



Healthcare Distribution Alliance

PATIENTS MOVE US.

Chester "Chip" Davis, Jr., President and Chief Executive Officer

April 27, 2020

Lucinda L. Maine, PhD, RPh
Executive Vice President and CEO
American Association of Colleges of Pharmacy

Rebecca P. Snead, RPh
Executive Vice President and CEO
National Alliance of State Pharmacy Associations

Thomas Menighan, BSP Pharm, MBA, ScD (Hon)
CEO/Executive Vice President
American Pharmacists Association

Carmen A. Catizone, MS, RPh, DPh
Executive Director/Secretary
National Association of Boards of Pharmacy

Scott J. Knoer, MS, PharmD, FASHP
Incoming CEO/Executive Vice President
American Pharmacists Association

Steven C. Anderson, IOM, CAE
President and CEO
National Association of Chain Drug Stores

Paul W. Abramowitz, PharmD, ScD (Hon), FASP
Chief Executive Officer
American Society of Health-System Pharmacists

B. Douglas Hoey, RPh, MBA
Chief Executive Officer
National Community Pharmacists Association

Dear Pharmacy Association Leaders:

First, I want to commend your organizations and members who are working on the front lines to respond to COVID-19. These are extraordinary times, and the pharmaceutical supply chain has always relied on the close coordination between its participants — from manufacturers and distributors, to pharmacies and healthcare providers; and we appreciate your partnership. During this crisis, the importance of close collaboration, and the strength of our relationships, has never been more vital as we deliver medication, medical supplies and critical care to patients during COVID-19.

Significant inventory demands have been placed on the healthcare system, particularly in COVID-19 hot zones and areas in which infection surges are anticipated. Given the longstanding partnership distributors have with pharmacies and healthcare facilities, I am writing to address, and clarify, concerns that have recently emerged tied to wholesaler allocation practices.

As the logistics experts of healthcare, distributors ensure the safe, efficient and reliable delivery of 92 percent of the medicines purchased in the U.S., connecting 180,000 providers and pharmacies with 1,300 drug manufacturers nationwide. The supply chain is purposely fluid to allow, on a typical day, for millions of orders to move swiftly through distribution networks to resupply healthcare facilities. Today, distributors are quickly adapting and responding to the atypical environment brought on by COVID-19, while continuing to fulfill the daily healthcare needs of all Americans.

To mitigate shortages and to support providers in their efforts to deliver the best care possible for their patients, individual pharmaceutical distributors use allocation programs to account for the available supply and customer needs of an in-demand product. These practices prevent even well-intentioned providers or clinical sites from overstocking product due to fear of market shortages and allow distributors to move product across the continuum of care as equitably as possible.

A distributor's role in supporting and protecting the pharmaceutical supply chain, and ensuring stability, only becomes more crucial during a public health crisis, when pharmaceutical demand in the short term, or over a period of months, may exceed manufacturer supply. There has been manufacturer supply disruption in many products used to treat the symptoms of COVID-19. We have also seen insurance plan approval of and an increased patient demand for 90-day refills, which have added to the pressure on supply.

It is also important to note that in some cases, products do not meet the traditional FDA and manufacturer definition of a "shortage," which is based on historical supply levels. However, in the context of the current pandemic, there is indeed a shortage of supply of certain products since providers' demand goes far beyond their traditional needs to combat the virus. Distributors consider a medicine in short supply when there is not enough product to fulfill customer orders. This is when using allocation programs to manage the demands on inventory becomes necessary for an individual wholesale distributor.

While historical allocation is an important data point, it is necessary to clarify that it is only one of many criteria each distributor may use to guide its own, independent inventory decision-making in response to COVID-19. In addition to a customer's historical ordering pattern, individual distributors may take into account, and prioritize differently, factors such as real-time information from manufacturers, states and the federal government, the specific clinical needs of providers in hot spots (e.g., number of ICU beds and patients) and other relevant third-party data. Further, during a public health crisis like we are experiencing with COVID-19, quite often distributors make product available to their customers as soon as it is in stock. With operations continuously running, distributors can take orders late in the evening and deliver them to their destination by early the next morning.

As we have learned throughout the past few weeks, communication and transparency are critical as we collectively navigate these uncharted waters. My hope is this communication provides a greater understanding of how distributors are working each day to meet the ever-changing inventory needs of your members, our supply chain partners, and ultimately, patients.

The demands on the pharmaceutical supply chain have never been greater. Our continued partnership will play an important role in the long-term resiliency of our healthcare system and our nation. Please do not hesitate to contact me if you would like to discuss further.

Sincerely,

A handwritten signature in cursive script that reads "Chester W. Davis, Jr.".

Chester "Chip" Davis, Jr.
President and Chief Executive Officer
Healthcare Distribution Alliance