Quality Circle: Profitability, Integrity and the Cost of Poor Pharma Quality

Now that emerging pharma markets are tightening their grip on quality, are U.S. manufacturers losing theirs?

BY BIKASH CHATTERJEE, PRESIDENT, PHARMATECH ASSOCIATES

FEB 15, 2012

As major blockbuster drugs come off patent, the scramble among generics to capture these new markets is just beginning. We can expect the U.S. market to experience continued change and consolidation with cost cutting remaining at the top of the priority list for big pharma. We can also expect emerging market drug powerhouses to try and gain market share as these blockbusters come off patent. Pressure to be competitive in these new market opportunities is creating a sort of perfect storm.

Six years ago, when we first started discussing the impact of emerging markets, we focused on whether offshore manufacturers could make the leap in quality understanding and sensibility, to be able to compete in U.S. and Europe.

The maturation of these markets has answered that question to some extent, although there is still uncertainty as to how completely these operations can commit to meeting the FDA's standards. Now I have to ask whether U.S. drug manufacturers would drop their quality commitment to the same level as these overseas manufacturers in the quest for profitability and business competitiveness.

So far 2012 promises to continue 2011's trend of high profile pharmaceutical operations failing the most basic elements of the GMPs. The McNeil and Genzyme consent decrees continue as these organizations move to reestablish their reputation for high quality. The recent voluntary recall by Novartis for mixed tablets and a breakdown in their complaint handling system reveals an organization that has lost its way in terms of quality. Are these events the result of a more aggressive FDA attempting to demonstrate it is still relevant? Much has been made of the discussions to scale back the agency, to reduce its budget and rely on industry self-policing and regional enforcement. Such recall events speak volumes to the contrary.

Perhaps the most disturbing regulatory action has been the recent consent decree issued by the U.S. Department of Justice (DoJ) to Ranbaxy regarding data integrity. The consent decree signed between the Indian generics manufacturer and the DOJ serves as a warning shot for companies supplying to the U.S. market that FDA findings of falsified information in applications or cGMP records will have substantial consequences.

The decree includes provisions requiring Ranbaxy to thoroughly investigate—with independent expert oversight—the integrity of its submissions and manufacturing operations. Before the FDA will review applications from the implicated Indian facilities, Ranbaxy will have to identify how the problems occurred and remove the employees responsible, put in place the systems, procedures and hiring practices needed to prevent recurrence, forfeit 180-day exclusivity for some pending applications and withdraw any applications containing untrue statements or misleading omissions.

In addition, they will have to pay stringent monetary penalties for any applications found by the FDA to contain untrue statements, and meet all relevant provisions going forward. Ranbaxy has stated that they have set aside $500 Million for potential litigation as a downstream consequence of the violations1.

Is Ranbaxy's behavior purely a case of negligence or are there other contributing factors to what has become a very disturbing trend in our industry?

Most Popular

#1 Aseptic Blow-Fill-Seal Technology vs. Traditional Aseptic Processing

#2 Public/Private Collaboration Advances Manufacturing's Future

#3 Reporting Failures and Process Deviations: A Closed-Loop Approach

#4 Ensuring Data Integrity

#5 A Case for Stage 3 Continued Process Verification

Few can argue that consolidation creates chaos before it creates order. Shareholder focus from Merger and Acquisition is always on the payback period. As companies sort through the organizational redundancies and deal with the merger of disparate cultures, the likelihood that quality issues will arise is significant. But these are the realities of our business and our marketplace. What can be done to stop the slide in quality?

I think the answer has been in front of us for many years but we have refused to embrace it. The basic principles of business dictate that we need to make a quality product as efficiently as possible so we can sell it for a fair margin.

Granted, Congress and government want to squeeze that margin in the name of Public Pricing Protection, but I don't think this protection means that we want bad drugs at a good price! Today the World Health Organization (WHO) says counterfeit drugs kill approximately 2,000 people a day and that 1 out of 4 drugs sold in the developing countries is counterfeit. It is an industry that is expected to grow to over $205 billion dollars this year2. Equating counterfeit drugs with poor quality systems may be a stretch, but the underlying risk to the public is not that different. At a recent industry event, FDA's Richard Friedman, Associate Director of the Office of Product Quality, described an urgent need for pharma to modernize the way it controls manufacturing processes and assesses quality risks.

This doesn't mean we need to spend more money or add more people. We need to change our thinking in terms of how we ensure quality. Other industries have done this well. When margins shrink in the marketplace the companies that can maximize yield, maintain high quality and be price-competitive hold their own.

We have spent years talking about Six Sigma, lean manufacturing, Quality by Design and the application of risk management tools but only in the context of applying the tools, not in the underlying principles behind them. One metric that has struggled to get a foothold in our industry has been the concept of Cost-of-Poor-Quality (COPQ).

COPQ qualifies what the true cost is in infrastructure, resources and loss of market share from a quality event. At one client that makes over-the-counter (OTC) drugs we calculated that the COPQ for their top three drugs alone was over $100 million. Accepting the concept that process understanding as a surrogate for inspection and testing must be mandatory to be competitive is still foreign to many in our industry.

As Generic drugs make up 78 percent of the prescriptions in the U.S. today—and that figure only looks to increase—it is extraordinary to imagine the development data for many of these products consists of a single characterization lot, and testing a small-scale bioequivalency lot before moving to commercial manufacturing. There is little or no opportunity to gain any understanding of what drives process stability and product performance before moving to the commercial operation. In many cases it takes an FDA warning letter to get management's attention that things must change.

I believe as an industry we can be very competitive with the emerging markets if we apply the principles of ICH Q8, 9 10 and operational excellence as a foundation for our approach to product development and quality. Differentiating ourselves on quality and measuring key metrics such as COPQ can crystalize the true risk of doing a job poorly. Regardless, we must stem this tide of complacency and restore the concept of integrity to our quality and operating philosophy if we hope to compete in the world market.

---

1. Ranbaxy Consent Decree Fires FDA Warning Shot for Ex-US Pharma on Data Integrity, IPQ, Jan 2012

2. Fighting Counterfeit pharmaceuticals: A primer, Healthcare packaging Jan 2012

What are your comments?

Join the discussion today. Login Here.

Comments

No one has commented on this page yet.

RSS feed for comments on this page | RSS feed for all comments

Link to this article from your web site or blog

Read more about • Quality Assurance & Control • Quality Assurance Control

Related Reading

Whitepapers

- Benefits of Proper Calibration in a Regulatory Environment
- What is Quality by Design (QbD) and Why Should You Care?
- Aseptic Manufacturing: A Roadmap to Excellence
- More Whitepapers...

Products