

# Breaking Bad: The First Not-For- Profit Generic Drug Company Breaks With Big Pharma

Reaction  
—Data—



# INTRODUCTION

Prescription drug prices are rising at an alarming rate. In 2016, total drug costs went up about three times the rate for other goods and services, according to the U.S. Department of Labor. About 20 percent of generics have had price hikes of at least 100 percent between 2013 and 2017, according to analysis by the Drug Channels Institute. And, as recently reported by CBS news magazine 60 Minutes, a drug used to treat infantile spasms that in 2001 cost \$40 a vial, now costs \$40,000.

Earlier this year, plans for the most disruptive venture within the

healthcare industry in the last decade was announced: a collaborative not-for-profit generic drug company called Project Rx which consists of four health systems; Ascension, Intermountain Healthcare, SSM Health, and Trinity Health, in consultation with the US Department of Veterans Affairs was formed.

Reaction Data garnered input from over 700 influencers in the provider, payer, and pharmaceutical industries to find out what impact they thought Project Rx would have on the industry.

**605**  
PROVIDERS

**91**  
BIG PHARMA

**53**  
PAYERS

Reaction  
Data

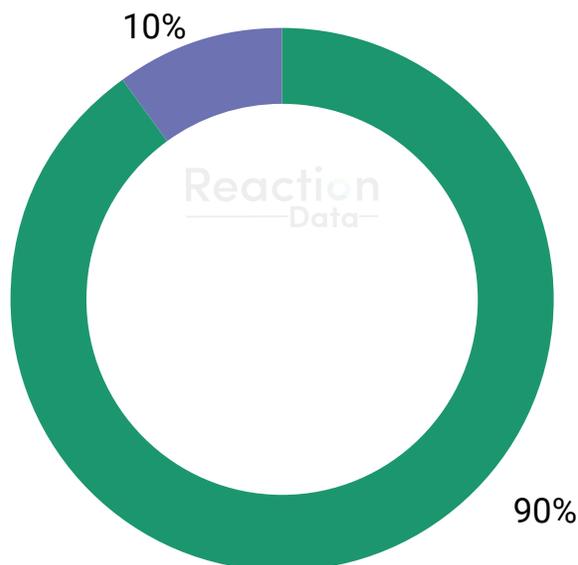
# SUCCESSFULNESS

When asked what they think of pharmaceutical manufacturers, one physician simply replied, “Bad.” This collaboration by Project Rx is gearing up to disrupt that status-quo in what appears to be an attempt to break “bad.”

For a new venture to succeed, awareness is key. Our data shows that 60% of providers were unaware that this was happening. However, when asked if it will be a success, positive responses went through the roof.

Will Providers  
Become  
a Customer  
of Project Rx

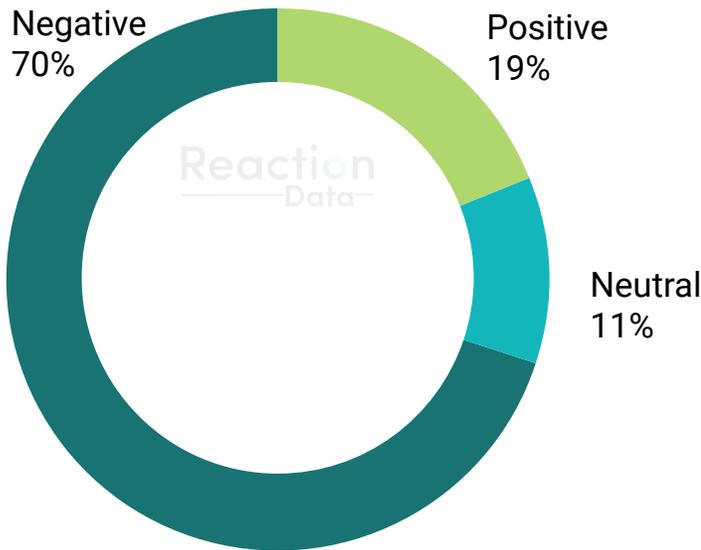
- Yes
- No



The willingness of providers to open their arms to Project RX likely lies in the general negative attitude toward big pharma. When asked about the current market as it relates to the existing pharma industry one provider stated, “I

think they are out to make large profit for investors even if it hurts patients. They are self-serving. They spend large amounts of money lobbying the government for their own ends, not those of patients.”

# ATTITUDE TOWARDS BIG PHARMA AND PROJECT RX



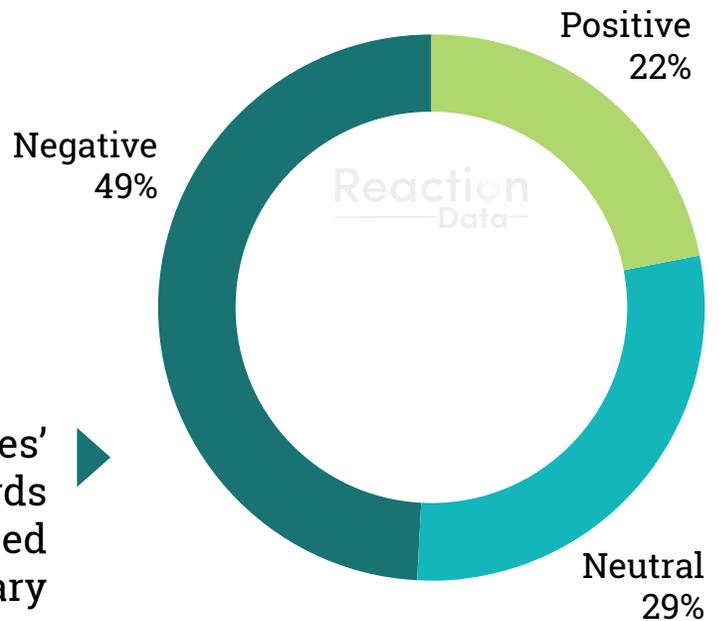
Providers' General Attitude Towards Pharmaceutical Companies

Of those who had positive feelings toward big pharma, R&D appears to be the key. "In our current environment, R&D costs, litigation costs, government regulation including FDA approval timelines, etc. all contribute to ever increasing drug costs and related healthcare cost drivers. Big Pharma gets a bad rap in the media."

Project Rx will be successful comes from big pharma. One participant advised, "Their money would be better spent in negotiations with current generic drug manufacturers."

It may come as no surprise that the most pushback from whether

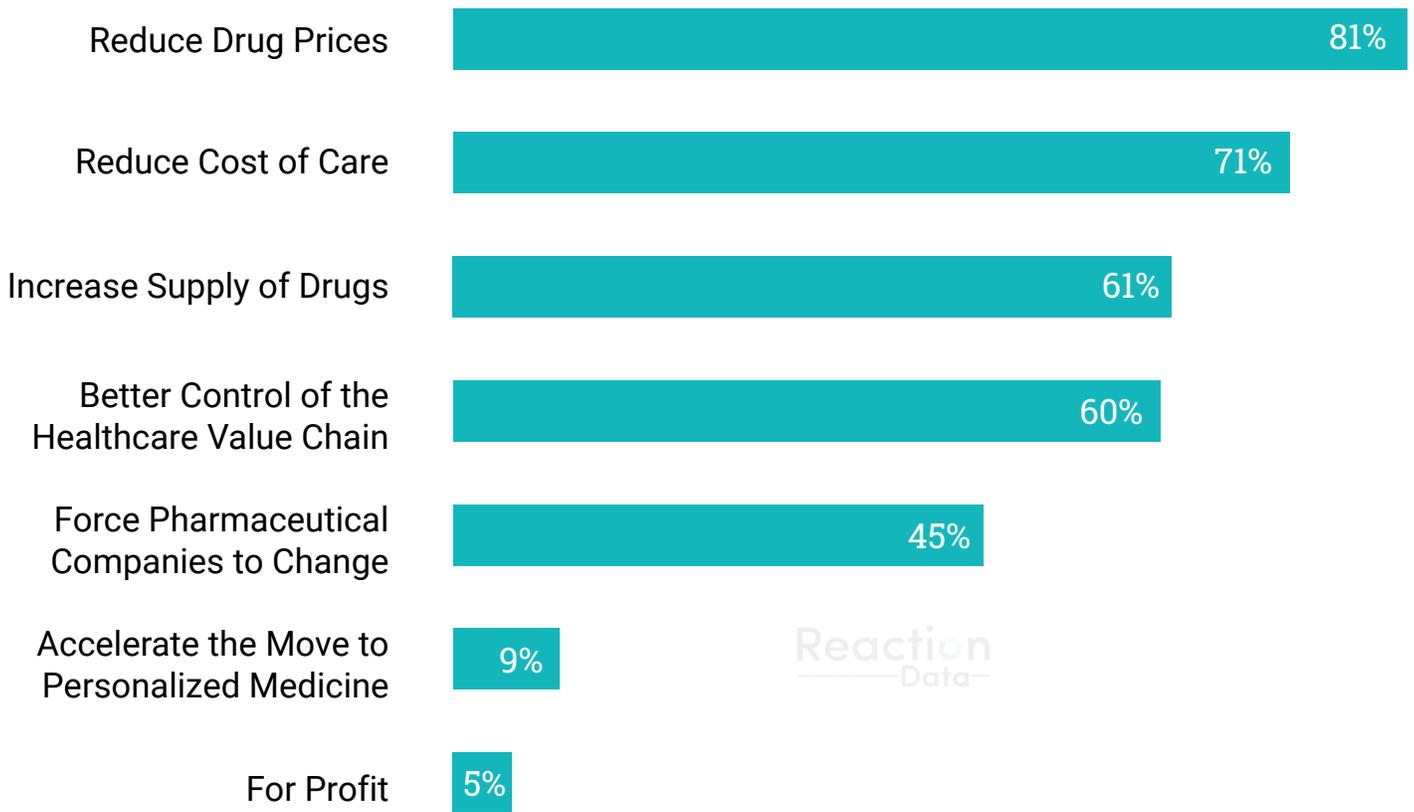
Pharma Companies' Attitude Towards Project Rx Based on Commentary



# WHY IS THIS HAPPENING

When asked why this is happening, the vast majority alluded to cost reduction and supply.

Possible Reasons for the move

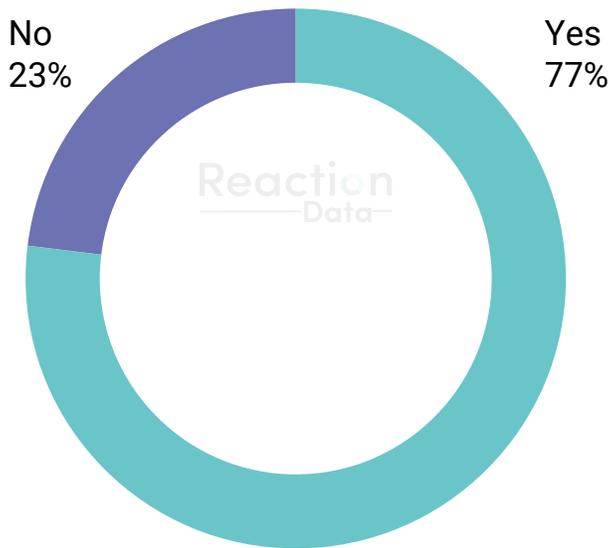


# FOLLOWING SUIT

Payers, who stand to benefit the most, also expressed some healthy skepticism. "Minimal. There are serious doubts the cost savings will attribute to anyone other than the hospitals' and their bottom lines. Conceptually, I like the approach but the execution will be challenging and the value proposition for patients is nebulous." - VP Network Management

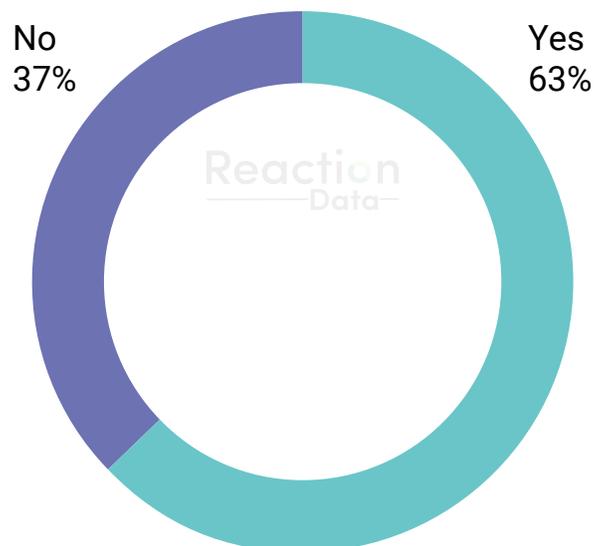
When weighing in on whether the new venture will be successful 69% of providers were positive with 58% of payers expressing optimism.

Interestingly, payers thought it would be less likely (37%) for others to follow suit than did big pharma (48%). Providers, on the other hand (which Project Rx is made up of), were much more bullish in their predictions.



Will Other Hospitals Follow Suit (Payers)

Will Other Hospitals Follow Suit (Providers)



# CONCLUSION

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Project Rx faces both challenges and opportunities as they enter the pharma space. Big pharma spends billions on research to deliver new drugs to the market. Participants also expressed concern about whether the new company would be able to focus on the right generics and their ability to scale. Combined with gag clauses, clawbacks, and drug patents, Project RX certainly faces an uphill battle.

That said, they may have the wind at their back. 90% of providers said

would be willing to become a customer. Coupled with the general negativity directed at big pharma, if they can execute effectively, the sky may be the limit.

Based on other research that Reaction Data has done which show the open arms the healthcare industry is extending to outsiders, such as Amazon, Apple, Google, Microsoft (to name a few), it appears that providers, in particular, are hungry for change. Spiraling drug costs means that consumers are too.

# THE FULL REPORT

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The summary report represents only a fraction of the data we collected around this disruptive announcement. The full report includes:

- 200+ direct quotes and commentary
- Breakouts by Org type and title among the participants
- A deeper analysis of all the charts and graphs

If you are already a customer, you can click [HERE](#) to login and access the full report, raw data, and hundreds of participant comments.

If you have any questions about this research, please contact our CEO, Jeremy Bikman at [jeremy.bikman@reactiondata.com](mailto:jeremy.bikman@reactiondata.com)