

# The vital role of a distributor in the U.S. pharmaceutical supply chain

The pharmaceutical supply chain involves a complex network of stakeholders responsible for the flow of materials, information, and finances – each playing a role in influencing drug pricing, reimbursement rates, and the delivery of finished pharmaceutical products to patients. As the critical link between pharmaceutical manufacturers and healthcare providers, distributors support the continuity and stability of healthcare and the U.S. pharmaceutical supply chain by providing efficient, reliable, and secure access to the medications patients need even under the most challenging circumstances.

## Demonstrating the value of distributors

**\$63 billion**

in annual savings for the healthcare system

**10 million**

healthcare products distributed every day

**330,000+**

sites of care use distributor services

**1,200+**

manufacturers use distributor services



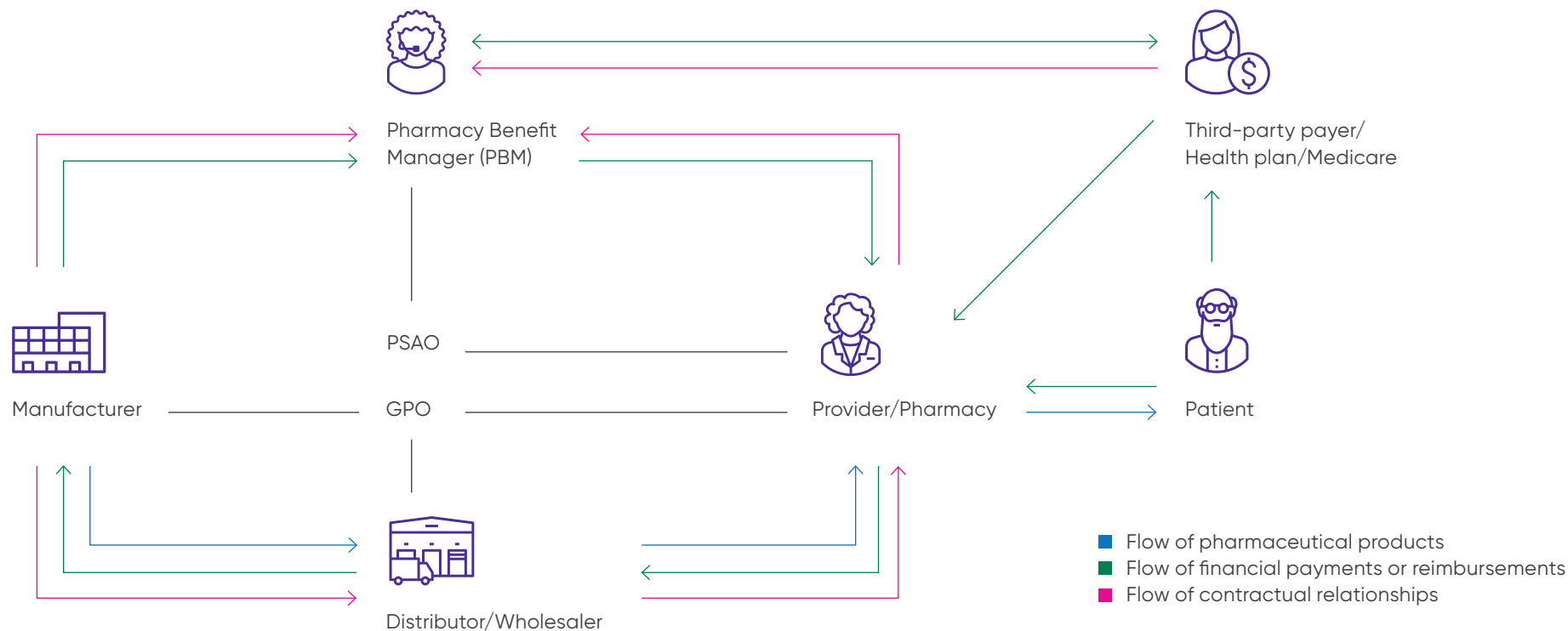
## Supporting the pharmaceutical reimbursement system

Distributors pay manufacturers up front for their products and take on financial ownership and significant risk of collecting payment from provider customers. This allows manufacturers to invest in innovation and other core functions.

Distributors can also extend credit to qualified providers to cover the cost of products between dispensing and reimbursement. This helps qualified providers manage a tight cash flow in an often tough and inconsistent reimbursement environment.



Scan the QR code to learn more about how distributors are essential to modern healthcare.



## Defining key stakeholders

### Manufacturer

Sources raw materials and active pharmaceutical ingredients (APIs) for the production, packaging, and labelling of finished drugs and medical devices.

### Distributor

Purchases large quantities of product from manufacturers to store and distribute to pharmacies, hospitals, and other healthcare providers via third-party transportation providers (i.e., UPS or FedEx).

### Provider or pharmacy

Dispense medications to patients based on prescriptions while managing inventory and ensuring proper on-site storage and handling of pharmaceuticals.

### Patient

Receive, and in some cases, administer the medications prescribed to them by their healthcare provide.

### Pharmacy Benefits Manager (PBM)

Acts as an intermediary between manufacturers and third-party payers to administer prescription drug benefits.

### Third-party payer

Includes healthcare insurers, employer-managed care organizations, labor unions, and state-funded pharmaceutical assistance programs.

### Pharmacy Services Administrative Organization (PSAO)

Manages PBM contracts on behalf of independent pharmacies via a variety of services offerings.

### Group Purchasing Organization (GPO)

Helps healthcare providers realize savings and efficiencies by aggregating purchasing volume to negotiate discounts with manufacturers and distributors.