

Price of blood thinner had doubled since recall

By Julie Schmit, USA TODAY

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Major U.S. dialysis centers say the price of blood-thinner heparin has doubled since mid-April because of global recalls and tight supplies since the discovery of contaminated raw product from China.

At Renal Advantage's 90 dialysis centers, prices have gone up twice since mid-April, says Angela Newman, vice president. DaVita, which has 1,300 dialysis centers, has seen a similar jump, says spokeswoman Stephanie Horn.

Both companies get heparin from APP Pharmaceuticals (APPX). It became the USA's sole supplier of therapeutic heparin for surgeries and dialysis in February after Baxter International recalled its China-sourced product and stopped making more after a series of bad patient reactions, some fatal, potentially tied to its heparin.

Illinois-based APP says it's tripled production in recent months to supply the half of the U.S. market that Baxter used to serve and avert product shortages. It also says its costs for China-sourced crude heparin have risen 500% since early 2007, that it absorbed all the increased costs last year and that recent price increases don't cover all of the higher expenses.

"We don't want to take advantage of this ... but we have to stay in business," says APP board member Michael Sitrick.

Contaminated heparin from China has been found in 11 countries from 12 Chinese sources and potentially caused 81 deaths in the USA, the Food and Drug Administration says.

APP's China-sourced heparin for the USA has tested clean, thanks to a tightly controlled supply chain, says APP Chairman Patrick Soon-Shiong.

He says crude heparin prices in China have soared because of tighter supplies of pigs, from whose intestines heparin is extracted, and competition from other countries and speculators for safe sources.

APP's costs have also risen because of more FDA-mandated testing to ensure that current heparin supplies are contaminant-free, he says.

Even with increases, heparin is less expensive than alternatives, Newman says. Soon-Shiong says the increases, in some cases, are measured in pennies.

Renal Advantage can't pass increased heparin costs on because most dialysis patients are served by government-based Medicare and heparin is included in the base rate it pays for treatments, Newman says. While she says she's glad APP stepped up production, the 100% jump is "a little extreme."

The FDA suspects the heparin contamination occurred in China with the substitution of a cheap ingredient that mimicked heparin but caused allergic reactions in some patients.

Soon-Shiong says APP, a generic-drug maker, had heparin sales of about \$40 million last year and revenue of \$647 million. He owns more than 80% of APP's shares. They closed Thursday at \$11.81, down 11%. APP said 2008 profit may be flat vs. last year.