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Civica Rx goes where generics companies fear to tread

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A non-profit partnership of 500 hospitals wants to deliver its first generic drugs in 2019, lowering prices and stabilising supplies.

US hospitals' initiative to steady the generic drug supply chain has produced a name, a chief executive and some weighty new partners. Civica Rx has been created as a not-for-profit company with backing from systems that own 500 hospitals, headed by Amgen's former chief quality officer Martin Van Trieste.

Civica is now working with contract manufacturers to ready a supply chain for 14 drugs considered essential for inpatient departments. The entry of a hospital-led group into drug manufacturing is another sign of the poor health of the generics sector, as companies have exited low-margin products used in inpatient settings, creating shortages and volatile pricing. Civica is thus challenging the pharma sector: stabilise this market or get out altogether.

Launch of Civica's first drug is set for mid to late 2019, with the intention of giving all partners equal access and pricing in a bid to stabilise the market. While Civica is not disclosing what it intends to produce, drugs like anaesthetics, antibiotics and pain-relievers are viewed as essential by healthcare practitioners but represent older products that big generics companies might consider unprofitable.

One in 10 hospitals

Prices have become as much a concern at the low-cost end of the spectrum as they have at the innovative end, as some older branded drugs that have escaped generic competition and some generics with few competitors have become increasingly expensive in defiance of normal market trends (*After Turing, the industry's biggest price gougers, September 25, 2015*).

In addition, the hospital sector has had to battle with the fact that generic companies have ceased production of some low-profit complex injectables as they attempt to rationalise their own balance sheets.

The Civica initiative started with five systems: Intermountain Healthcare, Ascension, SSM Health, Trinity Health, and the US Department of Veterans Affairs. But it has now added prominent partners like the Mayo Clinic and the for-profit hospital chain HCA Healthcare (*Interview – Hospital chains seek pricing control, January 25, 2018*). Other new members include Catholic Health Initiatives and Providence St. Joseph, bringing the total number of hospitals involved to 500, out of about 5,500 in the US.

The philanthropic organisations the Laura and John Arnold Foundation, the Peterson Center on Healthcare, and the Gary and Mary West Foundation will sit on the governing board to help ensure that it remains focused on a social welfare mission. Dan Liljenquist, vice-president of the enterprise initiative office at the Utah-based Intermountain Healthcare, told *Vantage* that a unanimous vote of its members would be necessary to convert Civica from non-profit to profit-making status.

The VA remains involved with the initiative, but as a federal entity it cannot invest in a private business, Mr Liljenquist says. The American Hospital Association will assist the organisation by fielding enquiries from healthcare systems that are interested in participating.

Equal opportunity

Civica had started with a list of 20 drugs, and tried to get this down to 10, but arrived at 14 as a number that could be successfully manufactured to begin with. “There are nearly 200 generic drugs that we consider essential drugs that are in and out of shortage and have been subject to very high price hikes,” Mr Liljenquist says.

To this end, Civica plans on giving partner organisations equal access to drugs it manufactures at an equal price, with no preference for academic medical centres over isolated rural hospitals, he says. “We’re not going to do volume discounts for HCA or any arrangement that would mean a critical access hospital in rural Nevada wouldn’t get the same price,” he says.

Guaranteeing a supply of drugs that have experienced shortages will also help stabilise the market. Shortages have prompted some hospitals to buy up as much of some drugs as they can get when available and store them to avoid running out, which has only exacerbated the shortage, he says.

Civica’s work has been viewed with some scepticism by the pharma sector as hospitals represent both customer and vendor, which could put the company at cross purposes. Removing the profit motive from Civica’s mission necessarily means that it does not need to show a return, although massive losses would surely end the venture.

It will be interesting to see if generic manufacturers respond to this challenge by trying to undercut Civica products on price. If not, this might simply prove that Civica’s backers are right and that these products do represent true market failures.