Healthcare Distribution Alliance

PATIENTS MOVE US.

Senate Human Services Committee
State Capitol
600 East Boulevard
Bismarck, ND 58505-0360

Dear Chair Lee and Members of the Senate Health and Human Services Committee,

On behalf of the Healthcare Distribution Alliance (HDA), we wanted to provide comments to you on Senate Bill 2031, relating to prescription drug costs, and the proposed amendment to the bill. HDA is the national trade association representing healthcare wholesale distributors — the vital link between the nation's pharmaceutical and healthcare manufacturers and more than 180,000 pharmacies, hospitals, and other healthcare settings nationwide.

As we noted during the Interim Health Care Committee hearing, we had concerns with the proposed language due to the inaccurate portrayal of the wholesale distribution industry and our role in the supply chain. We appreciate Senator Meier's understanding of these concerns and her proposed amendment as this will better reflect the complexity of the pharmaceutical supply chain and how products are covered.

Distributors are unlike any other supply chain participants – their core business **does not involve manufacturing, marketing, prescribing or dispensing medicines, nor do they set the list price of prescription drugs, influence prescribing patterns or determine patient-benefit design.** 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.

A wholesale distributor is responsible for fulfilling pharmacy customer orders. **Wholesale distributors have no insight into patient-level data, the price the patient pays, nor are they privy to how products are dispensed at the patient-level by the pharmacy.** At the time of the purchase from the wholesale distributor, a retail pharmacy is unaware of which patient would receive the medication and what coverage that individual would have, the wholesaler would not be able to differentiate when or how to sell the product at the proposed referenced rate upon the sale to the pharmacy. Simply put, a wholesale distributor has no insight into the patient, and they have no impact on what that patient pays at the pharmacy counter.

Furthermore, a wholesale distributor would not be in a position to negotiate with the Insurance Commissioner the sale price of a prescription drug or the maximum reimbursement by a third-party payor for a prescription drug. Third-party payors and their pharmacy benefit manager agents set reimbursement for drugs dispensed to the health plan members. Such reimbursement formulas may be based on WAC or other metrics set by manufacturers; wholesale distributors are not privy to these reimbursement formulas. Similarly, **a wholesale distributor would not be able to "negotiate in good faith" as they do not negotiate drug pricing with the Insurance Commissioner or interact with insurers or third-party payers. These negotiations fall outside of the scope of a wholesale distributor**. Likewise, the determination **not to sell a product to a state would fall outside of the wholesale distributor's authority**, this determination would occur at the direction of the manufacturer who could impose such

conditions on the sale of the product to the wholesaler. Wholesale distributors should not be subject to a penalty if they are acting at the direction of the manufacturer.

We sincerely appreciate Senator Meier's understanding of these concerns and her willingness to amend the legislation to better reflect the pharmaceutical supply chain and the role of a wholesale distributor. We would be happy to discuss this issue in more detail with the committee as well if you have any questions or need additional information. You can contact me directly at (303) 829-4121 or LLindahl@hda.org.

Thank you,

Leah Lindahl
Senior Director, State Government Affairs
Healthcare Distribution Alliance