



We Deliver Healthcare in Washington

HEALTHCARE DISTRIBUTORS: THE VITAL LINK IN THE HEALTHCARE SYSTEM

Healthcare Distribution Alliance (HDA) member companies pick more than 10 million units of product each business day and ensure that they are delivered safely and efficiently to 330,000 healthcare providers, pharmacies and other sites of care. An estimated 95 percent of U.S. prescription drug sales are handled by primary distributors. HDA members:

Enhance Patient Safety

HDA members ship lifesaving medicines to approximately **5,571** locations in Washington. These companies work closely with manufacturers, pharmacies and regulators to ensure the safety and security of the healthcare supply chain.

Create Jobs in Washington

HDA member companies directly employ **748** Washington residents and contract for transportation and other services that support hundreds of additional jobs.

Deliver Healthcare Savings

HDA and its members work daily to provide value and achieve cost savings — up to **\$63 billion** each year, on estimate — for our nation's healthcare system.

HDA MEMBER COMPANY LOCATIONS IN WASHINGTON:

- Cardinal Health, Inc., Auburn
- Cencora, Inc., Des Moines
- HyGen Pharmaceuticals, Inc., Redmond
- McKesson Corporation, Puyallup
- Medline Industries, LP, Lacey

PHARMACEUTICAL WHOLESALERS AND THE B&O TAX:

- The pharmaceutical wholesale industry is a high-volume, yet low-profit margin industry, operating on narrow margins of less than 1% on average.
- Prescription drug warehousing is currently taxed at 0.138%, this rate is ONLY applied to prescription drug sales, over-the-counter and soft goods are subject to the full warehousing B&O rate.
- The Senate Budget proposal eliminates the differential rate for prescription drug warehousing which would **increase the current tax on pharmaceutical products by a staggering 250%**.
- Eliminating the differential rate for prescription drug warehousing would place unnecessary financial burdens on pharmacies, patients, and consumers throughout the state.
- Upon review, JLARC noted “the Legislature **should continue the B&O preferential tax rate** for drug resellers because it is meeting the inferred public policy objective
- **The Senate proposal will ultimately increase the cost of prescription medications for Washington pharmacies and residents.**

Patients Depend on In-State Drug Distribution

Speed. Reliability. Safety. Keeping lifesaving medicines moving across Washington.

In-state pharmaceutical distribution centers are the backbone of Washington's healthcare supply chain

Ensuring pharmacies, clinics, hospitals, and other sites of care receive the right medications, in the right quantities, on time, every day.

Washington impact at a glance:

- Distributors ship more than 10 million units daily nationwide
- Distributors deliver medicines to about 5,571 Washington locations



Faster Access & Continuity of Care

- Shorter routes, fewer handoffs
- More consistent next-day (often same-day) replenishment
- Stronger response during shortages or emergencies
- More reliable service for rural communities

Supply Chain Security & Patient Safety

- Protects product integrity
- Stronger oversight and accountability
- Safe, efficient delivery statewide

Jobs & Economic Stability

- Nearly 800 Washington jobs at HDA member companies
 - Supports additional transportation and service jobs
- Keeps critical infrastructure rooted in-state

Why the proposed B&O change could raise pharmacy and patient costs

- Pharmaceutical wholesaling is high-volume, low-margin (average margins under 1%).
- When warehousing taxes rise sharply, costs can't be absorbed, they move downstream.

The proposal would eliminate the preferential rate for prescription drug warehousing, increasing the tax on prescription products by over 250%

Practical impact:

- Higher costs to warehouse prescription products in Washington
- Increased pressure on pharmacy acquisition costs
- Downstream effects on patients: higher out-of-pocket costs, higher premiums, or reduced pharmacy services, especially in communities already operating on thin margins

Bottom line: This isn't a business issue, it's a patient and affordability issue.