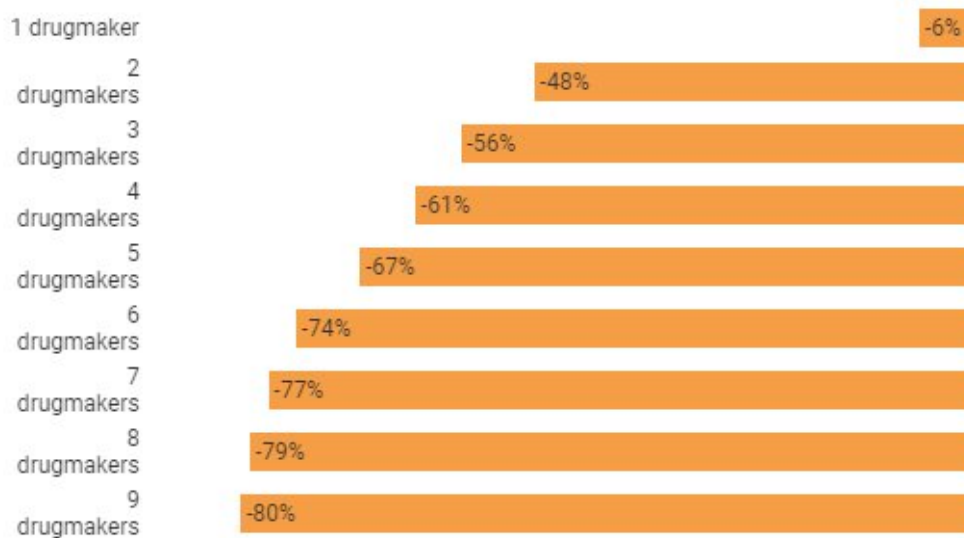
Knowledge about the connection between [multiple manufacturers and lower drug prices](#) is not new. However, there are real opportunities for disruption if Civica Rx decides to produce drugs that are not in short supply but that have stubbornly high prices. In [some of my prior research](#), led by the pharmacoepidemiologist Ashley Cole, we found that [generic cancer](#) drug prices remained high in the first two years after a generic hit the market.

This dynamic is often a function of few competitors for drugs that treat rare diseases. Other work has shown that many treatments for rare disease [face limited generic competition](#), making these products expensive even after the patents are long expired.

Consumers and health plans count on generics to lower [drug prices](#) after patents expire. Without competition for expensive drugs, it isn't clear that will always happen.

## Prescription drugs and competition

Prices of generic drugs drop more when the number of manufacturers grows.



*Findings derived from FDA analysis of retail sales data for single-ingredient brand name and generic drug products sold in the U.S. from 1999 through 2004.*

Chart: The Conversation, CC-BY-ND Source: Food and Drug Administration

## Civica Rx

[Civica Rx](#), the new nonprofit generic drugmaker, is designed to disrupt the generic market. It will begin by making 14 hospital-administered generics, most of which are too scarce in the U.S. It has not disclosed which drugs it will be producing for competitive reasons.

What I find most fascinating about Civica Rx is the alliance behind it. Everyone involved says they are taking part to help make drugs more available and affordable, including the organization's uncompensated CEO, pharmaceutical industry veteran [Martin VanTrieste](#), the former chief quality officer for biotechnology giant Amgen Inc.

Civica Rx has announced that its governing members include seven organizations, representing roughly 500 American hospitals that will be buying its new generic drugs. Because it will either manufacture drugs or contract the manufacturing out, this new player in the health care market will be able to control the supply of these products and their prices.

That will mark a big change from the way the [drug](#) market currently works. Should it choose to do so, Civica Rx could theoretically set the price at or near the cost of production.

Civica Rx could simply charge less than its competitors, leading other companies to choose between cutting prices or losing their market share. The specter of this dynamic may even boost competition – something I'll be watching for.

I'll also be keeping an eye on whether this new drugmaker sticks with its plan to keep profits low, bucking the rest of the industry to serve the public interest. If they are successful, it could mean fewer shortages and better [prices](#) and access for patients.

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