



# Healthcare Distributors Drive Efficiencies and Cost Savings Across the Supply Chain

Distributors are the logistics experts of healthcare, ensuring the safe, efficient and reliable delivery of more than 11 million medicines, vaccines and healthcare products every day. They streamline the supply chain and reduce costs for the healthcare system while supporting patient access and adherence.

## Serve as the Vital Link Connecting Manufacturers and Providers

Distributors connect thousands of manufacturers to nearly 330,000 providers — pharmacies, hospitals, doctor's offices and other healthcare facilities. Distributors' central role in the supply chain means that they have a deep understanding of the unique needs of upstream manufacturers and downstream providers.

## Save the Healthcare System Up to \$63 Billion Each Year

The industry saves the healthcare system up to \$63 billion each year by consolidating orders from multiple manufacturers, providing operational efficiency, leveraging its logistics expertise and deploying advanced technology.

## Operate the Narrowest Margins in Healthcare — 0.3%

Distributors charge manufacturers a percentage of their product's wholesale acquisition cost, or list price, for distribution services. This fee covers a broad range of services beyond logistics such as data analytics and customer service. Distributors' net profit margin was just 0.3% in 2021.

## Represent Less Than 2% of Brand Medicine Spending

A Berkeley Research Group examination of the supply chain and corresponding payment process highlighted the small percentage of spending on brand medicines that is attributed to distributors wholesale services. In 2020, total spending on brand medicines was \$256.3 billion and wholesaler margin was \$4.2 billion — 1.6% of all spending.



## Continually Improve Productivity

As the healthcare system rapidly changes, the industry is constantly envisioning new ways to drive efficiencies. Distributors have cut operating expenses per prescription by more than half over the past decade — from \$2.44 to \$1.11.

## Support Patient Access and Adherence

Healthcare distributors, including McKesson, AmerisourceBergen and Cardinal Health, work directly with biopharmaceutical companies and pharmacies to develop co-pay assistance and clinical care programs that provide direct medication adherence support for patients so they can focus on improving their health. Services that improve patient adherence to specialty medications have potentially reduced healthcare system costs by as much as \$8 billion.

## Services Included as Part of the Wholesaler Margin Costs

- ✓ Buying
- ✓ Warehouse operations
- ✓ Pick, pack and ship expenses
- ✓ Delivery
- ✓ Information technology
- ✓ Contracts and chargeback reconciliation
- ✓ Administrative
- ✓ Carrying costs
- ✓ Customer costs
- ✓ Sales and marketing

## Enable Supply Chain Partners to Focus on Their Area of Expertise

Without distributors, providers would have to maintain relationships with each of the thousands of different manufacturers, and vice versa, adding time and complexity. They would be forced to manage contracting, ordering and shipment for hundreds of different products across thousands of sites of care. Instead, providers can focus on caring for patients. Manufacturers can focus on researching, developing and producing the treatments and cures patients need.



**In contrast to other entities in the healthcare system, distributors are primarily responsible for the physical handling and logistics of medicines and healthcare products. They have no role in determining the amount patients pay for medicines, which medicines are included on formularies, benefit design decisions and reimbursement rates for dispensing pharmacies.**