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Development of an Encapsulated Stem Cell-Based Therapy for Diabetes

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Abstract

Introduction: Islet transplantation can treat the most severe cases of type 1 diabetes (T1D) but it currently requires deceased donor pancreata as an islet source and chronic immunosuppression to prevent rejection and recurrence of autoimmunity. Stem cell-derived insulin-producing cells may address the shortage of organ donors while cell encapsulation may reduce or eliminate the requirement for immunosuppression, minimizing the risks associated with the islet transplantation procedure, and potentially prolonging graft survival.

Areas covered: This review focuses on the design principles for immunoisolation devices and on stem cell differentiation into insulin-producing cell products. The reader will gain understanding of the different types of immunoisolation devices and the key parameters that affect the outcome of the encapsulated graft. Progresses in stem cell differentiation towards mature endocrine islet cells, including the most recent clinical trials and the challenges associated with the application of immunoisolation devices designed for primary islets to stem-cell products are also discussed.

Expert opinion: Recent advancements in the field of stem cell-derived islet cell products and immunoisolation strategies hold great promise for T1D. However, a combination product including both cells and an immunoisolation strategy still needs to be optimized and tested for safety and efficacy.

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Keywords

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1. Introduction

Three hundred eighty-seven million people are estimated to have diabetes, with 4.9 million deaths attributed to the disease conditions in 2014. In 2013, more than 79,000 children developed type-1 diabetes (T1D)¹. T1D is an autoimmune disease in which beta cells within pancreatic islets are selectively destroyed by autoimmune responses against beta cell autoantigens². The pathophysiology of beta cell destruction in T1D has been previously reviewed³⁻⁶. Beta cells are responsible for secreting insulin, which regulates glucose metabolism and homeostasis. Currently, patients with T1D depend on exogenous insulin injections but insulin injections do not prevent acute and chronic complications of T1D, which can be life-threatening⁴. Further, severe hypoglycemia (hypo) is commonly experienced by patients as a consequence of exogenous insulin injections. Hypo unawareness accounts for 6 to 10% of all deaths in T1D. Despite the widespread use of novel insulin analogues, pump therapy, and glucose sensors, hypo unawareness persists⁷. Restoring normoglycemia without increasing the risk of severe hypo would have substantial implications for the well being of individuals with T1D. Sensor-augmented pump therapy with automated insulin suspension reduced the combined rate of severe and moderate hypo in patients with T1D⁸. A wearable, automated, bi-hormonal, bionic pancreas improved mean glycemic levels, with less frequent hypo episodes, among both adults and adolescents with T1D, as compared with an insulin pump⁹. However, such devices do not represent a cure for T1D and they are susceptible to wearing out and to breakage.

Replacement of β cell function through transplantation of whole pancreas represents a possible biological cure. The endocrine component of the pancreas constitutes only ~1% of the pancreas. Therefore, in order to restore euglycemia, transplanting just the endocrine cells, rather than the whole pancreas may represent a simpler but equally efficacious procedure and it may decrease the complications arising from whole pancreas transplantation. Since Ricordi et al. first described an automated method that allowed isolation of human pancreatic islets with high yield, purity and with preserved response to glucose stimulation^{10, 11}, clinical trials on transplantation of human islets initiated¹².

Currently, adult islets are isolated from the pancreas of deceased donors and infused into the liver following percutaneous transhepatic catheterization of the portal vein of recipients with T1D. The minimally invasive procedure is generally performed under local anesthesia by interventional radiology. Currently, chronic immunosuppression of the recipients is required to prevent allograft rejection and recurrence of autoimmunity. Further, availability of organ donors is far inferior to the number of patients than may benefit from islet transplantation in the future¹³. The results of clinical islet transplantation have improved considerably in the past two decades^{11, 14-16}. Annual reports of the CITR (collaborative islet transplant registry) concluded that islet transplantation resulted in improved long-term insulin independence and

associated benefits, including normal or near normal HbA_{1C} levels, sustained decrease in severe hypoglycemic episodes and the return of hypoglycemia awareness¹⁷.

Despite progresses in the islet isolation, transplantation and immunosuppression regimes, islet engraftment and long-term function is far from being ideal¹¹. Additionally, side effects associated with chronic immunosuppression include the increased susceptibility to infection, renal dysfunction, hyperlipidemia, anemia, mouth ulcers, and increased risk of cancer. Due to the risks associated with the procedure and the chronic immunosuppression, islet transplantation is currently indicated only for a small percentage of T1D patients and only for adults. The main challenges that remain to be addressed in order to make islet transplantation available for a larger number of subjects with T1D are:

1. Avoidance of chronic immunosuppression, either by tolerance induction or by immunoisolation strategies
2. Identification of an unlimited source of insulin producing cells
3. Identification of a suitable transplantation site that optimizes islet engraftment and long-term function

This review will focus mainly on islet immunoisolation through encapsulation as a strategy to decrease and potentially eliminate immunosuppression, on stem cells as a potentially unlimited source of insulin-producing cells, and on the selection and engineering of most appropriate site.

2. Cell immunoisolation through encapsulation

Currently, islet graft survival is limited by several factors, including autoimmune and allogeneic responses that are not completely prevented by immunosuppression. Furthermore, immunosuppression is the main cause of adverse events in islet transplantation¹⁸. Eliminating chronic immunosuppression in islet transplantation may increase the safety of the islet transplantation procedure and make it a therapeutic option for a larger number of T1D patients.

Immunoisolation of pancreatic islets through encapsulation may allow transplantation without immunosuppression¹⁹. However, this concept has yet to be translated into reality despite three decades of research²⁰. In encapsulation devices, immunoisolation is achieved by enclosing pancreatic islets within biocompatible and permeable capsules. The permeability of such capsules should allow exchange of nutrients, electrolytes, oxygen, waste products, bio-therapeutic agents, and smaller molecules like insulin through the capsules, while blocking the passage of high-molecular weight substances, such as large complement complexes and cytotoxic cells of the immune response²¹. Immunoisolation devices can be classified into macrodevices and microcapsules depending on whether multiple islets or single islets, respectively, are enclosed within the same capsule and on the size of the device, millimeters vs. microns, respectively.

2.1 Macrodevices

Macroencapsulation consists in entrapping multiple pancreatic islets (up to the full dose) within a device that has macroscopic sizes (larger than 1 mm). In macrodevices, the immunoisolation membrane encapsulates the entire islet graft, rather than single islets²². To reverse diabetes, adequate numbers of islets need to be implanted within the device. Because of the device immunoisolation feature, the host vasculature, which carries oxygen and nutrients and allows insulin secretion in response to hyperglycemia, is allowed to grow up to the immunoisolation membrane. As a result, the distance between the islet core and the closest blood vessel equals $d/2$ (d =device thickness). Because solute transport through macrodevices relies mainly on diffusion, in order to maximize the transport, d needs to be minimized. Additionally, because islets inside the device consume oxygen and nutrients at a rate that is proportional to the islet density, there is an inverse correlation between the islet loading density and d . To accommodate curative numbers of islets without exceeding the recommended islet loading density, while minimizing d , the surface area of the device exceeds what is reasonable for implantation in a patient. To address such size limitations, several modifications have been implemented to improve transport of critical molecules like oxygen to the islets entrapped in the device²³.

One approach to address the limitations associated with oxygen transport, is to supply the device with oxygen. In the work by Barkai et al., the device was supplied with exogenous oxygen at such a pressure that guarantees optimal (oxygen supply equals oxygen consumption by islets) oxygen partial pressure in the islet space²⁴. The macrodevice was a disk-shaped polyether ether ketone (PEEK) with 31.3 mm diameter \times 7 mm height dimensions. Inside the device, a 11.5 mm diameter islet module containing 2000IEQ islets was fabricated by suspending the islets within ultrapure, high guluronic acid (68%) alginate, UP-MVG hydrogels. Next to the islet module, the oxygen gas module was placed. A custom-fabricated 25- μ m-thick Silon interpenetrating network of an oxygen-permeable polydimethylsiloxane and polyetherfluoroethylene membrane was placed to separate the gas module from the islet module. A hydrophilized PTFE membrane with a pore size of 0.2 μ m was used as immunoisolation membrane and it was placed between the device and the host. To provide mechanical support to the composite device, a metal grid was placed on each side of the islet module. Based on successful studies in preclinical models, a pilot trial was performed in one patient by Ludwig et al.²⁵, showing c-peptide response to glucose challenges up to 6-months and decrease in HbA1c, despite insulin independency was not achieved. Building on these promising results, a phase I safety/efficacy study has been started in October 2014 by BetaO₂ Technologies to evaluate the safety and efficacy of implanting the β Air macro-encapsulation with human islets.

Another macrodevice, the Theracyte device was designed with an outer membrane that facilitates neovascularization and an inner immunoprotective membrane that provided protection against alloimmunity, even in allosensitized recipients in rodent preclinical models of islet transplantation. However, the curative dose of transplanted macroencapsulated islets to reverse diabetes in preclinical models was 10 times higher than the curative dose of non-encapsulated islets, mainly due to the lack of sufficient vascularization of the freshly implanted device and to transport limitations²⁶. In addition to

transport limitations, macrodevices like the Theracyte device generally induced heavy fibrotic responses at the device-host interface^{27, 28}. To minimize host responses, the Theracyte device has been modified by Viacyte into the Encaptra® Drug Delivery System. The Encaptra device was designed and manufactured to guarantee long-term biocompatibility and biostability in the subcutaneous (SC) space while providing 100% encapsulation of β cell progenitor cells (to prevent cell escape and teratoma formation), protecting against alloimmunity and autoimmunity. The SC site was chosen as transplant site for the Encaptra device because it can be easily accessed for graft monitoring and for retrieval. The EN250 device, which contains an approximate volume of 250 μ l and has a size of 3 \times 8 cm, is currently being tested in a Phase I/II trial only in conjunction with islet progenitor cells (as discussed in section 4).

2.2 Microcapsules

In *microencapsulation*, each islet or cell cluster is individually encapsulated, offering several advantages over macroencapsulation. The concept of immunoisolation through microencapsulation and the key capsule design parameters are illustrated in Fig. 1. Unlike macrodevices, microcapsules (because of their spherical geometry) allow maximizing the surface area/volume ratio, maximizing the transport of critical solutes like oxygen and nutrients through the capsule²⁹. Additionally, because sharp surfaces (corners) on biomaterials worsen the host inflammatory reactions³⁰, the spherical geometry of the microcapsules minimizes foreign body reactions. Since Chang first described the concept in 1964³¹, microencapsulation has been used with a variety of cell types, including PC12 cells for the treatment of Parkinson's disease³², hepatocytes for the treatment of liver diseases³³, cells genetically modified to secrete factor IX for the treatment of haemophilia B³⁴ and to secrete growth hormones for the treatment of dwarfism³⁵. Lim and Sun in 1980 first microencapsulated pancreatic islets in alginate beads for the treatment of T1D³⁶. Since then, alginate microencapsulation has been evaluated in several pre-clinical trials in rodents, dogs, pigs, non-human primates, and in few human pilot trials²⁰. Despite three decades of research, encapsulation systems haven't been clinically successful and the reasons for failure are unknown^{20, 42, 43}.

Capsule composition, geometry and transplantation site are three of the main parameters for capsule design. It is likely that these design parameters are critical determinants of the *in vitro* and *in vivo* performance of encapsulated islets and non-optimal combinations of these key capsule parameters may have contributed to failure of encapsulated grafts^{19, 44–48}. A better understanding of the influence of capsule composition, geometry, and transplantation site on capsule performance and underlying mechanisms may help identify the parameters that lead to successful outcomes of the encapsulated graft. Capsule design parameters are reviewed below.

2.3 Capsule design criteria

2.3.1 Influence of Capsule Composition on biocompatibility, permselectivity and stability—Due to their high water content and three-dimensional structure, hydrogels formed by crosslinking natural or synthetic monomers are commonly used for microencapsulation. The hydrophilic nature of hydrogels prevents damage to surrounding

tissues after implantation. Additionally, transparency of hydrogels allows easy visualization of the encapsulated cells⁴⁹. A variety of hydrogel monomers have been investigated during the past thirty years²², including polyethylene glycol (PEG), polyurethane, polyacrylates, chitosan, cellulose, xanthan gum, and alginate (ALG).

Polyacrylates such as hydroxyethyl methacrylate (HEMA) and methyl methacrylate (MMA) form stable capsules, but diffusion of water-soluble nutrients and long-term viability of enclosed cells is limited⁵⁰.

Alginate (ALG) is a natural anionic polysaccharide, isolated from algae²². ALG is constituted by linear copolymers of (1–4)-linked β -D-mannuronate (M) and C-5 epimer α -L-guluronate (G) residues, covalently linked together in different blocks. The ratio and sequence of the uronic acid groups depends on the source of the ALG⁵¹ and affects the properties of the ALG hydrogels⁵². During gelation, the G-blocks of one polymeric chain form junctions with the G-blocks of the adjacent polymer chain (egg-box model of crosslinking). Ion binding and affinity is selective and it depends on the ALG composition (Ba^{2+} ions bind to G-G and M-M blocks, whereas Ca^{2+} binds to G-G and M-G blocks, and Sr^{2+} binds only to G-G blocks). Higher affinity of cations for the ALG residues is associated with stronger gels. ALG is by far the most common hydrogel for encapsulation because it is thermo-stable and can form hydrogels rapidly and under physiological conditions⁵⁴. Moreover, no ALG-degrading enzymes have been reported in humans so far, supporting long-term implantation. Long-term survival of allogeneic^{60–64} and xenogeneic^{65–67} islets encapsulated in ALG devices without immunosuppression has been achieved in preclinical models. The first human trial with ALG microcapsules and immunosuppression demonstrated that encapsulated islets could provide a glycemic control similar to non-encapsulated islets transplanted in the portal vein in a T1D patient⁶⁸. Almost 12 years later, Calafiore carried out a phase I trial using human islets encapsulated in ALG-PLO and transplanted in the peritoneal cavity (IP) without immunosuppression⁶⁹. Although this study proved that allografting of encapsulated islets is safe, only a minor clinical benefit was observed. In another phase I trial with human islets encapsulated within Ba^{2+} ALG microcapsules and transplanted IP without immunosuppression, neither insulin requirement nor glycemic control was improved. A biopsy confirmed that the loss of graft function was due to a combination of islet central necrosis and inflammation⁷⁰. The large discrepancies in preclinical studies with ALG-encapsulated islets from different groups prevents investigators from understanding the reasons for clinical failure of ALG encapsulation. The lack of consistency in alginate encapsulation may be attributed to (i) the absence of standardization between laboratories⁷¹, (ii) the intrinsic variability in pancreatic islets, (iii) the variability in the ALG composition³⁷, (iv) the lack of extensive capsule characterization (composition, molecular weight, purity, permselectivity, mechanical stability, surface properties, biocompatibility), and (v) the variability in the transplantation site.

PEG is a polyether composed of repeating units of ethylene glycol. PEG has been used for the encapsulation of a broad range of cell types, including pancreatic islets^{72–75}, chondrocytes⁷⁶, osteoblasts⁷⁷, and mesenchymal stem cells⁷⁸. For islet encapsulation, PEG hydrogels have been used in the layer-by-layer, pegylation, and conformal coating technologies, with promising preclinical results^{79–82}. PEG have some advantages over other

synthetic molecules that also form hydrogels because PEG molecules can be easily coupled to functional peptides to mimic the extracellular matrix and to improve survival and function of encapsulated cells⁸³ and to provide local immunomodulation. Another major advantage of PEG hydrogels is the low protein adsorption on PEG surfaces⁸⁴. Addition of PEG to the encapsulation material can increase the durability and the mechanical properties, and decrease the permeability of the capsules^{85, 86}. Finally, pilot clinical studies showed that PEG capsules are safe²⁰.

Capsule biocompatibility depends on the capsule chemical composition, surface charge, porosity, surface roughness, implant site and shape, among all⁸⁷. Porosity of hydrogels (like ALG and PEG) is determined by the microarchitecture of the hydrogel network that represents physical impediments to transport of solutes. Poor biocompatibility results in a host reaction to the biomaterials leading to formation of a fibrotic capsule. The inflammatory response towards a poorly biocompatible material starts with the adsorption of cell adhesion proteins, immunoglobulins, complement components, and growth factors on the surface of the capsules. Macrophages recognize adsorbed proteins, adhere to the capsule surface of the biomaterials and secrete inflammatory cytokines, such as interleukin-1 β (IL-1 β), tumor necrosis factor (TNF- α) and transforming growth factor (TGF- β), further activating macrophages and fibroblasts⁸⁸. The activation of macrophages and fibroblasts leads to the cellular overgrowth on the capsule⁸⁹. Such fibrotic deposition decreases transport through the capsule and interferes with adequate nutrition of the encapsulated cells, leading to necrosis of the enclosed cells. Further, the fibroblasts accumulating on the capsule surface compete with islets for oxygen and nutrient supplies. Finally, the complement system may also be activated by the chemical characteristics of the capsule surface, and by inadequate permselectivity, further activating immune cells⁸⁷.

Biocompatibility of capsule compositions should be evaluated in parallel to safety and efficacy studies in preclinical models. *In vivo* methods to evaluate biocompatibility include the implantation of up to five times the curative dose of biomaterials in the same site where capsules are placed in efficacy studies. Experienced pathologists should score the biocompatibility of each composition by histological evaluation of explanted cell-free grafts at early time points, to evaluate acute reactions and after long-term implantation, to evaluate chronic reactions. Alternative *in vitro* assays are being evaluated and include quantifying macrophage adhesion and activation⁹², fibrinogen adsorption, fibroblast adhesion and proliferation, and granulocyte activation after exposure to cell-free biomaterials⁹³.

Capsule permselectivity should maintain cell viability and function while protecting against the host cytotoxic cells. While immune cells can be excluded from the capsule, cytokines secreted by activated immune cells, which are deleterious to islets, have a low molecular weight (comparable to critical nutrients) and they can diffuse through the capsules and reach the islets⁴⁸. The permselectivity of the capsules depends on the balance between the mass transport and the molecular weight cutoff (MWCO) of the immunoisolation membrane⁹⁴. It was suggested for the ideal MWCO to be in the 50–150kDa range⁴⁹. Permeability of ALG capsules is determined by a combination of type and concentration of ALG and the type of cations⁵³. It is known that ALG is permeable to Immunoglobulin G (IgG, 150 kDa) and to complement molecules. To reduce ALG permeability controlling its permselectivity,

polyanion-polycation membranes have been integrated within ALG capsules. As ALG are negatively charged, ALG polymers form strong complexes with polycations such as polysaccharides (e.g. chitosan⁵⁵), polypeptides (e.g. poly-L-lysine, PLL⁵⁶ and poly-L-ornithine, PLO⁵⁷) or synthetic polymers (e.g. polymethylene-co-guanidine⁵⁸ and polyethylene-imine⁵⁹). As these complexes are stable in the presence of non-gelling cations or calcium chelators, unlike ALG, they have been extensively used to reduce the permselectivity of ALG gels. However, the composite capsules made of polyanion-polycation membranes resulted in worse biocompatibility⁹⁶. While to prevent allojection microcapsules do not need to prevent diffusion of antibodies and cytokines⁹⁷, higher permselectivity may be required to prevent xenorejection⁶². Because capsule permselectivity, and in particular the permeability to immunological products are the main determinants of capsule immunoisolation, immunoisolation membranes should be thoroughly characterized and permselectivity should be tailored to achieve the desired amount of immunoprotection. Unlike ALG, synthetic materials like PEG-based hydrogels offer better control of permselectivity because they can be modified to match the desired permselectivity values⁷⁹.

For long-term implantation capsules need to display optimal mechanical stability⁹⁸. For ALG capsules, stability depends on the type of ALG (relative content of G-blocks), its concentration, and the type and concentration of gelling cations⁹⁹. Failure of conventional ALG microcapsules after transplantation has been associated with their poor stability. ALG capsules swell during long-term exposure to physiological conditions. The swelling is caused by chelation of the gel network by phosphate, citrate and lactate, or non-gelling cations, such as sodium and magnesium. While capsule swelling leads to increased porosity (Fig. 2C.1)¹⁰¹, capsule disruption results in exposure of the transplanted cells to the host immune cells (Fig. 2C.2)¹⁰². Additionally, shear forces associated with the implantation procedure and the mechanical environment of the transplant site may further damage the microcapsules¹⁰³.

Capsule stability properties have been determined through bulk measurements, which do not reflect the properties of single capsules⁴⁵. Experimental and computational tools for measuring mechanical properties of single capsules at the microscopic level (i.e. the atomic force microscopy and computational models) are available and they can be exploited to compare capsules of different composition and geometries.

2.3.2 Influence of capsule geometry on molecular transport—Capsule geometry refers to the combination of shape (irregular vs. spherical), thickness, overall size, distance of enclosed cells from the capsule surface and the volume of cell-free space within the capsule. Traditional microcapsules are made of fixed-diameter spheres of hydrogel materials. Since islets have variable sizes (50 to 400 μ m in diameter) and microcapsules need to be large enough to include even the largest islets, traditional microcapsules range in size from 600 to 1000 μ m; most of the volume is actually islet-free and biologically non-functional material⁴⁴. Transport of oxygen, nutrients and waste products from and to the tissue surrounding the capsules is critical for the function and survival of encapsulated islets. Since transport through the capsule is mainly regulated by passive diffusion, such large amounts of islet-free bulk capsule material are a barrier for diffusion of critical solutes,

leading to core hypoxia and necrosis (Fig. 2A)^{104, 105}. More importantly, large diffusion barriers will hamper the transport of glucose and insulin, leading to a delay in glucose sensing and insulin responsiveness of the encapsulated islets¹⁰⁶. Large diffusion barriers resulting from the large size of traditional capsules may help explain why traditional islet encapsulation has failed in maintaining glucose homeostasis in patients transplanted with microencapsulated islets^{69, 107–109}.

2.3.3 Influence of capsule geometry on choice of transplant site—The large size of traditional capsules increases the volume of transplantation materials up to 100 times over the volume of naked islets (Fig. 2B)⁷⁵. To reverse diabetes in patients, up to one million islets need to be ideally transplanted, which would amount to volumes in the hundreds of milliliters²⁰. Such large volumes can be transplanted only IP. The peritoneal cavity is not an islet-friendly environment¹¹⁰. After IP transplant, capsules fall by gravity and aggregate in the lower abdomen. Additionally, foreign body reactions to poorly biocompatible capsule materials cause the formation of a thick layer of fibrotic tissue. Both packing of the capsules and the fibrosis further impair transport of critical molecules¹¹¹. Consequently, higher numbers of islets are required to reverse diabetes when islets are transplanted IP versus other sites, such as the intrahepatic site in patients and the kidney capsule in mice and rats. Currently, islets for transplantation are isolated from cadaveric pancreata. Since organ availability is limited, minimizing the islet dose per patient would make islet transplantation available to a larger number of patients¹⁰⁵. However, this is not possible with large traditional capsules implanted in the IP site.

3. Choice of Islet Transplantation site

Currently, islets are transplanted intraportally. Hepatic embolization of islets exposes them to a relatively hypoxic environment because the liver has a parenchymal oxygen tension that is inferior to that of the pancreas⁵³. More importantly, due to the ‘instant blood-mediated inflammatory reaction’ (IBMIR) 50–75% of the transplanted islet mass is lost right after transplantation because of the suboptimal environment provided by the liver transplant site⁹. Among the influences that can cause early graft loss is the poor re-vascularization (that causes lack of glucose homeostasis and islet hypoxia) and the higher concentration of immunosuppressive toxic drugs in the portal vein, which can impair angiogenesis and islet proliferation¹¹³.

Alternative transplant sites have been long sought to improve islet engraftment and long-term function. Design criteria for alternative sites are aimed at minimizing early inflammatory reactions, promoting a well-vascularized microenvironment (to guarantee exchange of oxygen and nutrients, pH homeostasis and cell waste removal), gaining easy-access to the transplant site (for minimally invasive surgery and follow-up) and protecting the islet graft from immune responses (inflammation and immune rejection)¹¹³. Among the sites that have been explored are the skin, the pancreas, the submandibular gland, the muscle, the omentum, the bone marrow, the gastric submucosa, the genitourinary tract, the kidney capsule, the anterior eye chamber, the testis, the spleen, the brain, and the thymus¹³.

Among those alternative sites, the SC site is easily accessible and it minimizes the invasiveness of both the transplant and the follow-up monitoring procedures. Additionally, the SC site offers an extensive surface area for transplantation. However, results in the SC site have been disappointing, for reasons that may include poor oxygen tension and slow re-vascularization¹³.

Another alternative site, the omental pouch (OP) site is well vascularized and provides portal drainage, which is desirable for physiological effects of insulin on the liver, and it can accommodate large graft volumes¹¹⁴. The omentum is a thin and highly vascularized membrane. Islets can be placed on top of the omentum in close contact with blood vessels. Also, the omentum can be wrapped after placing the islets, forming a pouch, which provides mechanical protection to the islets. At the Diabetes Research Institute we are currently exploring the omentum as an alternative islet transplantation site to the liver in a phase I/II trial of allogeneic islet transplantation with systemic immunosuppression. In such trial, a biodegradable scaffold is generated by adding recombinant human thrombin to islets that have been previously resuspended in autologous plasma, forming a plasma clot. The biodegradable scaffold is utilized to immobilize the islets to the omentum, in close contact with host vascular beds, and to prevent aggregation. Our preclinical data in a surrogate pouch in mice, the epididymal fat pad, support the beneficial effect of immobilizing islets to vascularized membrane and confining the graft in a pouch¹¹⁵.

The gastric submucosal space (GSMS) has also been explored because it allows localized implantation, portal venous drainage and it can be easily accessed for monitoring, allowing localized imaging and graft biopsy¹¹⁶. In a preclinical trial in pigs, minimal immediate loss of islets following transplantation in the GSMS vs. the portal vein and significant reductions in mean blood glucose and mean exogenous insulin requirement were observed.

Poor islet revascularization after transplantation is one of the major impediments to islet engraftment and long-term function¹¹⁷. Native islets in the pancreas are highly vascularized by the fenestrated endothelium that is found throughout the islet core and that receives 15–20% of the total pancreatic blood supply while comprising only 1–2% of the total pancreatic mass¹¹⁸. The high degree of native islet vascularization is rarely recapitulated in isolated and re-transplanted islets²³. To augment islet vascularization several approaches have been undertaken. Pro-angiogenic gene transduction or protein delivery has shown benefits in preclinical models¹¹⁹, but cannot be easily translated because of many of the poor efficacy of protein delivery and the safety concerns associated with exogenous gene expression. Co-delivery of progenitor or endothelial cells has shown promises in augmenting islet vascularization¹²⁰.

Devices and scaffolds have been designed to provide mechanical support and promote angiogenesis in the transplantation site. Engineering the islet transplant microenvironment has improved islet engraftment and long-term function in extrahepatic sites^{121, 122}. However, biocompatible non-degradable biomaterials can generate foreign body responses and fibrotic capsules that reduce diffusion of oxygen and nutrients, impairing glucose homeostasis. Further, synthetic devices can activate the innate and adaptive immune response and trigger graft rejection. Alternatively, fibrin matrices are natural scaffolds and completely degrade

days after implantation through cell-mediated degradation and they are gradually replaced by autologous tissues. In addition, fibrin matrices have been shown to be beneficial for islet culture¹²³.

Encapsulated islets cannot get fully revascularized after transplantation because of the immunoisolation membrane between the islets and the host. The lack of direct vascular access of encapsulated islets limits the exchange of glucose / insulin and the exchange of nutrients / metabolic waste to passive diffusion through the immunoisolation membrane. Such diffusion limitations are worsened when encapsulated islets are transplanted in sites that do not get revascularized after transplantation. Therefore, especially for transplantation of encapsulated islets, the choice of transplantation site is a critical determinant of the outcome of the encapsulated graft.

4. Stem cells as sources of insulin-producing cells

Pancreatic islets isolated from cadaveric donor pancreata are the current source for islet transplantation. Donors shortage requires seeking alternative and inexhaustible sources of insulin-producing cells. Xenotransplantation of islets from pigs is a valuable alternative source of primary islets. However, xenorejection will require a combination of immunoisolation devices and chronic immunosuppression.

Human islet-like cell clusters have been generated from

1. stem cells isolated from the cord blood, the amniotic fluid, the adipose tissue, the endometrial and menstrual blood
2. embryonic pancreatic precursors
3. fetal and neonatal progenitor cells;
4. differentiated stromal tissue, either by 4.1 transdifferentiation and tissue reprogramming, or by 4.2 epigenetic conversion¹²⁴.

The challenges associated with differentiation of stem cells into fully mature beta cells¹²⁵ and of regenerating beta cells¹²⁶ have been previously reviewed.

Embryonic stem (ES) cells are self-renewing and pluripotent cells that can differentiate into any cell type. Differentiation of ES cells into beta cells has been poorly successful, due to the intrinsic nature of beta cells and the natural resistance of ES cells to differentiate into beta cells.

In 2006, Novocell (currently Viacyte, San Diego, CA, USA) first proved that differentiation of human ES cells into beta cells is feasible, but only 5–7% of the total cell population could be fully transformed and, despite displaying beta cell phenotype, the islet-like clusters derived with their protocol did not secrete insulin in response to glucose stimulation (no GSIR) and did not reverse hyperglycemia after transplantation in diabetic mice¹²⁷. Viacyte protocol was based on sequential differentiation of human ES cells into mesoderm, definite endoderm, primitive gut, posterior foregut, pancreatic endoderm, followed by final differentiation into endocrine precursors and β cells (polyhormonal, PH, Fig. 3). On the

other hand, a different strategy that aimed at transplanting only partially differentiated human ES cells, at the pancreatic endoderm stage, rather than fully matured into beta cells, efficiently generated glucose-responsive (GSIR) endocrine cells 3 to 4 months after implantation into diabetic mice. ES cells differentiated into pancreatic endoderm (PE, Fig. 3) and transplanted into mice protected against streptozotocin (STZ)-induced hyperglycemia and showed serum C-peptide that was comparable to 3000 IEQ human islets¹²⁸. At graft retrieval, ES-derived beta cells demonstrated expression of critical beta cell transcription factors and presence of pro-insulin and mature endocrine secretory granules. These important studies suggest that functional beta cells that reverse hyperglycemia and maintain glucose homeostasis can be efficiently generated by a 1st differentiation phase *in vitro* and a 2nd final maturation phase *in vivo* where the *in vivo* microenvironment is critical for promoting full maturation of beta cells. The question remains on whether the human microenvironment is as conducive to beta cells maturation as the murine microenvironment. Viacyte has performed extensive preclinical testing on this particular cell product based on differentiation of human ES cells in the pancreatic endoderm to assure reliable production of a safe and effective product. Following successful results of the preclinical testing, in August 2014 ViaCyte received approval from the U.S. Food and Drug Administration (FDA) to begin evaluation in a Phase I/II trial of their stem cell-derived cells in combination with the Encaptra macroencapsulation device.

Following the first generation of ES cell-derived beta cells that require 3–4 months maturation *in vivo* to express functional characteristics of bona fide β cells and maintain glucose homeostasis *in vivo*, several groups have attempted to optimize *in vitro* maturation of stem cell-derived beta cells to higher degrees of maturation. The overall goal of these strategies was to generate a stem cell-based product that could reverse hyperglycemia right after transplantation in diabetic recipients. Additional goal was to generate a cell product that could be fully characterized before implantation, addressing safety and efficacy concerns of what happens to the cells after implantation. Almost at the same time the Melton's group at Harvard¹²⁹ and the Kieffer's group at the University of British Columbia in partnership with BetaLogics Venture (Janssen R&D LLC)¹³⁰ succeeded in developing protocols to differentiate stem cells into functional beta cells with higher maturity than the ES-derived cells from Viacyte.

The Melton group used a scalable suspension-based culture system that can generate up to 10^8 human pluripotent stem cells and that can be differentiated into hundreds of millions of glucose-responsive beta cells *in vitro* (SC- β , Fig. 3). SC- β are able to secrete quantities of insulin comparable to adult β cells (GSIR). Furthermore, SC- β prevented the development of hyperglycemia when they were transplanted in pre-diabetic and immunodeficient Akita mice, which develop progressive hyperglycemia as a result of a defective insulin gene.

The Kieffer's group described a seven-stage protocol that efficiently converts human ES cells into insulin-producing cells. Differentiated cells expressed key markers of mature pancreatic β cells, including MafA, and displayed GSIR similar to that of human islets during static incubations *in vitro*. Despite single-cell imaging and dynamic glucose stimulation assays revealed some differences with primary human β cells, converted cells reversed diabetes in mice four times faster than pancreatic progenitors (PP, Fig. 3).

5. Expert opinion

Encapsulation may eliminate immunosuppression in allogeneic cell transplantation, increasing the safety and the efficacy of the procedure. Clinical failure of cell encapsulation in the past three decades may be attributed to the limited understanding of the mechanisms of graft failure. A summary of current clinical trials has been presented by Scharp D. et al.²⁰ and more recently by Yang H.K. et al.⁴¹ We suggest that a different approach to islet encapsulation needs to be undertaken with the aim to identify more successful encapsulation strategies. Our recent data suggest that the choice of capsule composition, geometry, and transplantation sites are the main key factors in determining the performance of encapsulated islets⁷⁵. An integrated evaluation of the specific contributions of these three capsule parameters defining success vs. failure of encapsulated pancreatic islets needs to be performed to provide insight into the mechanisms of graft failure that may occur for specific combinations of capsule composition, geometry and transplantation site and to identify the specific role of these three key capsule parameters independently analyzed. More importantly, such a study will help identify the most promising combinations of capsule parameters to reduce graft failure rates and increase the likelihood of success of future clinical studies with primary islets and with stem cell-derived insulin-secreting cell products.

The optimal combination of cell source and immunoisolation device needs to be carefully selected based on safety concerns and the metabolic requirements of the selected cell product, which may vary after implantation. Islet cell precursors with the potential to proliferate, evading the immune surveillance and possibly forming tumors, should be transplanted in a device and in a site that can guarantee stable and complete confinement of the transplanted cells. Additionally, non-invasive monitoring of the graft is desirable to monitor graft size and prevent possible breakages of the device in case of undesired growth. Because immature islet-precursors are expected to mature *in vivo*, an increased metabolic activity is expected to develop over time, paralleling an increased requirement for oxygen and nutrients by the progressively differentiating transplanted cells. The current clinical trials will be of assistance to define the relevance of these challenges, which are difficult to be fully evaluated in preclinical model systems. Ideally, instead of transplanting beta cell precursors, whose fate is unknown, we should aim at transplanting mature beta cells to the end of increasing safety of the procedure and enhancing efficacy.

A multi-functional platform may be necessary to support encapsulated cell-based products. Such platform should comprise:

1. A three-dimensional scaffold that provides mechanical support to the cells and prevents cell clumping. Such scaffold should allow blood vessels to grow around immunoisolated cells, minimizing the distance between the core of islet-like cell clusters and the blood supply. Such scaffolds could be either resorbable (e.g. plasma clot) or permanent (e.g., silicone-based)
2. In situ oxygen generation to support the transplanted cells before re-vascularization occurs. Additionally, in case of a macrodevice, a permanent oxygen supply (like the Beta-O2 design) could be necessary for cells that are farther away from the blood supply. Ideally, such platform should allow for

modulation of oxygen delivery proportionally to the increasing metabolic requirements of the transplanted cell products (i.e., undifferentiated vs. differentiated cells)

3. Local delivery of anti-inflammatory and immunomodulatory agents, to dampen any acute foreign body response to biomaterials and prevent formation of a fibrotic capsule around the device. Additionally, local immunomodulation may be desirable to minimize indirect pathways of immune activation, following antigen shedding which cannot be blocked by immunoisolation strategies and that could lead to allosensitization¹³¹. A promising approach may be targeting PDL-1, as previously shown by Guleria¹³². Alternatively, helper cells, like mesenchymal stem cells (MSC)¹³³ or cord blood-derived¹³⁴ or hematopoietic¹³⁵ stem cells could be co-transplanted to provide local immunomodulation and pro-angiogenic effects
4. A suitable transplantation site, that would allow for physiological delivery of insulin (intraportal) and for retrievability of the implanted cell products, in case of adverse events. Additionally, the capsule can be functionalized with islet extracellular matrix-mimetic additives to provide further protection against autoimmunity¹³⁶ and for recapitulating signaling interactions between islet cells and extracellular matrix, which are known regulators of islet survival, proliferation, and insulin secretion.

We have developed a conformal coating technology that allows for modulation of capsule composition, geometry and transplant site through microfluidics⁷⁵. Unlike traditional ALG microencapsulation based on generation of fixed-size capsules with the electrostatic droplet generator, this method allows to control capsule size by adjusting microfluidic parameters, including minimizing the capsule size to a few tens of microns (vs. hundreds of microns of traditional capsules, Fig. 3). Further, the conformal coating method can be adapted for most coating hydrogels, including ALG, to obtain capsules with different physical and biological properties, determined by the specific hydrogels utilized for coating. Compared to other conformal coating technologies, including layer by layer⁸¹ and pegylation-based encapsulation⁸⁰, the conformal coating technology does not require direct binding of the capsule to the islet surface that may compromise the integrity of the islet membrane, which is critical for promoting proper function of the islet and for protecting against autoimmunity¹³⁶. Since conformal capsules are not covalently bound to the cells, the conformal coating technology does not impair critical cellular functions and survival. We believe that the conformal coating technology is a valuable platform for designing immunoisolation of different sources of insulin-secreting cells.

The necessary steps that need to be undertaken to evaluate safety and efficacy of an encapsulated stem cell product for beta cell replacement in type-1 diabetes are summarized in the flow chart depicted in Fig. 4. As we learnt from preclinical development of primary islet encapsulation products, in step 1 the composition of acellular capsules should be defined and its non-toxicity and its stability should be confirmed. In step 2 viability and functionality of encapsulated insulin-secreting cell products should be confirmed and mechanisms of poor viability (central hypoxia?) and poor functionality (poor transport of

glucose/insulin?), if any, should be investigated and properly addressed by modifying the combination of capsule composition and geometry. In step 3 the efficacy of the selected combination of capsule composition and geometry should be evaluated in syngeneic and allogeneic cell transplantation models in chemically induced diabetic mice; mechanism of syngeneic graft failure, if any, should be investigated by histological comparison (inflammation? vascularization?) of functioning and non-functioning grafts and confirmed by studies in transgenic mice (or with compounds that target the specific pathways); mechanism of allogeneic graft failure should be investigated by histological comparison (immunoisolation?) of functioning and non-functioning grafts and confirmed by *ex vivo* studies that quantify antigen shedding through the capsules and capsule mechanical stability before and after implantation. In step 4 the safety and efficacy of the selected capsule combinations should be evaluated in the allo and autoimmune NOD mouse model of T1D (to confirm capsule protection from recurrence of autoimmunity) and in the alloimmune model in non-human primates (NHPs) before performing clinical trials in humans. Alternative strategies to the ones discussed in this review include genetic engineering of human pluripotent stem cells to match the human leukocyte antigen genes and prevent allojection¹³⁸, so that capsule role would focus just on preventing recurrence of autoimmunity after transplantation.

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Dr. Tomei and Dr. Ricordi are co-inventors of Intellectual Property discussed in this review and licensed to Converge Biotech. Dr. Tomei and Dr. Ricordi have a financial interest and stand to gain royalties from the commercialization of the Intellectual Property. Dr. Ricordi is a member of the scientific advisory board and an equity owner in Converge Biotech, licensee of some of the intellectual property used in some of the described studies. Funding was provided by philanthropic funds from the Diabetes Research Institute Foundation, grants from the Juvenile Diabetes Research Foundation (grant # 17-2001-268, 17-2010-5 and 17-2012-361), Converge Biotech, Inc. (Miami, FL, USA), BioRep Technologies, the Fondazione Tronchetti Provera, the Fondazione IRCCS Ca' Granda Ospedale Maggiore Policlinico and the National Institute of Health (grant # 5U01DK070460-08 and 5U01DK070431-10). The authors have no other relevant affiliations or financial involvement with any organization or entity with a financial interest in or financial conflict with the subject matter or materials discussed in the manuscript. This includes employment, consultancies, honoraria, stock ownership or options, expert testimony, grants or patents received or pending, or royalties.

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Highlight box:

- Islet transplantation may restore beta cell function in type-1 diabetic patients but islet sourcing and safety concerns about chronic immunosuppression are currently limiting the procedure to the most severe cases of type-1 diabetes
- Immunoisolation of insulin-secreting cells can reduce and ideally eliminate chronic immunosuppression but additional studies are required to identify the reasons of previous failures of the encapsulated islet grafts in clinical trials and to design more effective immunoisolation devices for future clinical trials
- We suggest that understanding the specific effects of the composition, geometry and transplantation site for the immunoisolation devices on the outcome of the encapsulated islet graft will allow designing more effective immunoisolation devices
- Recent advances in generating mature insulin-secreting cell products from stem cells that rapidly reverse diabetes after transplantation in preclinical models represent a great leap forward in the field of beta cell sourcing
- Combining immunoisolation devices for primary islets with stem cell-derived insulin secreting cell products will require tailoring the properties of such devices (composition, geometry, transplantation site) to the new cell source to guarantee safety, in addition to efficacy of the final combination product.

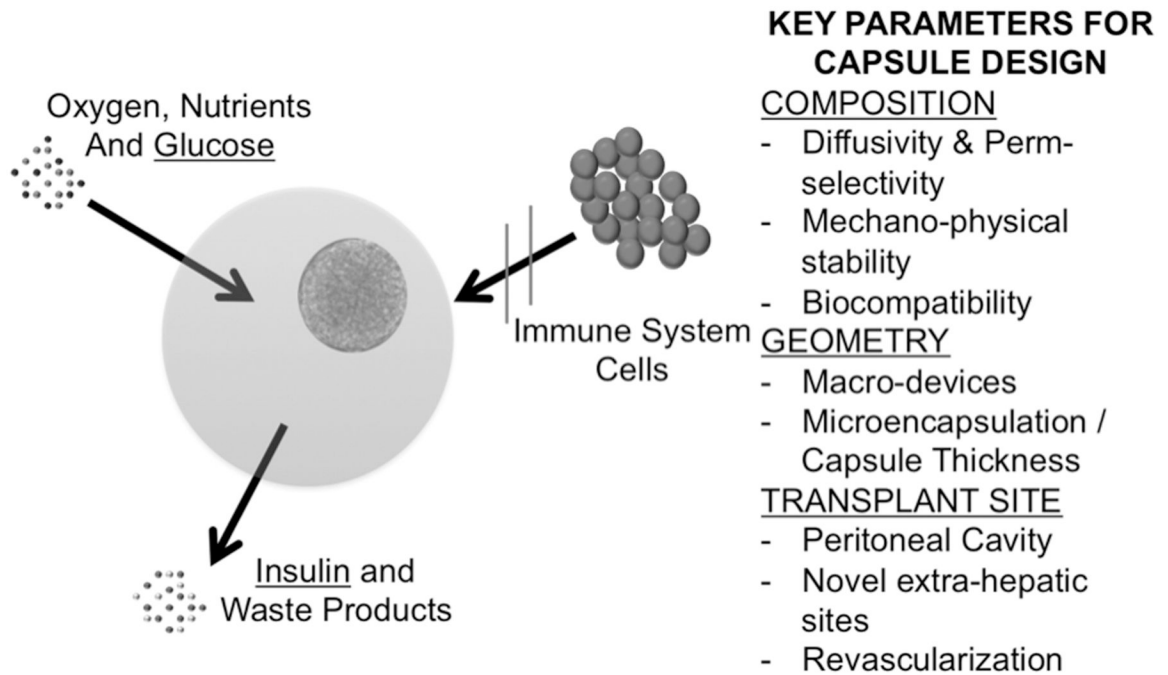


Fig. 1. Schematic of cell immunoisolation through microencapsulation for transplantation without immunosuppression. Before transplantation isolated islets are completely enclosed by a capsule. The capsule material allows transport of oxygen, nutrients, cytokines, glucose, insulin and waste products through the capsule. The capsule prevents contact between the enclosed cells and the host immune cells (immunoisolation), in turn preventing immunorejection. Key parameters that directly affect capsule performances are indicated.

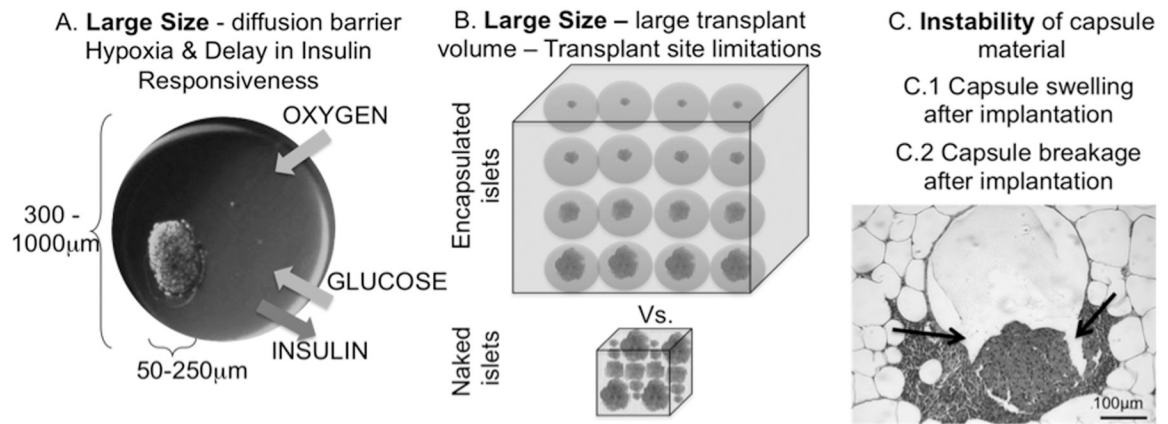


Fig. 2. Schematic of limitations associated with traditional alginate (ALG) microencapsulation. A. Diffusion limitations imposed by large capsule size (600–1000µm) that results in core hypoxia, central necrosis and delayed insulin secretion in response to glucose; B. Large volumes of encapsulated cells that do not allow implantation in sites that might be more favorable to islet cell engraftment but that can accommodate only small volumes. 3. Instability of capsules that causes change in permselectivity and breakage after implantation, leading to rejection of enclosed cells.

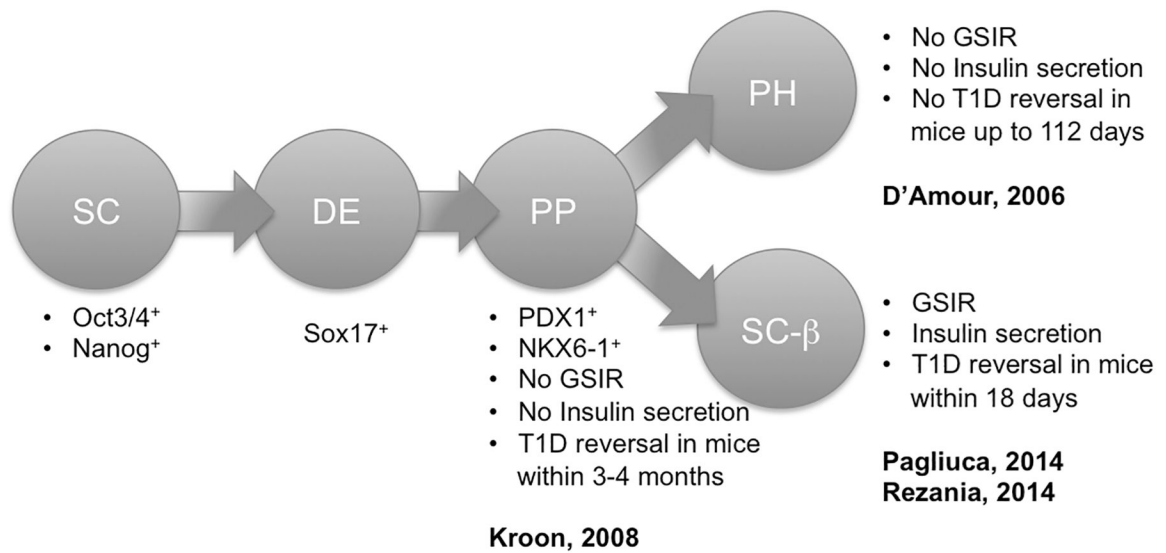


Fig. 3. Schematic summarizing the most recent efforts in differentiating stem cells into beta cells. SC: stem cell; DE: definitive endoderm; PP: pancreatic progenitors; PH: polyhormonal; SC-β: stem cell-derived functional beta cells; GSIR: glucose-stimulated insulin release; T1D: type-1 diabetes

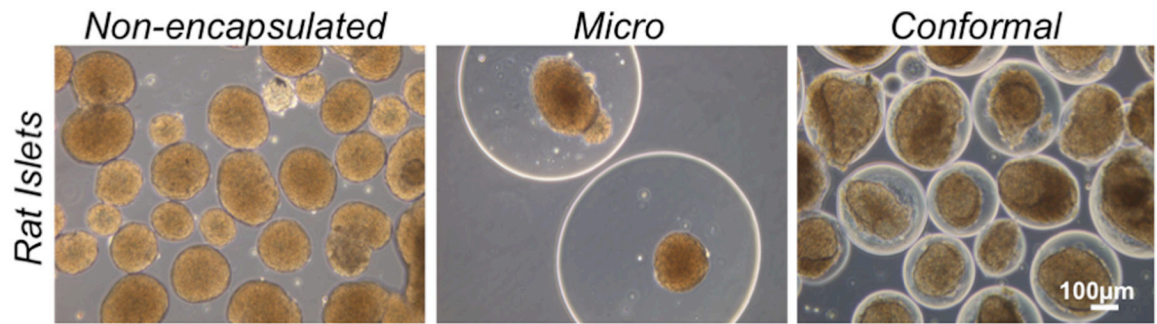


Fig. 4. Phase contrast microscope images of rat islets encapsulated with conformal capsules vs. microcapsules vs. non-encapsulated.

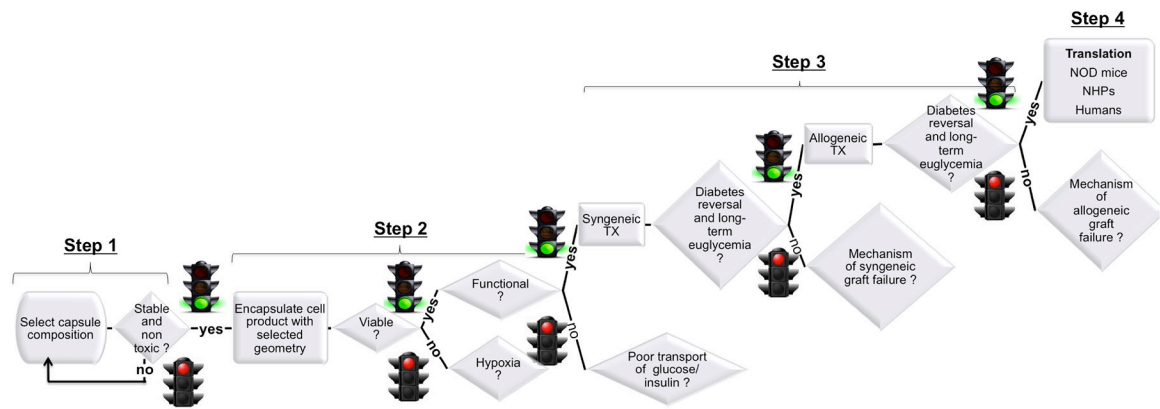


Fig. 5. Flowchart illustrating the step-wise strategy that we suggest should be undertaken for evaluating safety and efficacy of a new encapsulated stem cell product for T1D. TX: transplantation; NOD: non-obese diabetic mice; NHP: non-human primates.