Healthcare Distribution Alliance

PATIENTS MOVE US.

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5/9/22

Committee of Conference
Room 1100 Minnesota Senate Building
St. Paul, MN 55155

Chairs Senator Abeler and Representative Liebling:

The Healthcare Distribution Alliance (HDA), the national trade association representing healthcare wholesale distributors, offers this letter in respectful opposition to several provisions contained in the House passed version of SF 4110 / HF 4706. We would first like to thank you for the opportunity to opine on our concerns. We support some provisions added to each bill but request that the price transparency and prescription drug advisory board language be excluded from the conference report.

Each day, wholesale distributors work around the clock to ship roughly 15 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 provider while making sure the supply chain is fully secure, fully functional, and as efficient as possible. Due to these efficiencies, HDA member companies generate between *$33 and $53 billion in estimated cost savings each year* to our nation's healthcare system.[1]

Price Transparency / Reporting

HDA supports the state's efforts in seeking a better understanding of the price of prescription drugs. HDA specifically has concerns with the price reporting provisions for wholesalers. Many of these requirements in Subd. 14. place a burden our business and administrative operations that we simply cannot meet because we do not possess that 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 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) who engage rebate arrangements with manufacturers. Wholesale distributors simply purchase medical products in bulk and sell to hundreds of thousands of points of care across the country and do not use or have data on rebates for drug products.

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.

[1] The Role of Distributors in the US Health Care Industry Report; https://www.hda.org/resources/the-role-of-distributors-in-the-us-health-care-industry

Prescription Drug Advisory Board and Council

While HDA supports the state's efforts in seeking a better understanding of the prices that consumers see at the pharmacy counter, we have concerns regarding the upper payment limit and its impact on the supply chain. As proposed, the upper payment limit decisions would be made by an unelected body and would establish a cap on any transaction for the medications the Affordability Board has identified. Additionally, there are no checks and balances or legislative oversight regarding the impact of the board's decisions. Ultimately, these decisions would likely leave minimal ability for a pharmacy, clinic, or other point of care to recoup costs for administering or dispensing these products which could result in pharmacies choosing not to stock these medications.

White Bagging

The language included in SF 4410 / HF 4706 would limit the ability of certain entities (Payers) to create restrictions relating to insurance coverage for and access to physician-administered drugs, most notably, the growing practice of "white bagging" which has the potential to disrupt patient care and is increasingly being required by insurers and pharmacy benefit managers (PBMs).

While delaying treatment is burdensome on the patient as well as the physician providing care, white bagging practices introduce additional concerns as well. Such concerns include ensuring the proper storage and handling of these products which in turn may increase provider liability. The creation of increased drug waste due to the product being specified for a specific beneficiary. Most notably for many patients, the process of "white bagging" may increase costs to the patient as well due to treatment typically being switched from a patient's medical benefit to his/her pharmacy benefit which often includes higher cost-sharing responsibilities.

Complex drug therapies for rare diseases require timely access and enhanced physician oversight of storage, dosing, and administration. Patients trust their doctors to care for them. Any policies that prevent physicians from delivering timely access and safe administration of medically necessary drugs should be opposed. HDA supports the white bagging provisions in contained in HB 4706.

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