



Healthcare Distribution Alliance

PATIENTS MOVE US.

March 16, 2021

North Dakota Legislative Assembly
Senate Human Services Committee
State Capitol
600 East Boulevard
Bismarck, ND 58505-0360

Re: Healthcare Distribution Alliance (HDA) Opposition to HB 1032

Chairwoman Lee, Vice Chair Roers and Members of the Senate Human Services Committee,

The Healthcare Distribution Alliance (HDA), the national trade association representing primary pharmaceutical wholesale distributors, offers this letter to express our concerns regarding House Bill 1032, Prescription Drug Transparency as amended. On behalf of HDA's members, we believe the legislation inaccurately reflects the role and services provided by the wholesale distribution industry and increases regulatory burden on the state to gather information that is already publicly available.

The U.S. healthcare supply chain is highly complex. Each day, wholesale distributors work around the clock to ship nearly 15 million healthcare products (medicines, medical supplies, durable medical equipment, etc.) to pharmacies, hospitals, and other healthcare providers daily 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, and they do not 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 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 prices that consumers see at the pharmacy counter. However, wholesale distributors have no insight into patient-level data, nor are they privy to how products are dispensed at the patient level. These quantities vary significantly, not just by the type of payor but also the type of healthcare setting to which the distributor is shipping (local pharmacy vs hospital setting). The quantities sold by a wholesale distributor to a pharmacy customer do not align with how other supply chain entities calculate and negotiate drug prices. Comparing these two data sets provides misleading and inaccurate information.

Furthermore, North Dakota already has full access to publicly available pricing information reported to the Centers for Medicare and Medicaid Services (CMS) that would obviate much of the need for wholesale distributors to report pricing data. 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. This information is not proprietary, is updated weekly and can be immediately available to benchmark pharmaceutical prices in North Dakota against national drug pricing trends, while at the same time creating a certain level of pricing transparency with very little concern for building out data systems, managing various data streams and contending with numerous confidentiality concerns.

In addition to NADAC, each pharmaceutical manufacturer also reports a list price for all products sold in the U.S. This Wholesale Acquisition Cost (WAC), set by the manufacturer of a drug product, is the "list price" that wholesalers are charged for the purchase of all drugs. WAC is reported in various published compendia, such as

First DataBank and Medi-Span, that the state likely already has access to in order to invoice manufacturers under the Medicaid Drug Rebate Program (MDRP) and any supplemental rebate programs.

Ultimately, unlike other supply chain entities, wholesale distributor operations do not influence the price a patient pays for their medication. In fact, the efficiency and streamlined distribution and the storage, security and financial services offered by wholesale distributors generates between \$33 and \$53 billion in estimated cost savings each year to our nation's healthcare system.

We ask the committee to vote down HB 1032, which would add additional costs onto the state while not achieving it's ultimate intent of reducing the costs of medicine. 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 (303) 829-4121 or LLindahl@hda.org to discuss this issue further.

Sincerely,

A handwritten signature in black ink that reads "Leah D. Lindahl". The signature is written in a cursive, flowing style.

Leah Lindahl
Senior Director, State Government Affairs
Healthcare Distribution Alliance