

Financial Health of Cord Blood Banks

Advisory Council on Blood Stem Cell Transplantation
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Background

- 90% of CBBs world wide are struggling to maintain sustainability and avoid bankruptcy¹
- The largest source of revenue for the banks comes from the sale of CBUs for transplantation – 81% of the industry's operating costs are covered by these sales²
- HLA (diverse), TNC (large) remain the primary selection criteria – CBBs need to base banking decisions on these selection criteria in order to improve utilization
- Challenge is not only to provide compatible units of sufficient size for every patient, but to be able to afford to do so

Background

- In the past few years, all of the reported fears of the banks have come to fruition
 - Decrease in usage world wide
 - Expansion into additional collection sites very costly
 - Increased cost of banking due to licensure
 - Remote collection program faced expensive challenges
 - Developing partnerships with for-profit entities has not been easy or realized by every bank that would want to do this
 - Transplant center anxiety over cost of cord blood transplantation has increased

Background

- In the past few years:
 - Two banks have closed
 - Two banks have stopped or will stop collecting completely but still distribute inventory
 - Four banks have significantly reduced their number of collection hospitals
 - One bank several years into preparation for opening has abandoned the idea and is giving away reagents and equipment
- Reasons are financially related – including low utilization and worry about cost of obtaining licensure

Survey

- Cord Blood Banks were surveyed regarding their financial sustainability
 - 19 US CBBs surveyed
 - 13 Responses, including NCBI, Non-NCBI, Licensed and Unlicensed
 - Promise of anonymity
- Scenarios of the various banks follow after the summary

Survey Questions

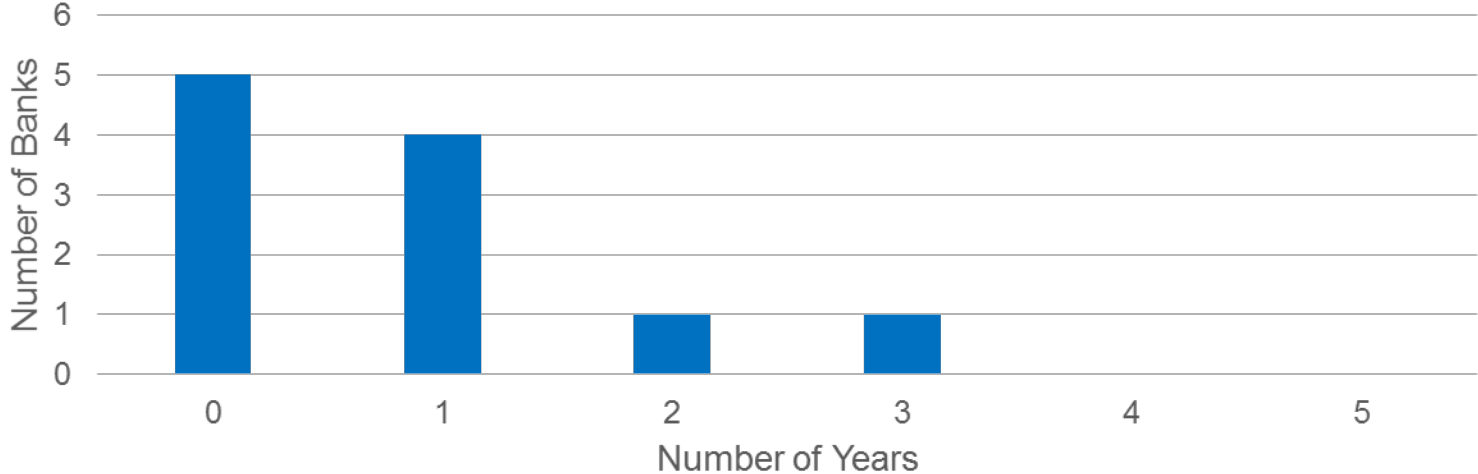
- In the last year, was your CBB profitable?
- Over the last 5 calendar years – in how many of those years was your bank profitable?
- If not profitable, did your bank recover direct expenses?
- Does your bank provide units for research and do you charge a fee for those units?
- What changes are you considering to address any financial concerns you are experiencing?

Summary

- One bank could not easily separate their finances so could not answer all of the questions, but would not be profitable without their partner (private side, blood center, hospital, or university)
- One bank answered they were profitable – but only because of their private banking side – the public side was not profitable
- Question One – Was your bank profitable last year?
- Of the 11 remaining responders – **0 were profitable in 2015!!**

Summary

In How Many of the Last 5 Years was your CBB Profitable?



Summary

- Were direct costs covered? For the 11 responders:
 - No = 3 banks
 - Unknown = 1 bank
 - Yes = 7
 - 2 banks covered costs with other revenue
 - 1 bank covered costs with revenue from the “good years” (more than 5 years ago)
 - 1 bank – has been able to break even but never recovered costs of obtaining licensure
 - 2 banks – recovered direct costs in only 3 of the 5 years
 - 1 bank – recovered direct costs in only 1 of the 5 years

Summary

- Do you provide units for research
 - Yes = 11 banks
- Do you charge for research units
 - Yes = 10 banks
 - No = 1 bank

Several banks remarked that the charge is minimal, not always charged based on purchaser, and this is not a revenue source

Summary

- What is your bank doing or considering to address financial concerns?
 - Raise minimum TNC
 - Reduce or discontinue collections
 - Price increase
 - Need a resolution on licensure – either all banks are required, or none are
 - Explore TC visits to promote cord blood
- Investigate efficiencies
 - Enhance collector training
 - Assess collection to banking ratio

Summary

- Explore other relationships – public side cannot survive on its own
 - Commercial partnerships
 - Grant funding
 - Private banking
- Explore other products/services
 - Tissue procurement
 - Explore development of other research products
 - Consulting contracts
 - Sell research units to additional clients

References

¹Magalon et al, PLOS ONE, Dec 2015, Banking or Bankrupting: Strategies for Sustaining the Economic Future of Public Cord Blood Banks

²GAO (Government Accountability Office) report to Congress October 2011, National Cord Blood Inventory: Practices for Increasing Availability for Transplants and Related Challenges

- QUESTIONS???

BANK A - NCBI

- Last year profitable = No
- Last 5 years = Zero profitable years
- Direct costs recovered = No
- Provide units for research = Yes, charge 0 to \$400
- Changes =
 - Raising minimum TNC for Caucasian
 - Exploring commercial partnerships
 - Enhancing collector training

BANK B – Non NCBI

- Last year profitable = No
- Last 5 years = Zero profitable years
- Direct costs recovered = No
- Provide units for research = Yes, charge
- Changes =
 - Raising research product portfolio
 - Offering research units to a broader client base

BANK C - NCBI

- Last year profitable = No
- Last 5 years = One profitable year
- Direct costs recovered = Covering with revenue from good years (more than 5 years ago)
- Provide units for research = Yes, charge
- Changes =
 - Exploring tissue procurement
 - Exploring private bank partnerships
 - Exploring client (TC) visits to tell cord blood story

BANK D - NCBI

- Last year profitable = No
- Last 5 years = Zero profitable years
- Direct costs recovered = Yes, for all 5 years
- Provide units for research = Yes, charge
- Changes =
 - Decreasing collection facilities
 - Increasing private storage

BANK E - NCBI

- Last year profitable = No
- Last 5 years = Two profitable years
- Direct costs recovered = Yes, in 3 of 5 years
- Provide units for research = Yes, charge
- Changes =
 - Increase partnership with private third party, public side cannot survive on its own

BANK F - NCBI

- Hard to answer specifically for the CBB as share staff and facilities with another entity

BANK G - NCBI

- Last year profitable = No
- Last 5 years = Three profitable years, but decreasing yearly over the 5 years
- Direct costs recovered = Unknown
- Provide units for research = Yes, charge
- Changes =
 - Exploring commercial partnerships – not fruitful thus far
 - Exploring partnership with private bank

BANK H - NCBI

- Last year profitable = Yes, because of private side
- Last 5 years = One profitable year
- Direct costs recovered = Yes, in only one year
- Provide units for research = Yes, charge
- Changes =
 - Exploring ways to improve collection to banking ratio
 - Exploring raising minimum TNC
 - Exploring efficiencies to reduce overhead costs

BANK I - NCBI

- Last year profitable = No
- Last 5 years = Zero profitable years
- Direct costs recovered = No
- Provide units for research = Yes, no charge
- Changes =
 - Reduce or discontinue collections

BANK J – Non NCBI

- Last year profitable = No
- Last 5 years = One profitable year
- Direct costs recovered = Yes, with other revenue sources outside of the public bank
- Provide units for research = Yes, charge sometimes
- Changes =
 - Considering increase in third party processing for private bank
 - Considering increasing consulting contracts
 - Exploring commercial partnerships

BANK K - NCBI

- Last year profitable = No
- Last 5 years = Zero profitable years
- Direct costs recovered = Break even, licensure costs never recovered
- Provide units for research = Yes, charge sometimes
- Changes =
 - Support change to HRSA reimbursement structure, raise minimum TNC, increase dollars for larger units
 - Need resolution regarding licensure, require for all or none

BANK L - NCBI

- Last year profitable = No
- Last 5 years = One profitable year
- Direct costs recovered = Yes, in three of 5 years
- Provide units for research = Yes, charge sometimes
- Changes =
 - Considering price increase
 - Exploring grant funding
 - Investigating cost oversight measures

BANK M – Non NCBI

- Last year profitable = Yes, only because of private banking relationship
- Last 5 years = Yes, due to private banking relationship
- Direct costs recovered = Yes
- Provide units for research = Yes, charge 0 or to recover expense
- Changes =
 - None at this time