

Chairwoman Tina Liebling
House Health Finance and Policy Committee
477 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, MN 55155

Chairwoman Liebling and honorable members of the House Health Finance and Policy Committee:

The Healthcare Distribution Alliance (HDA), the national trade association representing healthcare wholesale distributors, offers this letter in respectful opposition to HF 4398 and request the removal of Wholesale Distributors from Subd. 14. We would first like to thank you for the opportunity to opine on our concerns and wish to serve as resource to you and the committee to better understand the role of healthcare wholesale distributors in the pharmaceutical supply chain.

Each day, HDA members work around the clock to ship roughly 10 million healthcare products to nearly 180,000 pharmacies, hospitals, and other healthcare providers to keep their shelves stocked with the medications and products they need to treat and serve patients. Wholesale distributors are unlike any other supply chain participants. Their core business is not manufacturing, nor do they prescribe medicines, influence healthcare professionals prescribing patterns, dispense medications to patients, influence patient benefit designs, or set the Wholesale Acquisition Cost (WAC) of medications. Their key role is to serve as a conduit for medicines to travel from manufacturer to the patient while ensuring the supply chain is fully secure and operating efficiently.

HDA supports the state's efforts in seeking a better understanding of the price of prescription drugs. HDA specifically has concerns with Subd. 14 which outlines numerous reporting provisions for wholesalers. Many of these requirements place a burden on HDA members that they simply cannot meet because they are not responsible for the required information. For example, paragraphs (3), (4), and (7) respectfully, require wholesalers to provide the total amount spent before rebates to acquire a drug product, the total rebate receivable amount accrued, and the total rebate payable amount accrued by the distributor. Distributors may not play a role in such negotiations, rather this is the role of health insurers and pharmacy benefit managers (PBMs) who engage in rebate arrangements with manufacturers.

We believe it is also important for the committee to understand that information reporting requirements set forth in 14(b) already exist publicly from the Centers for Medicare and Medicaid Services (CMS) and other entities. The National Average Drug Acquisition Cost (NADAC) data is determined for virtually every drug in the marketplace through a nationwide, pharmacy survey process and is the invoice price pharmacies pay wholesalers for their medication products. The data submitted to NADAC by pharmacies includes some of those referenced in Subd. 14 (b)(1)(i-v) including national drug code, dosage form, and package size. This information is not proprietary, is updated weekly and can be immediately available to benchmark pharmaceutical prices in Minnesota against national drug pricing trends.

Ultimately, pharmaceutical wholesale distributors' goal in the pharmaceutical supply chain is a simple one: add efficiency, security and timely delivery of products so providers can concentrate on patient care and ensure their patients have regular access to the medications they need. Historically, wholesalers have effectively achieved this goal while having minimal influence on the overall cost of drugs. State legislation seeking to reign in pharmaceutical costs should be very deliberate and precise to ensure there are no unintended consequences and to encourage the continued productivity and security of the nation's pharmaceutical supply chain.

We welcome the opportunity to provide additional information or context to the committee on the wholesale distribution industry and the role our members play within the supply chain, please contact me at (716) 307-4022 or tbutchello@hda.org to discuss this issue further.

Sincerely,

Travis Butchello
Director, State Government Affairs
Healthcare Distribution Alliance