

RIISING TO THE CHALLENGE:

How Distributors Are Supporting a Resilient Pharmaceutical Supply Chain During COVID-19



Distributors Are the Logistical Backbone of the Healthcare System

Distributors are the logistics experts of healthcare, ensuring the safe, efficient and reliable delivery of 92 percent of the medicines purchased in the United States. As the backbone of the pharmaceutical supply chain, distributors connect 180,000 providers and pharmacies with 1,300 drug manufacturers nationwide, and through core and value-added services, distributors save the U.S. healthcare system between \$33 and \$53 billion annually.

As the country faces extraordinary demand for medicines and healthcare supplies during COVID-19, distributors are leveraging their strong relationships to support both ends of the supply chain. Distributors and their dedicated employees are adapting, adjusting and rising to the challenge of this unique and unprecedented environment.



The Pharmaceutical Supply Chain is Highly Efficient

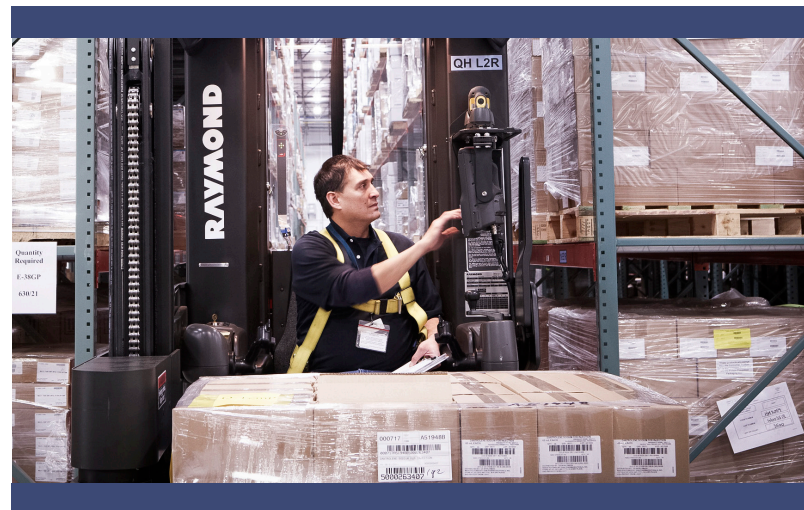
- The pharmaceutical supply chain is built to allow pharmacies, hospitals and healthcare facilities to place orders for a range of prescription medicines, OTCs and medical supplies with distributors late in the evening and receive the products the very next morning.
- Each day, millions of orders move swiftly through distribution networks to resupply healthcare facilities.
- The supply chain is purposefully fluid, allowing for the rapid movement of goods and products to go where they are needed.
- Distributors have a network of strategically located distribution centers across the country to supply their customers.
- In times of crisis, distributors are coordinating with a host of federal and state agencies to direct resources to where they are critically necessary.



Distributors Are Taking Proactive Steps to Respond to COVID-19

Distributors are taking proactive steps to manage the challenges associated with this global health pandemic, while continuing to fulfill the daily healthcare needs of Americans. During this time, distributors are:

- Staying in close coordination with hospitals, pharmacies and healthcare facilities to understand their evolving needs;
- Monitoring for spikes in demand or dips in availability for products and sharing that information with business partners so they understand the scope of the increased demand;
- Communicating in real time with manufacturers, sourcing organizations and industry partners to buy in-demand inventory as quickly as possible and moving existing inventory rapidly to meet increased demand from providers and ensure supply chain stability for future patient needs;
- Assessing and mitigating shortages of critical medicines by managing available inventory to maintain supply chain stability; and,
- Collaborating with federal agencies (e.g., FEMA, FDA, HHS) and state governments working to address COVID-19.





Responding to a Truly Unprecedented Situation

While HDA's members are moving product as quickly and efficiently as possible — and doing everything they can to anticipate and mitigate disruptions — in some instances the supply is simply catching up with demand.

In March, distributors saw manufacturer supply disruption in many products to treat the symptoms of COVID-19. On top of this, insurance plan approval of 90-day refills led to increased patient demand for longer refill periods, which added additional strain on supply.

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, certain products are in short supply when provider 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.

Ultimately, distributors rely on manufacturing partners to provide the medicines and materials. The unfortunate truth is that right now, overall demand for many of these products exceeds the available supply. This is truly an unprecedented situation — one for which it would have been impossible for anyone to fully prepare.



Distributors Use Allocation Programs to Support as Many Providers and Patients as Possible

To support as many providers and patients as possible, individual pharmaceutical distributors have long used allocation programs.

Allocation programs account for the available supply and customer needs, limiting the amount that a single customer can purchase of an in-demand product. An individual wholesale distributor will put an allocation program in



Distributors are in the business of finding the safest and most efficient ways to get products to where patients need them most. This is the industry's core expertise, and it is during public health crises that distributors should, more than ever, play a vital role in the emergency response efforts run by federal, state and local entities. **For additional resources, visit: www.hda.org/covid19.**

To learn more about healthcare distributors, visit:
www.HDA.org | [@HDAConnect](https://twitter.com/HDAConnect)

place to create safeguards on products in high demand to ensure stable availability. This prevents well-intentioned providers or sites of care from overstocking product due to fear of market shortages and allows distributors to move products across the country as equitably as possible.

These programs are only one tool each distributor may use to guide its own independent decision-making. Individual distributors may look at, and prioritize differently, many factors — including real-time information from manufacturers, states and the federal government; the specific clinical needs of providers in hotspots; and third-party data — to identify where there is the most need.



Distributors are Moving Product to COVID-19 Hotspots and Patients Across the Country

Distributors do not "hold" product in a distribution center. They often make it available to providers as soon as it is in stock. At distribution centers across the country, employees are working around the clock to move product efficiently and expeditiously.



Ongoing Collaboration with Government Is Needed

In collaboration with FEMA, distributors are working to balance the needs of the most impacted areas with existing customer orders. The industry's goal is to make sure that every hospital, pharmacy, healthcare worker and patient has the medicines and supplies they need to fight COVID-19.

Each day, distributors are in communication with FEMA, FDA, DEA and other federal agencies as well as state governments to respond to the unique challenges of COVID-19 and remove regulatory barriers that slow down the supply chain and ultimately limit patient access to medicines.

Healthcare distributors stand ready to leverage their expertise and help distribute medicines, medical supplies and other products when they are available. Federal coordination is important, but HDA and its member encourage the engagement of private sector companies like distributors to quickly move products to where they need to go in a methodical and effective way.