

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.**

If no inflation is present, companies **DO NOT benefit from LIFO election.**

98% of pharmaceutical distributor inventories and net sales **use LIFO.**

The weighted average **profit margin in pharmaceutical distribution is 1.1%** (2016)

WHAT WOULD LIFO REPEAL DO TO PHARMACEUTICAL DISTRIBUTION?

PHARMACEUTICAL DISTRIBUTION

Increase ongoing tax rates by 45% — **eight times more** than the average industry.

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.**