

Distributors Create Efficiencies in Healthcare:

Industry Provides between \$33 and \$53 Billion in Savings Every Year



Pharmaceutical distributors are at the heart of the U.S. healthcare ecosystem. The industry's core services amplify value throughout the system by increasing operational efficiency, streamlining inventory management and bearing financial risk.

Core Benefits



Getting Medicines Where They Need to Go

At the heart of distributors' work is delivering medications to hundreds of thousands of healthcare providers safely and reliably every day. Distributors do this efficiently, helping the healthcare system handle the growing demand for pharmaceuticals while consistently improving productivity. While the total number of prescriptions handled has risen from 3.1 billion to 4.1 billion over the past decade, distributors have cut operating expenses per prescription in half, from \$2.44 to \$1.11.



Streamlining Inventory Management

Distributors' logistics expertise streamlines inventory management for pharmacies and other healthcare providers, allowing them to focus on patient care. By consolidating, delivering and returning orders from multiple manufacturers, distributors save pharmacies time and resources that would otherwise be spent on warehousing and logistics.



Managing Financial Risk

Pharmaceutical distributors serve as a critical financial partner to other entities in the supply chain by managing financial risk. Distributors carry out credit checks, verify licenses, perform on-site inspections of provider customers and maintain credit default insurance. By taking on these duties, distributors save each manufacturer from having to conduct these activities themselves, saving the overall system time and money.



Value-Added Services



Independent Pharmacy Services

Distributors provide franchising programs, consulting and technology services and the supply of over-the-counter drugs and other products that their independent pharmacy partners depend on to effectively serve their customers. By supporting small, independent pharmacies, distributors help increase patient access to over **100 million vital medicines**, particularly in rural areas with the most vulnerable patients and where fewer pharmacy options exist. The improved patient access results in cost savings of more than \$1.8 billion a year.



Generic Sourcing Programs

Distributors have invested in generic sourcing programs and formed partnerships with retail chains to aggregate buying power to help lower generic drug prices. Estimates show these programs, among other factors, helped save the U.S. healthcare system up to **\$16 billion** in 2018.¹

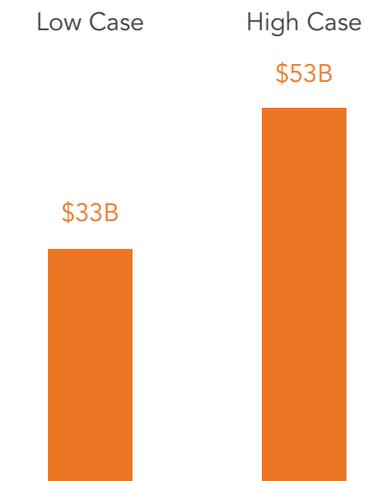


Hub Services

Distributors are increasingly providing hub services to support manufacturers, patients and providers. These services include patient and provider education, sample and adherence program administration, benefits investigation and verification, and co-pay support. Patient adherence programs alone have potentially reduced costs to the overall U.S. healthcare system by as much as **\$8 billion**.

Quantifying the Value of Distributor Services

Value of **core distributor services**



The core distribution model is a comprehensive analysis that quantifies the value of distributors to the ecosystem.

Source: Deloitte analysis

¹ Ninety percent of generic pharmaceuticals are procured through distributor-operated generic sourcing programs; this, combined with the growing number of approved Abbreviated New Drug Applications (ANDAs) and increased manufacturer competition, have contributed to generic drug price reductions. The US healthcare system would have incurred an additional \$16 billion in costs in 2018 had generic prices remained constant from 2015, raising the price of four billion generic prescriptions by roughly 30 percent.

Value of **select distributor services**

Value-added service	Modeled value	Total value
Independent pharmacy  Cost savings of improved patient access	\$1.8B	>\$1.8B
+ Generic sourcing programs  Generic sourcing program share of genetics deflation	<\$16B	\$16B
Hub services  Value of distributor enable patient adherence	\$8B	>\$8B

The list of value-added services and scope within each service is not comprehensive but rather demonstrates a vision of patient value for each independent service.

For more information about the value of distributors, download *The Role of Distributors in the US Health Care Industry* through the HDA website.

To learn more about the safety, reliability, efficiency and pharmacy support distributors provide to the healthcare sector, communities across the country and American patients, visit: www.HealthDelivered.org | [@HDAConnect](https://twitter.com/HDAConnect)