The Honorable Earl L. "Buddy" Carter

Last year I led colleagues on both sides in launching the Domestic Pharmaceutical Manufacturing Caucus, aiming to shore up our supply chain security and ensure a steady supply of medications for Americans.

We have a growing industry located exclusively here in the United States that Congress created 10 years ago, 503B outsourcing facilities, that produce large batches of drugs under the same quality standards as commercial drug manufacturers, for patients and providers whose needs are not met by commercial products. They are FDA-regulated and inspected, and they primarily exist to meet the varying unique needs of hospitals and doctors' offices.

503Bs also have the capability to help alleviate shortages, with their ability to pivot quickly to provide gap supply when a medication runs short, and the 503B statute envisions that role for them. The problem they face is any shortage is totally unpredictable – it may last only a few weeks, it may last years. But 503Bs can only compound and distribute many drugs when they are on FDA's shortage list – so they could make a decision to try to help, but if the shortage resolves quickly they lose hundreds of thousands of dollars they invest to prepare for production. That economic uncertainty is prohibitive in most cases for these small businesses.

Madam Chair, thank you for including a provision in this discussion draft to help protect 503Bs from that uncertainty, and I'd like to continue working with you to refine that language. I'd also like to invite my Democratic colleagues to work with me on this.

We all want to address this problem, we all want to solve the fundamental economics that are causing it. But this is one of the few solutions that can help right now, today, and 503Bs have already helped in a few cases with hospital and nonprofit backing to protect against the risk I mentioned.

We've all heard of FDA's recent decisions to allow imports of unapproved oncology drugs from a factory in China. I'm sure we can all agree that a better solution would be to have those drugs made by FDA-regulated domestic outsourcing facilities – let's work together to encourage this near-term solution, as we continue to work on long-term solutions.

1) Mr. Ganio, can you speak to the role that 503B outsourcing facilities play for hospitals, both in general and in shortage situations?

Dear Representative Carter, thank you for your question on 503B outsourcing facilities. Outsourcing facilities are an important part of the medication supply chain for hospitals. Many commercially available dosage forms require further preparation before administration to a patient. Under FDA designated GMP conditions, outsourcing facilities are able to prepare, repackage, or compound medications into dosage forms that are ready for patient administration—for example, syringes or infusion bags. By providing ready-to-administer dosage forms, outsourcing facilities can reduce the

amount of drug preparation performed in hospital pharmacies, during medical procedures, or at the patient bedside.

Data from several ASHP surveys show that outsourcing facilities are also an important source of medications during a shortage. When a commercially manufactured medication appears on the FDA drug shortage list, outsourcing facilities can begin compounding copies of that medication, providing an alternative source for life-saving or life-sustaining medications.

While outsourcing facilities are a very important part of drug shortage mitigation, there are some limitations that prevent them from supplying enough drug product to address every shortage. Outsourcing facilities cannot match the capacity of commercial manufacturers, leaving a potential shortfall in supply availability compared to market demand. There are also limitations based on the specific type of drug product. For example, cisplatin is an antineoplastic drug that appears on the National Institute for Occupational Health and Safety list of hazardous drugs. Safe handling of this type of drug requires special facilities and equipment that may not be present in all outsourcing facilities. The drug is also dosed based on patient-specific parameters, and each dose is prepared specifically for individual patients. This type of patient-specific drug preparation is difficult for an outsourcing facility to produce. While some outsourcing facilities are likely capable of this type of compounding, these challenges would further limit production capacity compared to commercially manufactured product. Other factors that can limit the ability for outsourcing facilities to respond to a drug shortage include the timeline for a drug's appearance on the FDA shortage list and the unknown period of time that the drug will be on the list. ASHP believes these limitations can be addressed by also allowing outsourcing facilities to compound copies of drugs that appear on the ASHP drug shortages list. The ASHP drug shortages list is maintained through a partnership with the University of Utah Drug Information Service. We post every prescription drug shortage report we receive to our database as soon as it is investigated and confirmed with the manufacturer, usually within 24-72 hours. The ASHP Drug Shortages List includes information down to the individual manufacturer and national drug code (NDC) level and reflects any supply interruption that affects how a pharmacy prepares or dispenses a drug product. The FDA shortage list is developed based on reports from manufacturers and from the public, but a shortage is determined by comparing overall market availability to historical demand of a drug. Because of the detailed tracking down to the NDC level, our list is often considered to be comprehensive and reflective of drug availability on the front lines.

ASHP also believes outsourcing facilities have the ability to compound a drug that has appeared on the ASHP or FDA drug shortages list for up to six months. This reduces the risk that an outsourcing facility will invest time and resources addressing a shortage that quickly resolves before the outsourcing facility can recover any of their investment. The process of identifying and purchasing materials, developing a formulation, conducting stability and sterility testing, and compounding and distributing drug is time- and resource-intensive. Without a guaranteed timeframe to sell products that are compounded, outsourcing facilities will be reluctant to invest in addressing a shortage.

The Honorable Anna Eshoo

1) The American Society of Health-System Pharmacists says there is not sufficient supply chain transparency for hospitals. What information would hospital pharmacists need to improve their decision making? To what extent can they rely on their GPOs for this information? How would they use this information: would it be primarily for mitigating shortages or for selecting reliable manufacturers before there are signals of potential shortages?

Dear Ranking Member Eshoo, thank you for your question on how greater supply chain transparency would assist hospital pharmacists avoid and mitigate drug shortages. Hospital pharmacists, as well as all providers, currently have very little ability to select manufacturers based on the quality of their pharmaceuticals or reliability of their supply chain. This undermines their ability to source products from the most reliable manufacturers. To mitigate this, ASHP recommends that the FDA finalize, and make public, metrics of quality manufacturing maturity (QMM) so that purchasers can buy from manufacturers less likely to experience a drug shortage. ASHP also recommends FDA make unredacted manufacturing inspection reports publicly available so that hospital pharmacists, as well as all purchasers, have a better understanding of supplier manufacturing challenges and what products are made at facilities with a history of manufacturing quality and compliance problems.

Group purchasing organizations (GPOs) can support the integrity of the pharmaceutical supply chain as well as the quality of the prescription drugs hospital purchase by utilizing risk scores and mature quality systems as part of their contracting. An ASHP survey found 59% of respondents prefer to purchase drugs from a manufacturer that achieve a predetermined quality standard. However, 40% of respondents indicated they would likely continue purchasing medications that are preferred on their GPO contracts.[1] This emphasizes the role that GPOs can play in vetting suppliers to evaluate quality and reliability. GPOs have sought to provide purchasers with greater visibility into supply chain reliability and quality, but manufacturers are under no obligation to share this information. With more transparency into quality information, GPOs, and their participating hospitals, can make more-informed decisions about which manufacturers should be selected to improve reliability and reduce shortages.

As to how this information will be used, with greater transparency, both hospital pharmacists and GPOs will be able to take a more pragmatic approach to purchasing where factors other than singularly price can be considered in purchasing decisions.

[1] https://www.ashp.org/-/media/assets/drug-shortages/docs/ASHP-2023-Drug-Shortages-Survey-Report.pdf.