



Healthcare Distribution Alliance

HEALTH DELIVERED

February 6, 2024

Representative Lori Houghton, Chair  
Representative Francis McFaun, Vice Chair  
CC: House Committee on Health Care Members and Staff  
Vermont State House  
115 State Street, Room 45  
Montpelier, VT 05633

### **HDA Amendment Request H.233**

On behalf of our members and the wholesale distribution industry, the Healthcare Distribution Alliance (HDA) would like to share our concerns with section § 2011 Wholesale Drug Distributor Contract in HB 233. We believe that if H.233 is implemented as drafted, it would create logistical strain and access concerns for the Vermont healthcare system. We would like to respectfully request that the committee **strike this section from bill before favorably advancing it.**

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 10 million pharmaceutical products 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. In Vermont, our members serve nearly 700 such sites of care.

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 setting list prices (WAC), or in determining the amount patients pay for medicines, which medicines are included on formularies, benefit design decisions, or reimbursement rates for dispensing pharmacies.

The majority of H.233 seeks to address standards and criteria for PBM licensure and regulations. The “Wholesale Drug Distributor Contract” section of this bill is not only extraneous to these goals, but proposes a contract bidding process which contains several requirements which are not compatible with the wholesale distribution model and would create logistical barriers that would limit or prevent the ability of wholesalers to participate in the program.

Some notable examples of our concerns with this section include the requirement that wholesale distributors segregate product from other portions of their inventory. “Segregation” is undefined, and likely something that would be implausible for wholesaler to accomplish, due to the physical and digital logistics of shipping pharmaceutical supplies, and the obligation to comply with the federal standards of

traceability as set forth in the Drug Supply Chain Security Act (DSCSA) of 2013. Another concern is that creating “a financial mechanism through which pharmacies shall be relieved of drug unit costs” does not appear to be compatible with existing supply chain pricing practices, and it is unclear how this unique pricing mechanism could be successfully operationalized. The bill states that a wholesaler bidding should collaborate with the state to maximize manufacturer rebates; however, wholesalers would have no insight into this since they do not engage in rebate arrangements between manufacturers and payers.

Finally, under this program a wholesaler accepting this bid would have to establish a relationship with every single pharmacy in the state - a huge logistical challenge- and should a pharmacy choose not to contract with the designated wholesale distributor due to the financial and logistical challenges of this proposed process, the resulting supply chain disruption could prevent beneficiaries from being able to access the medications they need. In addition to the harm these access limitations would cause Vermont patients, this would also risk rendering the state of Vermont noncompliant with federal Medicaid network adequacy requirements.

**In summary, since the § 2011 Wholesale Drug Distributor Contract section of H.233 is extraneous to the rest of the bill and contains several problematic requirements which would need to be further examined and addressed in order for this policy to succeed, HDA respectfully requests the committee consider removing this section from the bill at this time. Again, we greatly appreciate the opportunity to share our perspective and concerns. Please contact me with any questions or for further discussion at [kmemphis@hda.org](mailto:kmemphis@hda.org).**

Sincerely,



Kelly Memphis  
Director of State Government Affairs  
Healthcare Distribution Alliance  
[kmemphis@hda.org](mailto:kmemphis@hda.org)