

# Healthcare Distribution Alliance

## *Pharmaceutical Distributor Perspective*

---

NAIC Pharmacy Benefit Managers Regulatory Issues  
Subgroup B

July 29, 2022

# The Pharmaceutical Supply Chain

*Ensuring a Robust & Efficient Product Distribution Arm for America's Healthcare Ecosystem*

---

Will Dane  
Director, State Government Affairs  
Healthcare Distribution Alliance (HDA)

(571) 287-3020  
[wdane@hda.org](mailto:wdane@hda.org)

# About the Healthcare Distribution Alliance (HDA)

- The Healthcare Distribution Alliance (HDA) is the national organization representing primary pharmaceutical distributors — the vital link between the nation’s pharmaceutical manufacturers and pharmacies, hospitals, long-term care facilities, clinics and others nationwide.
- Since 1876, HDA has helped members navigate regulations and innovations to get the right medicines to the right patients at the right time, safely and efficiently.
- HDA’s members include **35** national, regional and specialty primary distribution companies constantly envisioning new ways to move and secure the nation’s medicines, all while protecting patient safety.



## Safety

Distributors continuously monitor, protect and enhance the security of the pharmaceutical supply chain to ensure medicines are safely stored and efficiently delivered.



## Efficiency

Every day, distributors deliver millions of prescription medicines and healthcare products to hundreds of thousands of providers across the country.



## Technology

Distributors go to great lengths to deliver a wide range of medicines where and when they are needed — regardless of the circumstances.

# Pharmaceutical Distributors Delivering Services Nationwide

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



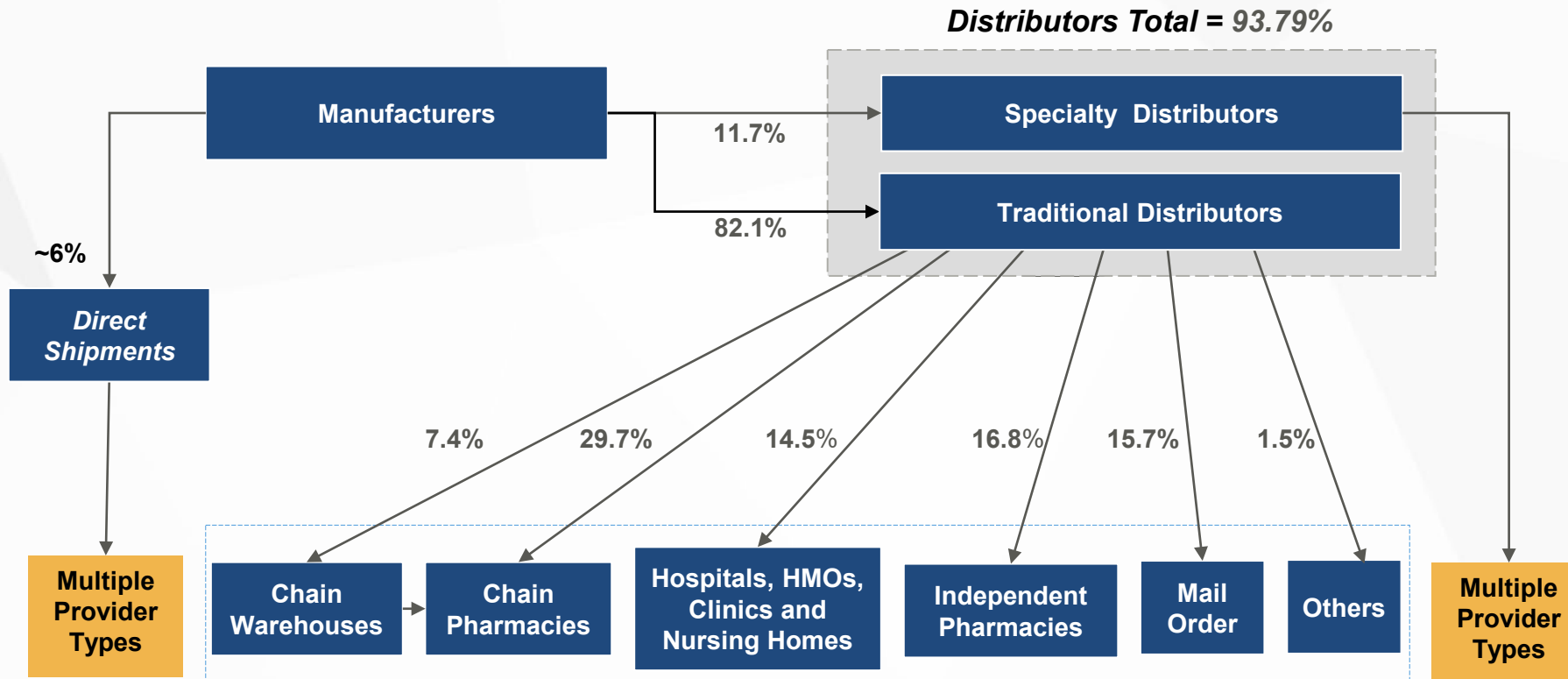
**\$** PROVIDE BETWEEN  
\$33 AND \$53 BILLION  
IN SAVINGS ANNUALLY.

AND EACH BUSINESS DAY, NATIONAL AND SPECIALTY DISTRIBUTORS DELIVER

**15 MILLION** PRESCRIPTION MEDICINES  
& HEALTHCARE PRODUCTS

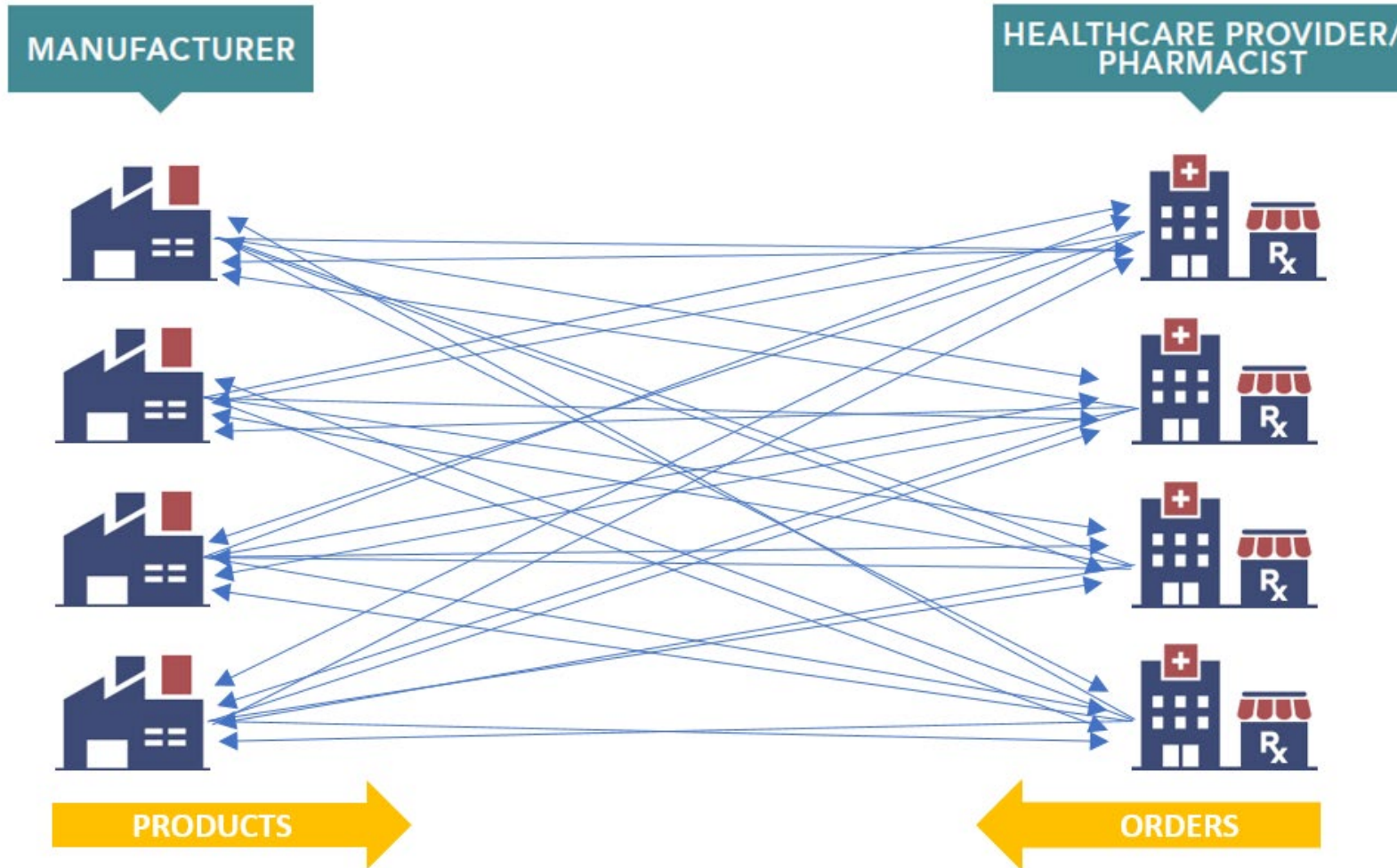
TO HEALTHCARE PROVIDERS AND PHARMACIES IN ALL 50 STATES

# Pharmaceutical Distributors Delivering Services Nationwide

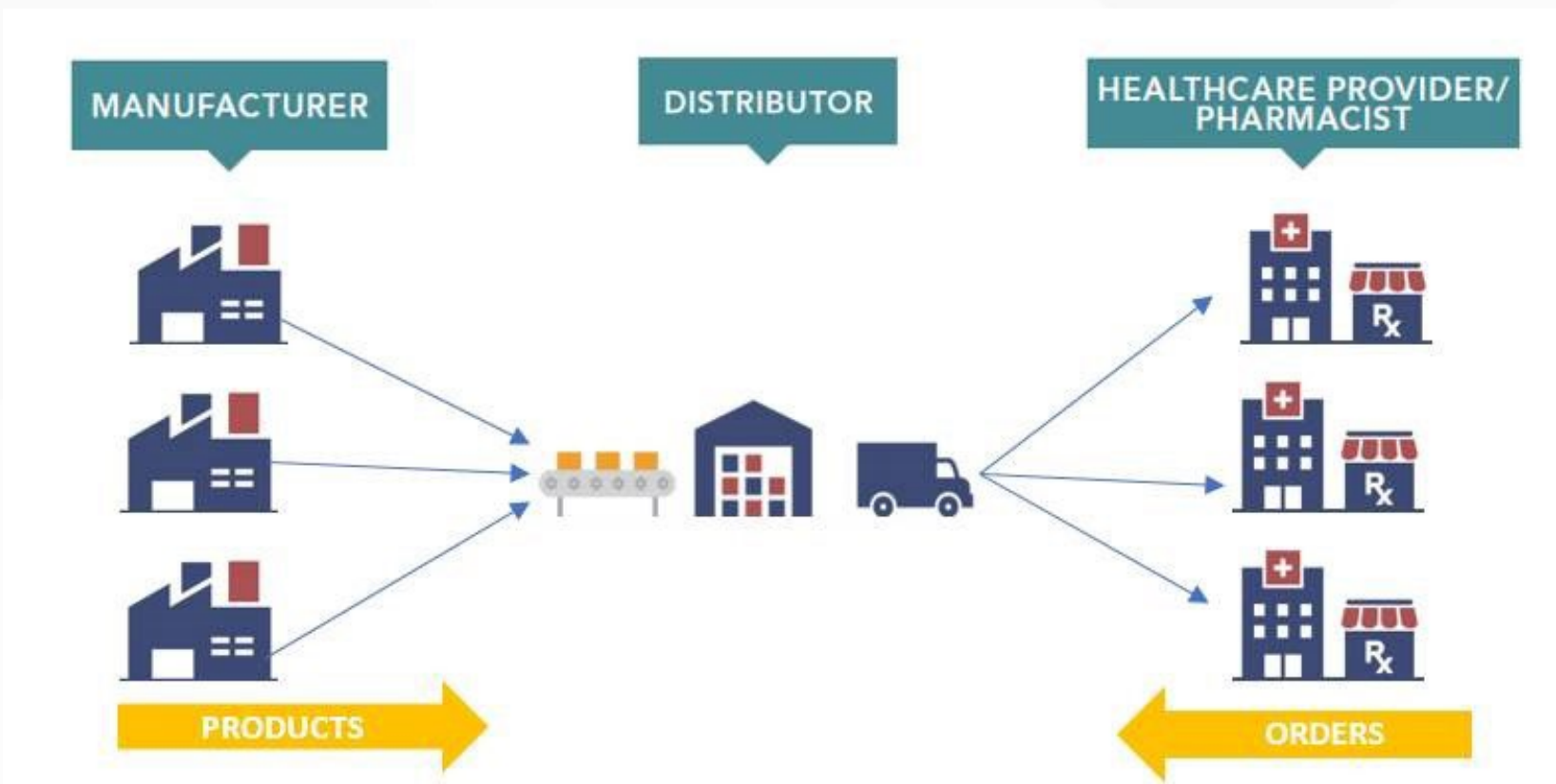




# Healthcare Supply Chain *without Pharmaceutical Distributors*

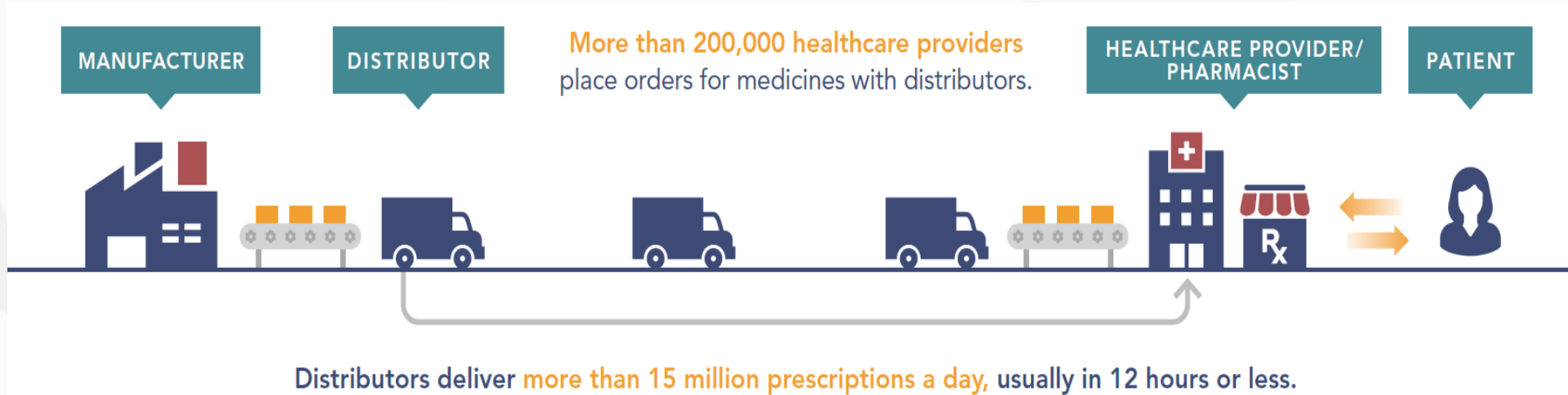


# Healthcare Supply Chain *with Pharmaceutical Distributors*



# Pharmaceutical Distributors

## *A vital link in the healthcare supply chain*



### **DISTRIBUTORS ARE LOGISTICS EXPERTS.**

Pharmaceutical distributors do not manufacture, prescribe or promote medicines, and do not have insight into specific prescriptions or prices at the pharmacy counter.

Distributors are not involved in the “payment side” of the supply chain; rather, we are on the “product delivery” side of the supply chain.



# Delivering Savings & Efficiencies



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

- Consolidating Orders
- Coordinating Rapid Product Delivery
- Processing Returns of Unused or Expired Products
- Maintaining Infrastructure to Manage Customer Relationships by Safely Storing Products



## Amplifying value across the healthcare ecosystem by:

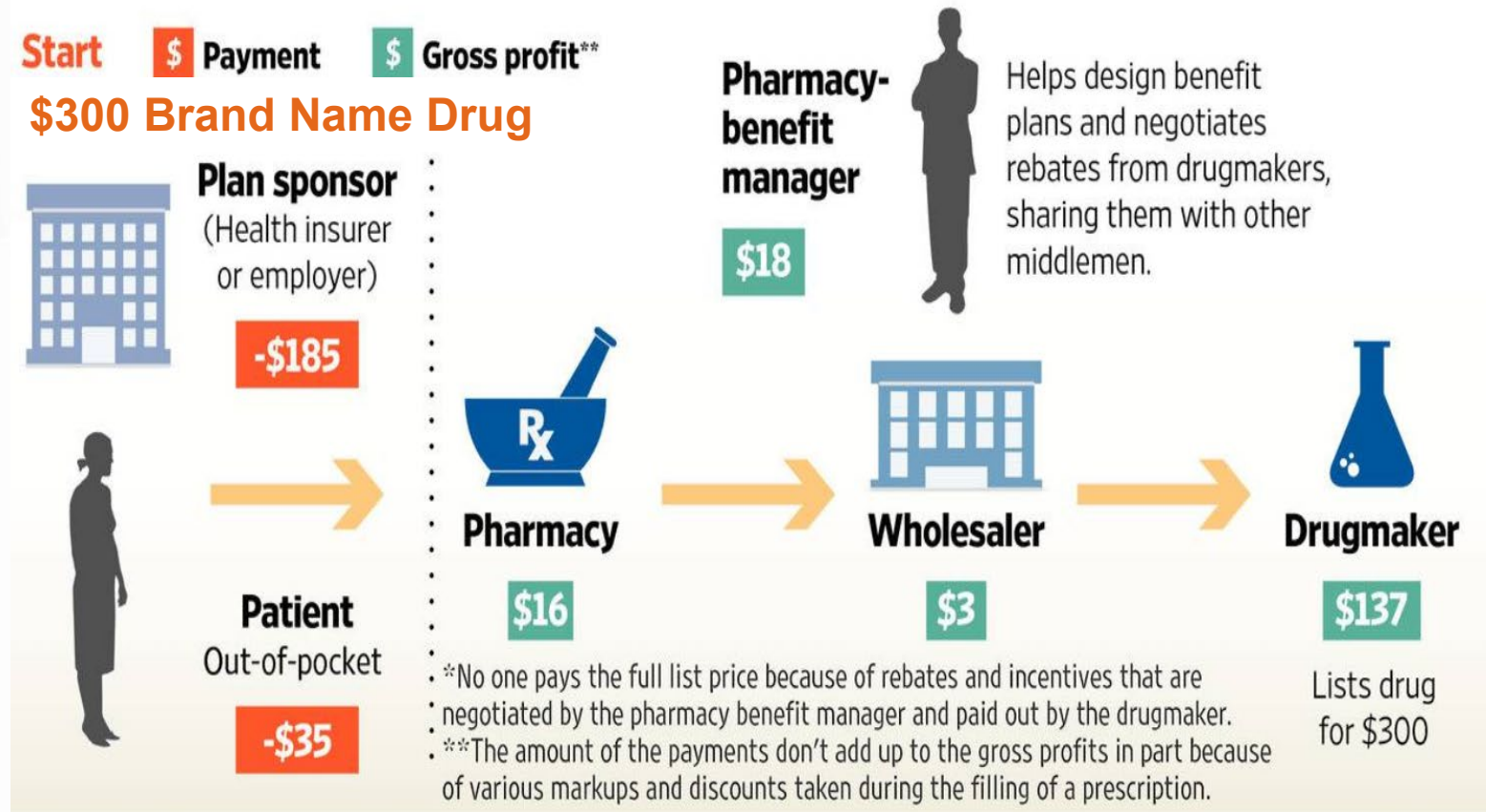
- Increasing Operational Efficiency
- Providing Inventory Management to Mitigate Supply Chain Disruptions
- Bearing the Financial Risk

# Summary of Distributors' Role

- Pharmaceutical wholesale distributors purchase healthcare products from manufacturers based on the Wholesale Acquisition Cost, or WAC.
  - Manufacturers set the WAC – distributors have no input into manufacturers' WAC.
- Distributors charge manufacturers fees related to their services, which **are not passed on to the customer** nor do they **impact patients' cost**.
- Distributors sell brand medications to providers based on the WAC, or WAC minus a %.
- For generic drugs, since they are commodities, distributors can negotiate prices typically below manufacturer WACs in exchange for sourcing certain generic drugs solely from one source or from a few specified sources.

# Example of Supply Chain Profits

- 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*.



Sources: Pembroke Consulting; WSJ staff reports

THE WALL STREET JOURNAL.

## For More Information:

---

*We are here to help! Please reach out with any questions or for further education.*

Will Dane, [wdane@hda.org](mailto:wdane@hda.org) or (571) 287-3020