

Pharmaceuticals & Nonprofits: Apparently, It's Working

07.03.19 | Linda J. Rosenthal, JD



It's no longer unusual to hear ideas tossed around about "unusual businesses that are run as nonprofits." In some cases, the nonprofits solve unique problems, such as preserving video libraries. Increasingly, ... nonprofits [are] stepping in to preserve local journalism."

Some [thought leaders] like Douglas Russkoff see potential for nonprofits to play a much larger role in" an economy radically restructured away from the its modern straitjacket. Professor Russkoff's provocative ideas are featured in a summer 2018 in The Nonprofit Quarterly: "Organizing Our Economy as if We Lived on a Single Planet: A Conversation with Douglas Rushkoff."

The newest concept for nonprofit intervention to solve a critical societal need focuses on the problem of outrageously high pharmaceuticals. At the beginning of 2018, a large hospital consortium set out to find a new way of "increasing access to – and decreasing the costs of commonly used drugs." They pitched a plan that has "moved along very quickly from conception through to collaboration building to actual launch." As of May 2019, a new nonprofit entity called Civica Rx has "decided on the first two medications it will make and with whom it will contract to produce them." In "Massive Hospital Collaboration-Based Nonprofit Bears First Fruits," (May 17, 2019), NPQ editor-in-chief Ruth McCambridge concludes: "It's remarkable what a common interest and a little capital can do."

Pharmaceutical Prices Are Unsustainable

"Generic prescription drugs should be cheap, but prices for some have soared in the United States in recent years." This anomaly sparked interest from a group of U.S. hospital systems in "making an unusual market intervention."

Dan Liljenquist of Intermountain Healthcare, a healthcare network in Utah, took the lead in this effort dubbed “Project Rx” The aim was to launch a collaborative Project Rx in 2019 – supported by philanthropists and the U.S. Department of Veterans Affairs. Liljenquist and his project colleagues explained their approach in a May 2018 article in the New England Journal of Medicine. The goal was to “establish a nonprofit generic-drug manufacturer with the explicit mission of producing affordable versions of essential drugs and ensuring a stable supply of such products.” By September 2018, the initiative was underway with an official name – Civica Rx – along with \$30 million in initial funding from multiple sources and participation by seven huge healthcare systems comprising 500 American hospitals. These first collaborators will be the initial governing board of the new nonprofit that had – by then – “attracted the interest of more than 120 health organizations representing about a third of the nation’s hospitals.”

They recruited a former pharmaceutical industry executive, Martin VanTrieste, as chief executive, who will be working without compensation. “We are creating a public asset,” he explained, “with a mission to ensure that essential generic medications are accessible and affordable.”

Project Moves Forward

The recent announcement garnering so much attention is that Civica Rx has chosen the two generic drugs it will make and with whom it will enter into a contract to produce them.

Danish company Xellia Pharmaceuticals “has been selected to produce vancomycin and daptomycin , two commonly used injectable antibiotics. Overall, it has agreements in place to manufacture 14 generic drugs this year.”

CEO Van Trieste explains that vancomycin, used for drug-resistant serious infections, and daptomycin were chosen by a “committee which prioritized drugs that had shortages, were used frequently in hospitals, and had a major impact on the patient.” Each medication will be bought in bulk so they can be priced “only slightly higher than its cost to manufacture.” All 800 hospitals who are now members of the consortium can opt in or out on any particular drug.

More Worries About Antibiotic Shortages

About a week later, there was additional news specifically about antibiotic shortages. The bankruptcy of a small biotech firm, Achaogen, “once considered to be among the strongest firms in the field, has raised considerable concern.” Maryn McKenna of Wired wrote: “If a company that had everything going for it can’t profitably produce an antibiotic, who can?”

The problem is that antibiotics are “low-margin drugs, in large measure because the tendency for resistant strains to develop lowers their shelf life” and potential profitability for a pharmaceutical company. So the number of private firms willing to invest in the R&D costs (which can be higher than \$1 billion per drug) has diminished.

What can be done? One suggestion is that governments join together to form an international nonprofit that would take over the duties of discovering new compounds and conducting clinical trials. Any resulting antibiotics would be “considered joint intellectual property, held as open science on behalf of the world and turned over to generic drug firms to be manufactured as cheaply as possible.”

“Others have suggested direct public ownership.” This idea that “antibiotic R&D be excised from companies and nationalized” was made by Lord Jim O’Neill – “the former chief economist of Goldman Sachs, not normally considered a socialist firebrand.” “Just take it away from them and start over.”

Conclusion

These are bold new ideas that may or may not work out. Time will tell; we’ll keep track of developments.