HDA
Healthcare Distribution Alliance
HEALTH DELIVERED

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

March 9, 2026

The Honorable Jake Auchincloss
U.S. House of Representatives
1524 Longworth House Office Building
Washington, D.C. 20515

Dear Representative Auchincloss,

Thank you for the opportunity to respond to your Request for Information (RFI) on select drug pricing proposals.

As I noted in the House Committee on Energy and Commerce Health hearing on *Lowering Healthcare Costs for All Americans: An Examination of the Prescription Drug Supply Chain*, distributors are the backbone of the pharmaceutical supply chain, handling approximately 96 percent of medicines dispensed in the United States.[1] Our 36 members work each day to connect approximately 1,400 manufacturers to over 450,000 sites of care.[2]

Distributors are unlike any other supply chain participant. They do not manufacture medicines, do not prescribe them, and do not dispense them to patients. Our industry's key role is to ensure that medicines travel from manufacturer to patient while making sure the supply chain is fully secure and as efficient as possible. Distributors serve patients by working collaboratively to ensure the safe and efficient distribution of critical medicines and supplies.

We agree with your pillars that drug pricing proposals should address access, affordability, innovation and manufacturing. While we do not have specific positions on the bills you included in the RFI, because they do not directly impact the pharmaceutical distribution industry, we have included feedback on a variety of the issues you raised in the RFI.

Global Benchmark for Efficient Drug Pricing (GLOBE) Model and Guarding U.S. Medicare Against Rising Drug Costs (GUARD) Model

HDA recently submitted comments to the Centers for Medicare and Medicaid Services (CMS). I have attached a copy of our comments for your reference. In brief, HDA noted that as CMS considers how the GLOBE and GUARD Models would operate in practice, the agency should consider how the new system will interact with the existing Part B and D, respectively, infrastructures. Specifically, mandatory participation raises concerns about how benchmark-driven rebate exposure will be transmitted through the commercial marketplace and the impact it could have on overall pharmacy and provider reimbursement.

[1] HDA Foundation, 96th Edition HDA Factbook: The Facts, Figures and Trends in Healthcare (published 2025), *available at* https://www.hda.org/publications/96th-edition-hda-factbook-the-facts,-figures-and-trends-in-healthcare/.
[2] HDA, *available at* https://www.hda.org/.

Office of the Assistant Secretary for Planning and Evaluation (ASPE) Proposal to Develop a Manufacturer Resiliency Assessment Program (MRAP) and a Hospital Resilient Supply Program (HRSP)

While we do not have specific feedback on the ASPE proposal, as it is directed at manufacturers and hospitals, we were generally supportive of these proposals, pending input from predominantly generic manufacturers. HDA would like to ensure that proposals related to resiliency are sustainable, and that the compliance with these factors did not interfere with geographic diversity, which we believe is key to resilience. Further, we appreciated the opportunity for federal purchasers to use their procurement power to help to ensure guaranteed purchasers for these manufacturers, which we understand is a key component to their ability to absorb the costs of certain resiliency investments.

As it relates to HRSP, HDA is supportive of ways to help hospitals to hold more inventory. HDA members also have partnerships with some hospitals and health systems to assist them with holding more product on hand through their distributor(s) versus within their hospital facility.

Additionally, HDA recently published a report on *Enhancing Resilience: Recommendation to Achieve a Safer and Secure Pharmaceutical Supply Chain*. The report highlights that a resilient supply chain at all levels must be robust, agile and transparent to achieve maximum effect. This will allow stakeholders to address any risk or disruption in the supply chain. To achieve resilience, the supply chain must be:

- Able to handle surges;
- Agile to respond to disruptions; and,
- Able to monitor threats that could cause supply chain disruptions.

Enhancing supply chain resilience, mitigating disruptions and ensuring the availability of medicines during steady-state or crisis conditions are essential. With collective efforts, healthcare supply chain stakeholders, including distributors, can create a robust healthcare supply chain that can withstand challenges.

Senate Finance Committee discussion draft bill, the *Drug Shortages Prevention and Mitigation Act*

In response to your question about the provisions in the draft bill establishing a voluntary payment incentive structure for providers and supply chain intermediaries. We provided feedback to the Finance Committee and below is an excerpt from our comments, specific to that provision.

> We are pleased to see incentives for meeting standards; however, many core and advanced standards do not apply to all program participants. As currently written, the majority of the core and advanced standards primarily apply to manufacturers. As a result, we seek to work with the committee to establish appropriate standards for potential distributor program participants. In addition, we recommend developing different standards for Group Purchasing Organizations (GPOs), distributors, manufacturers, hospitals, and providers, recognizing that each plays a distinct role in implementing the program. Program standards should preserve each stakeholder's existing key capabilities that create resilience in the supply chain. To ensure sustainable participation, we recommend that the committee include clear incentives for all program participants connected to compliance with standards. To preserve resilience and diversity in the supply chain, we ask the committee to consider the impact of the core standards on new market entrants (on the manufacturing side). The current volume

requirements and off-contract purchasing limitations may prevent new manufacturers from entering the market. We appreciate the flexibility the program provides for core and advanced standards in the event of a supply chain disruption or event. HDA and our members encourage the committee to include language defining "upward price adjustments".

HDA supports strategies to add more buffer inventory to the system through strategic or regional stockpiling programs in partnership with the private sector, which requires funding to establish and maintain. HDA has previously expressed concerns about buffer inventory proposals that do not account for equitable access to products. Distributors are uniquely positioned in the supply chain to assist hospitals, health systems, physician clinics, pharmacies and states with maintaining a robust inventory as a part of their supply chain management practices. We support proposals that leverage existing infrastructure, recognizing that pharmaceutical distributors have the necessary physical and logistical expertise. In the discussion draft, buffer inventory standards do not include specific incentive payments for a third party, such as distributors. The buffer inventory standards also do not clarify if distributors can use pre-existing inventory management best practices, such as equitable allocation, without penalty. We recommend that the committee consider adding language allowing third parties to maintain inventory management capabilities.

HDA supports strategic domestic manufacturing investments that create supply chain redundancies and addresses geopolitical risks. While domestic manufacturing may increase national security and geographic diversity, it may impact resilient infrastructure, but not necessarily drug shortages.[3] As written, there is concern that the program would not cover the cost realities of domestic manufacturing, making this standard unsustainable for pharmaceutical supply chain stakeholders. We acknowledge that domestic manufacturing is a potential strategy for a limited number of product categories critical to supporting national security. Congress has a precedent of supporting domestic manufacturing through tax credits[4], and recent efforts[5] to incentivize domestic production, which are yet to be fully realized. Without financial incentives, manufacturers have little incentive or ability to invest in reshoring production capabilities for active pharmaceutical ingredients, key starting materials, and finished dose forms.[6]

Participating providers will also be eligible to receive outcome measure incentive payments based on their performance in preventing and mitigating applicable generic shortages during a program year. We encourage the committee to include language on how the performance of other program participants will be factored into the outcome measures, and what factors CMS should prioritize or consider when evaluating outcome measures.

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[3] Healthcare Distribution Alliance. HDA Guiding Principles for Drug Shortages. Published 2024. https://www.hda.org/getmedia/a6382b52-17f5-49b2-907b-7838847d867c/HDA-Drug-Shortages-Guiding-Principles.pdf.

[4] Public Law 112-114 (GAIN Act). Published July 9, 2012. https://www.congress.gov/112/plaws/publ144/PLAW-112publ144.pdf.

[5] Public Law 117-167 (CHIPS Act). Published August 9, 2022. https://www.congress.gov/117/plaws/publ167/PLAW-117publ167.pdf.

[6] Association for Accessible Medicines. A Blueprint for Enhancing the Security of the U.S. Pharmaceutical Supply Chain. 2nd Edition. Published October 2021. https://accessiblemeds.org/sites/default/files/2020-04/AAM-Blueprint-US-Pharma-Supply-Chain.pdf.

HDA and our members agree that it is necessary for payment-eligible providers to receive incentives. However, the program should provide additional incentives to other participants to ensure sustainable program participation. We recommend that the committee also consider the role incentives play in preserving stakeholder resilience practices.

Thank you for your leadership on these important issues and for the opportunity to offer our feedback. If you have any questions, please contact me at cdavis@hda.org or (302) 438-4751.

Sincerely,

Chester “Chip” Davis, Jr.