

Working Together Against Drug Shortages

3 Proposed Solutions for Hospital Pharmacies

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Over the past few years, drug shortages have become an ever-present challenge for hospital pharmacies, with shortages at their highest in over a decade¹ and the majority of those, 53 percent, were for generic sterile injectable medicines.² We all recognize that the consequences of such shortages are dire for patients—all the while costing hospitals an estimated \$359 million annually in additional labor costs to manage these shortages day-to-day.³

Economic factors drive rising rates of drug shortages

As a leading supplier of over 600 generic sterile injectables with the largest and broadest portfolio in the industry, Pfizer is acutely aware of the market dynamics that contribute to generic sterile injectable drug shortages. Generic sterile injectables are notoriously complex, challenging, and costly to manufacture due to numerous factors including, but not limited to, aseptic manufacturing processes, long manufacturing lead times, higher manufacturing costs than other medications, and inflationary impact.⁴ The complex and highly regulated nature of manufacturing requires significant ongoing investment to maintain reliable supply—a commitment Pfizer continues to make.

However, Pfizer believes that the current low cost for generic sterile injectables does not support the level of ongoing investment required to manufacture them. As a sterile injectables supplier, Pfizer has witnessed the

economic forces unique to the generic sterile injectables marketplace—such as buyer consolidation (hospitals, Group Purchasing Organizations [GPOs], wholesalers/distributors), suppliers entering and exiting the market, and a focus on cost-cutting by healthcare networks—that we believe have combined in a vicious cycle to further drive down generic sterile injectables pricing.

While the focus on controlling healthcare costs is important, these market conditions have created unintended consequences to the sustainability of generic sterile injectable manufacturing, leading to consolidation of manufacturers or product discontinuations and, ultimately, increasing the likelihood of drug shortages. Case in point—in 2023, the average price of sterile injectable medicines in shortage was nearly 8.5 times lower than injectables not in supply shortage.²

Three actions hospital pharmacies can take to combat drug shortages

While long-term solutions to address the root causes of injectable shortages appear widespread and daunting, they don't have to be. There are steps we can take together now to combat the underlying economic factors driving shortages.² Here are three proposed solutions for hospital pharmacies that, if started today, can help lead to more sustainable generic sterile injectable supply tomorrow.

Solution 1: Purchasing from suppliers with a long-term commitment to the generic sterile injectable market

Low prices that limit supply chain investments, coupled with high manufacturing costs, make the generic sterile injectable market more susceptible to drug shortages.⁵ Pharmacies can start by acknowledging preferred suppliers and actively choosing to purchase from those investing in reliable and long-term generic sterile injectable



manufacturing networks. Moreover, you can encourage purchasing organizations, including Integrated Delivery Networks, GPOs, and wholesalers/distributors, to do the same. We believe price alone should not be the sole criterion for awarding a contract to a manufacturer, as research has shown shortages are more common at lower price points “where competition may be driving some of these drugs below their cost of production and distribution, causing manufacturers to exit the market and disincentivizing new entrants.”⁵ Since 2015, Pfizer has invested over \$2 billion in our global sterile injectable manufacturing network to improve reliability, increase capacity and adapt to evolving market needs. By purchasing at a fair price, which may not always be the lowest price, pharmacies can help sustain manufacturers that do the right thing by committing to supply resiliency, manufacturing innovation, quality assurance, and patient safety.

Solution 2: Support demand predictability through compliance or direct contracting

Many hospitals purchase generic sterile injectable products through their contracts. Assuming that these contracts are awarded to manufacturers investing in long-term supply reliability, the next step pharmacies can take to support demand predictability is through contract compliance. Demand predictability drives supply performance by ensuring accurate volume forecasts are communicated to supplier manufacturing sites, enabling suppliers to be better able to produce product at consistently predictable levels. Variations in contract compliance, often due to price-seeking behavior, can reduce demand predictability and may contribute to increased supply risk. Contract compliance helps drive that volume predictability, reinforcing a cycle of reliable supply within the supplier’s entire manufacturing network.

Alternatively, we believe direct contracting with suppliers, including those like Pfizer, which offer a broad portfolio of generic sterile injectable products, can offer benefits to

hospitals committed to supply sustainability. Over time, long-term contracts with reliable suppliers may help reduce the pharmacy’s inventory management costs and offset the commitment to paying a fair price for generic sterile injectable products.

Solution 3: Advocacy and policy engagement around U.S. supply-chain resiliency

Agreement on the economic root causes of generic sterile injectable supply shortages and the need for change has never been higher. We urge all stakeholders to acknowledge that manufacturing of high-quality medications requires a sustainable commercial model in order for it to function reliably for hospitals and patients, and it is incumbent on all stakeholders to identify aligned solutions. For example, Medicare and Medicaid programs may benefit from targeted payment reforms that would have enormous influence over supporting a more sustainable market for generic sterile injectables by evolving the reimbursement systems we know pharmacies struggle with today.



Forward, together

There are concrete steps hospital pharmacies can take today to contribute to the long-term sustainable supply of generic sterile injectables. Start by purchasing from suppliers with a proven track record of quality, reliability, and resources. Strategize within your own hospital network to develop contract compliant solutions that drive volume predictability or consider comparing current contracting to more innovative direct contract solutions for potential added benefits. And, support long-term supply sustainability policy reforms—all voices are needed. Change can only happen together, and we are proud to stand shoulder-to-shoulder with our customers and patients to work toward solutions for long-term generic sterile injectable supply reliability.

References: 1. ASHP (n.d.) Drug Shortages Statistics. August 2024. Accessed September 2024. <https://www.ashp.org/drug-shortages/shortage-resources/drug-shortages-statistics>. 2. USP Annual Drug Shortage Report: Economic factors underpin 2023 shortages. June 2024. Accessed September 2024. <https://www.usp.org/supply-chain/drug-shortages>. 3. Vizient. Drug shortages and labor costs: measuring the hidden cost of drug shortages on U.S. hospitals. July 2023. Accessed September 2024. <https://wieck-vizient-production.s3.us-west-1.amazonaws.com/page-Brum/attachment/c9dba646f40b9b5def8032480ea51e1e85194129>. 4. Pfizer Global Supply, 2024. 5. IQVIA. Drug Shortages in the U.S. 2023. A closer look at volume and price dynamics. November 2023. Accessed September 2024. <https://www.iqvia.com/insights/the-iqvia-institute/reports-and-publications/reports/drug-shortages-in-the-us-2023>