The Facts About LIFO in the Pharmaceutical Distribution Industry

**Why Do Pharmaceutical Distributors Use LIFO?**

- **Protects against pharmaceutical product price inflation.**
- **Allows companies to maintain and replenish high-volume inventories of high-value products and ensures patients have access to needed medications in a timely manner.**
- **Creates incentives for businesses to invest in inventory, new distribution centers, employees and technology.**

- **98%** of pharmaceutical distributor inventories and net sales are dependent on LIFO.
- The weighted average profit margin in pharmaceutical distribution is **1.1%** (2016).

**What Would LIFO Repeal Do to Pharmaceutical Distribution?**

- Increase ongoing tax rates by **45%** — **eight times more** than the average industry.
- Recapture tax represents multiple years of profitability — **392%** of reported tax liability levels.
- Exert pressure on low-margin industry resulting in increased costs to pharmacies under pressure from low reimbursement.
- Increase acquisition costs for payers, providers and patients — including potentially **increased costs to government programs that acquire pharmaceutical products.**

**Sources:**