Tell us: How do you give back?
Nomination Deadline: Friday, May 29, 2015
For more information, see page 28
Executive Scott Elster said of the company’s cavernous donor milk cooler, which can store up to 53,000 quarts. Prolacta executives said its growth spurt has been fueled by increased demand for the company’s human milk products, which it sells to neonatal intensive care units, mostly in the United States and Canada. The company counted 170 NICUs on its client list last year and projects that number will swell to more than 200 by the end of this year.

But as Prolacta grows, challenges mount. The company must convince customers its expensive products are worth their hefty price while contending with potential competitors for both business and its most precious resource: mother’s milk.

Prolacta’s business is based on the premise that the benefits of human breast milk are profound for infants. Babies who take human milk are prone to fewer infections and have a lower risk of serious intestinal disease, better growth and superior development, according to studies.

“We encourage the feeding of donor breast milk to babies whose mothers cannot provide their own milk,” said Dr. Susana Landeras, an Austin, Texas, neonatologist and member of the American Academy of Pediatrics’ section on breastfeeding executive committee.

However, premature babies don’t grow well on human breast milk alone because it doesn’t have enough protein, calories and minerals, she added. Whether these tiny infants are being fed their mothers’ or donors’ milk, it has to be fortified.

Seizing opportunity
The company, founded 1999, started dispensing its products for clinical trials from its original Monrovia facility in 2006.

Elster said that while the Food and Drug Administration considers infant formula a food and mandates that manufacturers meet federal nutrient requirements and notify regulators prior to marketing a new product, Prolacta took the extra step of running scientific trials because it sees itself more as a biologics company, such as a blood or plasma processor.

The company collects donor breast milk from prescreened and blood-tested mothers and pays them $1 an ounce if they choose to be compensated. Prolacta tests the donation, processes it into three product groups: standardized milk, fortifiers and formula, and ships it frozen to NICUs.

Prolacta moved manufacturing to its Ontario-based facility early last year and is already looking for an additional 50,000- to 90,000-square-foot building so it can separate milk screening and processing into separate silos and gain a little breathing room. Elster said the company, which employs about 160 people, could see its workforce swell to 300 by 2017.

Backed by $46 million in funding partly from private and venture capital sources, including Alta Partners and Healthcare Evolution Partners, Prolacta wouldn’t comment on revenue except to say it grew by more than 50 percent last year.

As for profitability, Elster said only that the company has yet to recover all of its investment, the majority of which was used to subsidize clinical trials and purchase its headquarters building.

Challenges
Though Elster said Prolacta should be in roughly 200 of the nation’s 900 NICUs by the end of the year, not everyone is sold on its cost.

The company’s standardized milk starts at $10 an ounce, compared with milk processed at a milk bank that runs between $4 and $6 an ounce. Prolacta’s fortifiers, its flagship group of products, cost up to $6.25 a milliliter, or about $180 an ounce; a premature infant would consume small amounts, about $100 to $300 worth a day.

“It’s an issue of what a hospital will let you purchase,” said Landers, who works within the Seton Health Care System and has no connection to Prolacta. “We have six birthing hospitals here in Austin and it’s taken us three years to convince them to use the Prolacta product, to pay the higher price, for our tiniest babies.”

Conceding his product has a higher price point, Elster said rigorous testing and standardization of Prolacta’s products help prevent infections and serious gut diseases, resulting in greater savings from shorter hospital stays. Research funded by the company found such conditions cost in excess of $8,000 for each extremely premature infant, those born earlier than 28 weeks.

Then there’s the limited supply of donor milk.

Elster said his company processed 2.4 million ounces of donor milk last year. The Human Milk Banking Association of North America, a nonprofit with 18 locations in the United States and Canada, dispensed 3.8 million ounces in the same period.

Medolac, a Lake Oswego, Ore., firm that last year started selling donor milk that can be stored at room temperature, processed 1 million ounces.

Medolac was formed by Prolacta founder Elena Taggart Medo, who left in 2009 when she said that the business was in talks to be acquired.

Though Elster said he doesn’t consider Medolac competition because of how Prolacta standardizes its milk and is the only firm selling fortifiers, Medo does see her firm as a challenger.

“We’re selling to the same customers for the same general product category,” she said.

Though he might not consider Medolac a rival, Prolacta still took issue with Medo, accusing her earlier this year of absconding with proprietary client information when she left the company. Medo denied the allegation, which has landed in court.

Whether from Medolac or elsewhere, Elster expects competition to come.

“I expect we’ll see some,” he said. “The regulatory barriers to entry are fairly low. … The market is growing rapidly.”

There is already a small coterie of academic startups looking to use the sugars in breast milk for therapeutic purposes or mothers selling their milk to individuals online.

“It’s a precious resource,” Landers said. “Not that many women are lactating and producing enough milk for their own baby and enough to donate. … Women who breastfeed usually have weaned the baby by six months. It’s also limited because it’s a hard thing to do.”