



Healthcare Distribution Alliance

HEALTH DELIVERED

Chair Ward
Virginia House Labor and Commerce Committee
House Committee Room A – 008
General Assembly Building
Richmond, VA 23219

HDA Testimony Opposing H.B. 570

Dear Chair Ward and honorable members of the Committee:

The Healthcare Distribution Alliance (HDA) offers this letter to share some supply chain concerns with the committee regarding **House Bill 570, Establishing a Prescription Drug Pricing Board**.

HDA is the national trade association representing healthcare wholesale distributors — the vital link between the nation’s pharmaceutical and healthcare manufacturers and more than 330,000 pharmacies, hospitals, and other healthcare settings nationwide. 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. In contrast to other entities in the healthcare system, distributors are primarily responsible for the physical handling and logistics of medicines and healthcare products. They have no role in determining the amount patients pay for medicines, which medicines are included on formularies, benefit design decisions, or reimbursement rates for dispensing pharmacies.

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 (UPL) established in the legislation, the use of maximum fair price (MFP), and the impact of these policies on the physical supply chain. While HDA appreciates the language stating that the Board should take into account the costs of administering and delivering medications, state-level UPLs do not adequately reflect how prescription drugs are bought and paid for in the U.S. A state-level UPL, especially a UPL following federal MFP limits, would place caps on in-state purchases but not out-of-state purchases, ultimately limiting the ability of pharmacies, clinics or other points of care to recoup costs for administering or dispensing these products, which could result in sites of care being unable to stock these medications.

Ultimately, establishing a Board that is required to set UPLs could disrupt access to critical pharmaceuticals by Virginians. For example, the Colorado PDAB’s first attempt to establish a UPL was abandoned due to the patient community expressing their concerns over the inability to access the product should the state move forward with setting an UPL.

While HDA is concerned over the impact of this type of proposal, we would like to express our appreciation for the inclusion of *“a representative with knowledge in...supply chain business models” on the Stakeholder Council*. As noted, wholesale distributors do not set list prices or play any role in determining the amount

patients pay for medicines at the counter, our members are the logistical experts of the supply chain, and HDA believes it is important that the stakeholder council is representative of the full supply chain.

Again, while we appreciate the intent of the legislation and in the inclusion of a supply chain model expert on the stakeholder council, due to our concerns outlined above and our mission to advocate for public policy that supports patient access to medicines, HDA does oppose H.B. 570 at this time. Please contact me at kmemphis@hda.org or at 443.375.6541 if you have any questions or would like to discuss further how the use of a UPL could negatively impact the supply chain in Virginia.

Sincerely,

A handwritten signature in blue ink that reads "Kelly Memphis".

Kelly Memphis
Director, State Government Affairs
Healthcare Distribution Alliance
kmemphis@hda.org