



STATE OF WISCONSIN

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**GOVERNOR'S TASK FORCE ON  
REDUCING PRESCRIPTION DRUG PRICES**

# Healthcare Distribution Alliance: An Introduction

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Healthcare Distribution Alliance

Wisconsin Governor's Rx Pricing Task Force  
June 18, 2020

# Healthcare Distribution Alliance

## HDA

### **Association:**

- National association representing primary wholesale distributors.
- Founded in 1876
- Headquartered in Arlington Virginia.
- The mission has remained consistent since 1876: Protect patient safety and access to medicines through safe and efficient distribution; advocate for standards, public policies and business processes that enhance the safety, efficiency and value of the healthcare supply chain; and, create and exchange industry knowledge and best practices.

### **Member Companies:**

- Currently represents the distribution interests of 36 member companies.
- Companies include large publicly traded corporations to smaller regionally based, privately held companies.
- Companies serve more than 200,000 licensed healthcare providers.
- Ship/Distribute 15 million lifesaving products to those providers each day.

# HDA Antitrust Statement

It is the unqualified policy of HDA and all of its operating committees to conduct their operations in strict compliance with the antitrust laws of the United States.

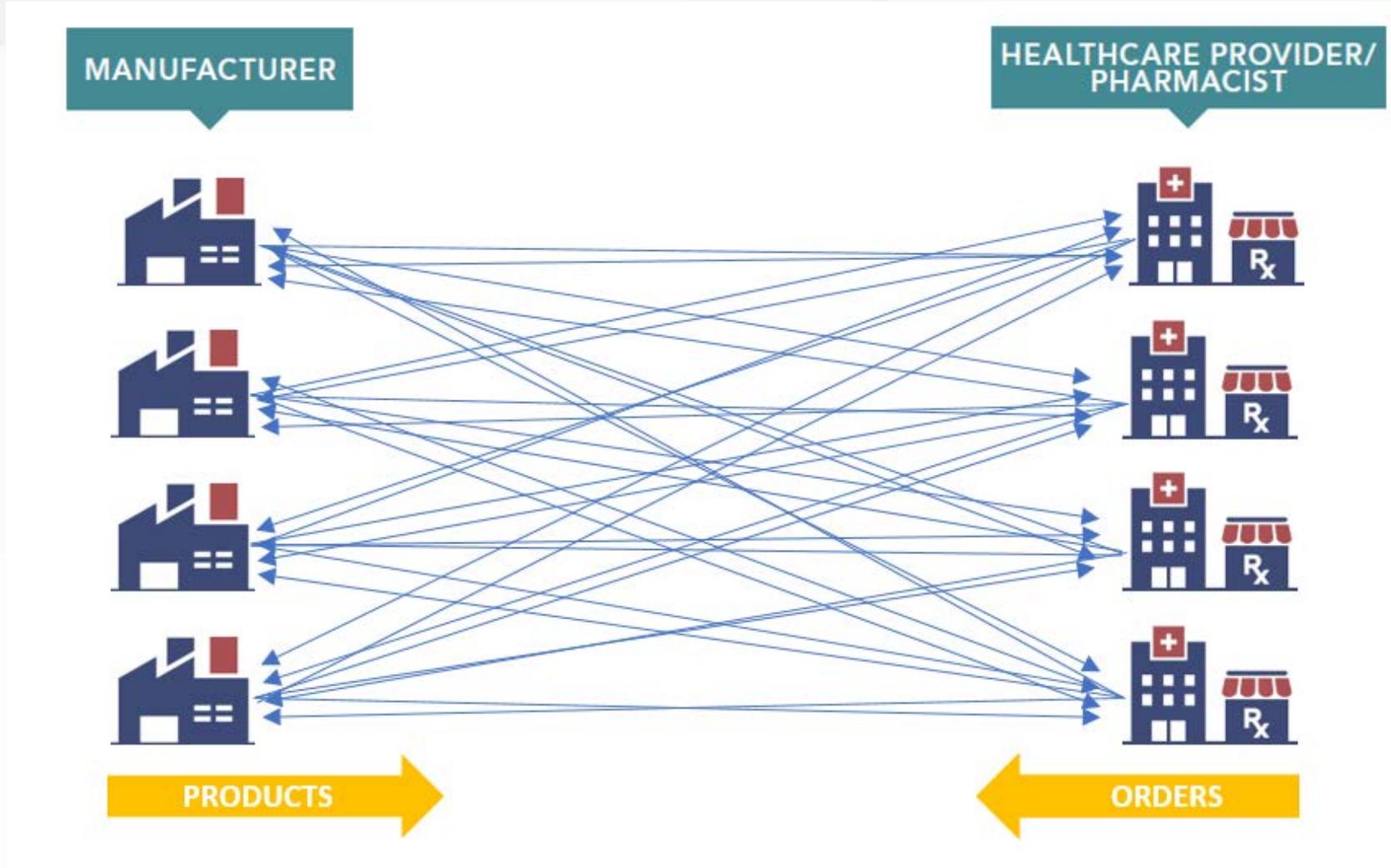
HDA's antitrust policy prohibits any discussions which constitute or imply an agreement or understanding concerning: 1) prices, discounts, or terms or conditions of sale; 2) profits, or profit margins or cost data; 3) market shares, sales territories or markets; 4) allocation of customers or territories; 5) selection, rejection or termination of customers or suppliers; 6) restricting the territory or markets in which a company may resell products; 7) restricting the customers to whom a company may sell; or 8) any matter which is inconsistent with the proposition that each member company of HDA must exercise its independent business judgment in pricing its services or products, dealing with its customers and suppliers and choosing the markets in which it will compete.

HDA membership, Board of Directors and committee meetings shall be conducted pursuant to agendas distributed in advance to attendees; discussions shall be limited to agenda items which have been reviewed by HDA legal counsel; there shall be no substantive discussions of HDA matters other than at official meetings; and minutes shall be distributed to attendees promptly upon review by HDA legal counsel.

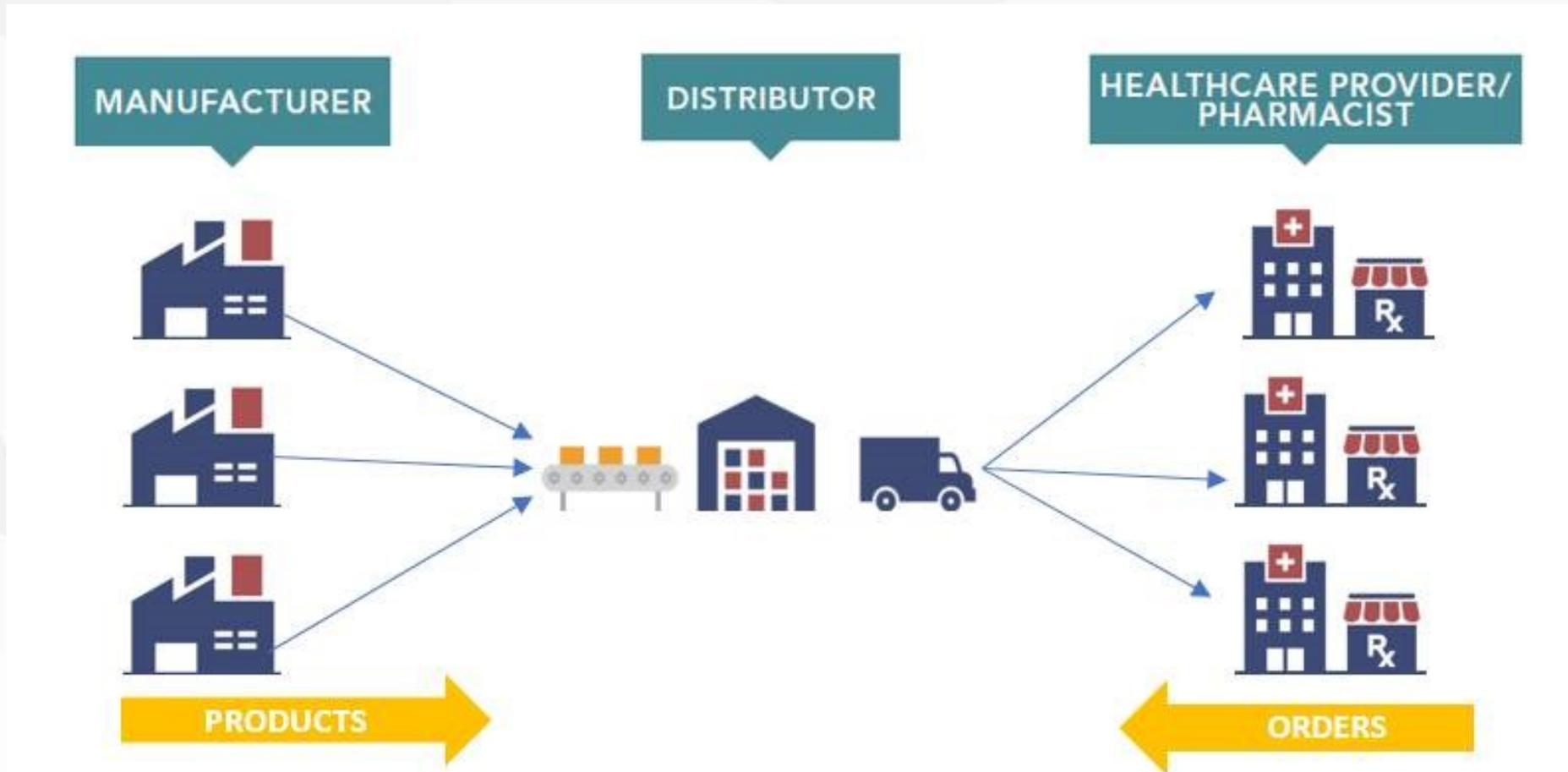
# WHAT IS THE ROLE OF A WHOLESALE DISTRIBUTOR

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# Supply Chain Without Pharmaceutical Distributors



# Supply Chain With Pharmaceutical Distributors



# Pharmaceutical Distributors:

A vital link in the healthcare supply chain



## **DISTRIBUTORS ARE LOGISTICS EXPERTS.**

Distributors provide a one-stop-shop for dispensing locations to acquire product from any licensed manufacturer. Wholesale distributors do not **manufacture, prescribe** or promote medicines or **impact patients benefit design or out of pocket costs.**

# Wholesale Distributors in Wisconsin



- HDA members operate **2 facilities** in the state, each licensed by the state Board of Pharmacy:
  - Cardinal Health, Hudson
  - McKesson, Windsor

# Delivering Savings & Efficiencies

Distributors provide between \$33 and \$53 billion in savings each year.



**Providing core benefits to the pharmaceutical supply chain by:**

- Consolidating orders
- Delivering products
- Processing returns
- Maintaining infrastructure to manage customer relationships



**Amplifying value across the healthcare ecosystem by:**

- Increasing operational efficiency
- Providing inventory management
- Bearing financial risk

# Delivering Savings & Efficiencies

- Pharmaceutical wholesale distributors primarily utilize a **fee-for-service model**.
- The pharmaceutical distribution model is a high value, high volume but low profit margin industry. A recent analysis from Berkeley Research Group (BRG) shows the profit margin for a wholesaler is **approximately one percent** of the cost of brand medicines. These findings are consistent with other reports, including analyses done by the *USC*, *PhRMA*, *Wall Street Journal* and *Kaiser Health News*.

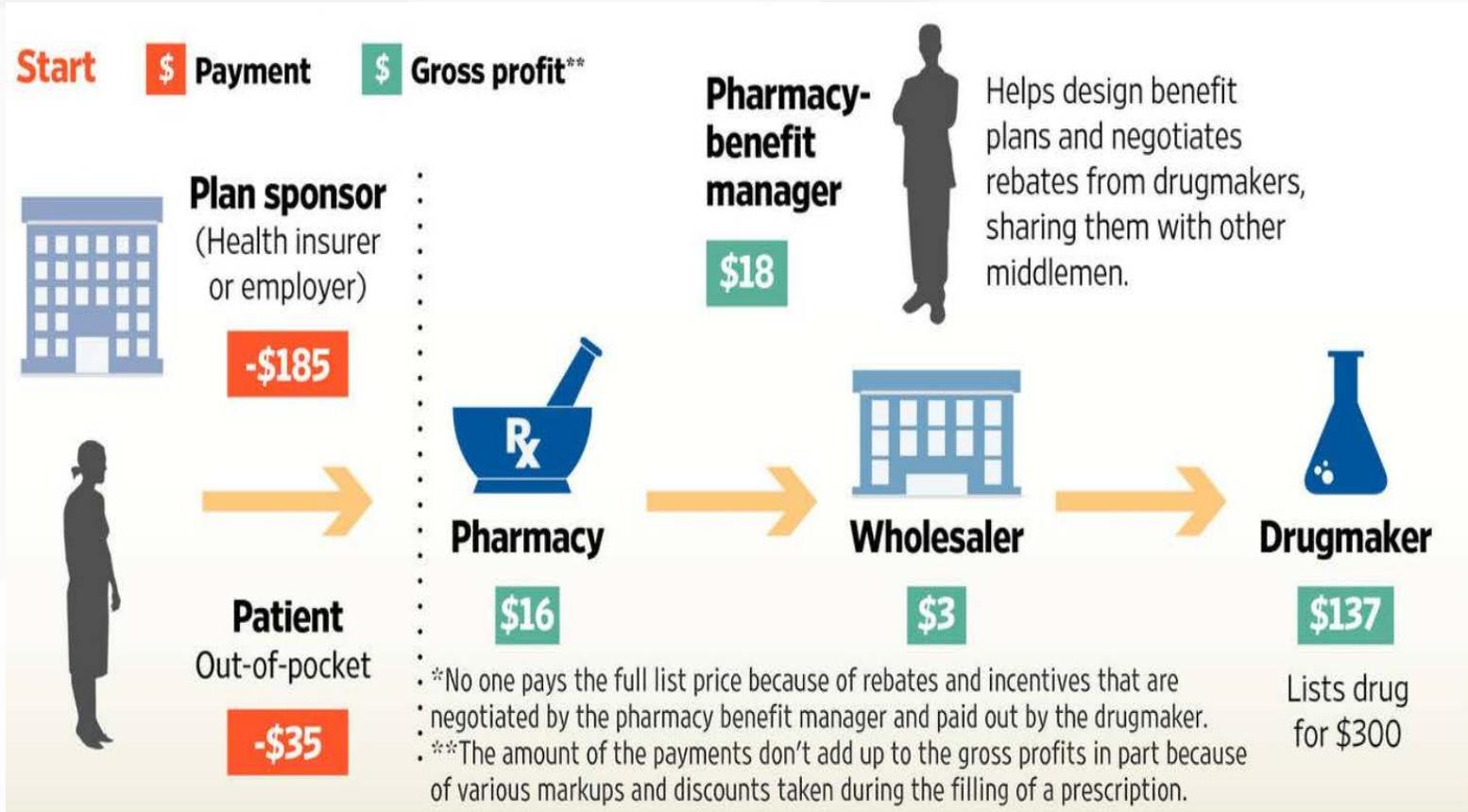
# Wholesale Distributors' Role

- Purchase pharmaceuticals from manufacturers based on the Wholesale Acquisition Cost (“WAC”), a publicly available figure.
- Manufacturers set WAC, distributors are not privy to how WAC is set.
- Charge manufacturers distribution fees related to their services, these fees are not passed on to the customer or impact drug cost.
- Typically sell branded drugs based on WACs or often WAC – a %.
- May purchase generic drugs at a manufacturer’s list price but often are able to use market power to negotiate discounted prices on generic drugs.
- Market power allows wholesalers to offer discounted pricing on generic drugs.

Wholesale distributors do not have any insight into pricing of dispensable units, or the prices that consumers pay based on what it costs them to fill their specific prescriptions. Distributors are not a part of any negotiations on the “pay side” of the supply chain, rather this is the role of health insurers and pharmacy benefit managers (PBMs). Wholesale distributors do not have data on a per pill or per dose basis seen at the pharmacy cash register.

# Supply Chain Profits Example

## \$300 Brand Name Drug



Sources: Pembroke Consulting; WSJ staff reports

THE WALL STREET JOURNAL.

# Pharmaceutical Distributors Delivering Solutions Nationwide

VALUE-ADDED SERVICES TO ENSURE THE SAFE AND TIMELY DELIVERY OF



PROVIDE BETWEEN \$33 AND \$53 BILLION IN SAVINGS ANNUALLY.

AND EACH BUSINESS DAY, NATIONAL AND SPECIALTY DISTRIBUTORS DELIVER

**15 MILLION** PRESCRIPTION MEDICINES & HEALTHCARE PRODUCTS

TO HEALTHCARE PROVIDERS AND PHARMACIES IN ALL 50 STATES

# LEARN MORE

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[www.hda.org](http://www.hda.org)