

# STATEMENT

In Opposition to HB 5333



March 10, 2014

**Position: PhRMA opposes HB 5333, legislation that would permit the return of any prescription drug at any time up to 180 days after expiration from any pharmacy without regard to existing business practices or existing contract arrangements.**

PhRMA and its member companies realize the importance of providing patients with access to life-sustaining and cost-effective pharmaceuticals. The process of getting medicines to patients is extraordinarily complex, involving manufacturers, wholesalers, distributors, hospitals, pharmacies, etc. The drug supply chain involves a complex series of transactions designed to speed drugs from the manufacturer to the patient while preserving both the integrity and security of the drugs involved. HB 5333 oversimplifies the business of pharmacy and attempts to change the way a manufacturer can distribute and accept returns of any prescription drugs that the pharmacy does not dispense. All PhRMA members have a drug returns policy of some kind in place, but HB 5333 proposes to undermine existing contracts between manufacturers, distributors and pharmacies by imposing unrealistic terms that oversimplify the drug supply chain.

**The prescription drug distribution model is complex and oversimplified by HB 5333**

HB 5333 would allow any pharmacy in Connecticut to order any prescription drug it wants to have in storage, with no limit on volume, and be able to return those drugs at will at any time up to 180 days after expiration for a full refund. All PhRMA members have a returns policy in place, and companies accept those drug returns either directly or through a third party such as a wholesaler or reverse distributor contracted to accept those drug returns. However, pharmacies mostly receive medicine from wholesalers, not directly from pharmaceutical companies. Given this, a manufacturer will in most cases not know a pharmacy's inventory and has no control over that inventory.

Pharmacies are responsible for managing their inventory—pharmacies, not manufacturers, have access to past dispensing history and should manage inventory appropriately. To receive credit for non-dispensed, unused medicines, pharmacies should manage their inventory and follow each individual company's returns policy. Proposals to require out-of-state manufacturers to manage in-state pharmacies' inventories could have the unintended consequence of reducing the availability of medicine in Connecticut and raising healthcare costs. For example, volume purchasing can in some cases reduce pharmacies' acquisition costs, but this proposal would require wholesalers to be more vigilant about retail pharmacy volume purchasing. Wholesalers may need more staff to monitor the inventory of individual pharmacies.

Making manufacturers accountable for expired products for 180 days after expiration can negatively impact each company's financial reporting and fiscal planning. Some prescription drugs have a very short window of time before expiration, because of characteristics of the medicine, while other medicines may retain the strength, purity, or quality for several years. Manufacturers must validate the expiration date for each of its medicines. Because of the varied

expiration dates, manufacturers would have to develop systems to reserve for the potential liability extending over several years for products manufactured and sold in a prior year.

HB 5333 shows no regard to both cost of production and distribution of drugs. Many pharmaceuticals are difficult to manufacture and some drugs, such as biologics and other specialty pharmaceuticals, have limited life cycles and are manufactured only on special request due to the delicate nature of the drugs. HB 5333 would permit any pharmacy to order a drug and then decide sometime months later that they had no use for it and return that drug without sharing in any of the risk or cost to the manufacturer.

Prescription drug manufacturers do have returns policies in place. However, HB 5333 mischaracterizes and oversimplifies both the processes and contracts in place to execute those returns. Consequently, PhRMA is opposed to HB 5333 and urges Connecticut legislators to oppose its passage.