Survey Results: Genentech’s Decision to Change Distribution of Critical Cancer Drugs Raises Costs, Reduces Availability

Release Date:
Monday, March 2, 2015 11:33 am EST

Terms:

Dateline City:
IRVING, Texas

IRVING, Texas--(BUSINESS WIRE)--A national survey of pharmacy professionals released today by Novation, the leading health care services company, found that a move to specialty drug distribution of important cancer drugs is resulting in higher costs to hospitals, reduced availability of the important drugs and delays in treating sick patients. These drugs are used in treating half of all cancers in the United States. It has been estimated that this change has cost U.S. hospitals more than $300 million.

The survey was designed to test Genentech’s assertions that their decision to change distribution methods would improve efficiency and safety, and prevent shortages. However, the results show – overwhelmingly – that not only did these issues not exist for these drugs, but also that Genentech’s decision had the opposite impact.

According to the January 2015 survey of more than 200 hospitals:

- 87 percent of hospital respondents reported a negative financial impact on their organizations since manufacturer Genentech shifted to specialty distributors for its drugs Rituxan®, Avastin® and Herceptin® in October of 2014, with 57% saying the impact has been significant.
- More than 25 percent of respondents indicated the distribution change has had a negative impact on patient care, resulting in delays and even cancellations in patient treatment due to drug unavailability.
- 93 percent said they had never experienced shortages of any of those three drugs prior to Genentech's change in the distribution model.
- An overwhelming majority of respondents (99 percent) indicate that Genentech’s decision to change its distribution model did not improve supply chain safety/integrity.

As a result of the change, hospitals say they must now order more frequently and are encountering more variable and unreliable delivery times.

"When Genentech made its decision, Novation and major healthcare systems from across the country expressed concerns that it would hinder the ability of providers to deliver high-quality care in the safest and most efficient manner to cancer patients," said Peter Allen, senior vice president at Novation. "As the survey results demonstrate, those concerns have been borne out. Genentech's decision to use a higher cost, less effective, less efficient distribution system is reducing the availability of these critical cancer drugs, and is increasing costs to hospitals."

Rituxan®, Avastin® and Herceptin® were previously sold through national wholesalers, whose approximately 75 distribution centers supported a "just-in-time" delivery system that allows health care facilities to receive shipments at least daily and is seen by many providers as critical to managing costs, avoiding stockpiling of drugs, and maximizing care to patients.

Specialty pharmaceutical distributors typically have only one or two distribution centers and utilize common carrier delivery companies – factors that increase cost and reduce efficiency and reliability.

In November 2014, leaders of 16 major health care systems, including Mayo Clinic, Cleveland Clinic, Yale New Haven Health, Memorial Sloan Kettering Cancer Center among others, joined Novation in calling on Genentech to reverse its decision to move to a specialty distribution model in an open letter to Genentech’s CEO.

“The negative financial impact of the Genentech decision has been significant at Mayo Clinic, ” said Kevin Dillon, Chief Pharmacy Officer for Mayo Clinic in Rochester, Minn. “The new specialty distribution model is less efficient forcing us to increase inventory levels of these expensive cancer drugs. These survey results confirm that negative patient impacts have occurred due to delays or decreased access to needed treatments. The decision by Genentech has not been in the best interest of patients.”

“On behalf of the patients we serve at Eastern Connecticut Health Network, we encourage Genentech to reconsider its decision about the distribution of their pharmaceuticals,” said Steven Hurchala, BS Pharm, RPh, Director of Pharmacy Services, Eastern Connecticut Health Network. “Genentech’s principles have negatively impacted their quality of service, the financial implications for their customers, and more importantly, how these principles will affect patient care.”

Added Allen: “On behalf of our hospital members, we have asked Genentech directly to revert back to their previous model that worked extremely well for years.”

Approximately 1,440 surveys were distributed via email with a survey link to Directors of Pharmacy, Pharmacy Professionals, and Pharmacy Drug Info/Clinical Coordinators in health care facilities across the U.S. There were 219 responses for a response rate of 15.2 percent. Market Strategies International, an ISO 20252 certified market research firm, reviewed the survey and the methodological approach, and confirm that both the survey and the approach conforms to industry standards and is a reliable approach to data collection.

About Novation, Recipient of the Ethisphere Institute’s Ethics Inside Certification
Novation is the nation’s leading health care services company, focused on revolutionizing operational performance for more than 100,000 members and affiliates of VHA Inc., UHC, Children's Hospital Association and Provista LLC. Novation’s progressive approach to cost performance, data and intelligence, and integrated advisory solutions helps health care providers envision and advance new models of cost-effective, high-quality care. Headquartered in Irving, Texas, Novation is committed to the highest standards of ethical behavior and twice has been honored with the Ethisphere Institute’s coveted Ethics Inside® Certification, and has been named three years consecutively to Ethisphere’s World’s Most Ethical Companies list. Follow @NovationNews [4] on Twitter.

For a copy of the full survey results, please contact David Matthews at damatthe@vha.com [5] or call 972-830-2901.

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English

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