



February 8, 2012

Representatives Jim Thompson and Mitch Greenlick, Co-Chairs  
House Health Care Committee  
900 Court St NE  
Salem, OR 97301

**Re: HB 4109 – Generic Competitive Bidding Program**

Dear Representatives Thompson and Greenlick:

On behalf of the Healthcare Distribution Management Association (HDMA) and its thirteen primary healthcare distributor members doing business in Oregon, I submit the following comments in opposition to HB 4109. HDMA is the national association representing distributors. Each business day, HDMA member companies ensure that nearly nine million prescription medicines and healthcare products are delivered safely and efficiently to nearly 200,000 pharmacies, hospitals, long-term care facilities, clinics and others nationwide.

HB 4109 would require all generic drug manufacturers whose products are provided to Medicaid recipients to compete in a competitive bidding process with the state. HDMA and our members have the following concerns regarding this proposal.

One of the main reasons generic drugs are so inexpensive is because distributors and chain pharmacies successfully negotiate low prices with generic manufacturers. They receive these extremely low prices because they purchase generic products that supply thousands of pharmacies across the country. It would be unlikely if not impossible for the Oregon Medicaid program to meet the high volume of purchases necessary to achieve the same low prices. Therefore, under this proposal, the state could pay more for generic drugs than they do under the current system. Additionally, with this proposal the state would face the cost of administering the competitive bidding process.

We also believe the passage of this legislation would result in higher costs for pharmacies in Oregon. Under such a program pharmacies would be required to carry two inventories: their current inventory and another for each generic drug where the state program's drug was different than what they already carry. This would result in a significant increase in inventory carrying costs for stores across the state.

We understand the significant budget concerns facing the state. However, for the reasons stated above we do not believe this legislation will result in the intended savings for the state. In fact, it could result in higher prices for generic drugs for the state's Medicaid program. Along with multiple other pharmacy and manufacturer organizations, we encourage the members of the Oregon House Health Care Committee to oppose such a program and vote no on HB 4109.

Sincerely,

A handwritten signature in blue ink that reads 'Daniel G. Bellingham'.

Daniel G. Bellingham, Senior Director, State Government Affairs

cc: House Health Care Committee members