

November 6, 2014

The Honorable Harry Reid
Senate Majority Leader
S-221, US Capitol
Washington, DC 20510

The Honorable John Boehner
Speaker, US House of Representatives
H-232, US Capitol
Washington, DC 20515

The Honorable Mitch McConnell
Senate Minority Leader
S-230, US Capitol
Washington, DC 20510

The Honorable Nancy Pelosi
Democratic Leader
US House of Representatives
H-204, US Capitol
Washington, DC 20515

Dear Leader Reid, Leader McConnell, Speaker Boehner, and Leader Pelosi:

As leaders of Academic Medical Centers from across the nation, we write to express concerns regarding Genentech's recent decision to change the distribution channel for three of their oncology products--Avastin, Herceptin and Rituxan—from the current wholesale distribution system to their more limited authorized specialty distributors. We have heard from many of our health care professionals that this change will adversely affect patient care, create an undue financial burden and lead to inefficient, labor intensive, and costly pharmacy processes. Many of our centers have already estimated impacts around \$1 million to their operations as a result of this decision.

In announcing this change, Genentech noted their commitment to patient safety, to protecting the integrity of their medicines as they move through the supply chain, and to ensuring that patients and health care professionals are able to access their medicines when they need them. Our organizations, too, are dedicated to ensuring patient safety and access to timely treatments. We have found that the wholesaler model has reliably served those goals while minimizing costs to patients and providers, so we are puzzled by Genentech's most recent attempt to make changes to a system that has been serving our patients well for years.

The current wholesale delivery system permits just in time inventory procurement. We believe that changing the distribution system for these drugs threatens access and patient safety with an increased likelihood of inventory shortages and treatment delays since the medications can no longer be obtained through wholesalers with routine daily orders. Providers will be compelled to increase inventory in order to hedge against any potential delivery problems or delays. A change in delivery service providers will also create additional logistical challenges and costs in how and where our facilities receive, store and dispose of the additional packaging that will be required.

In addition, most hospitals purchase supplies through a group purchasing organization that negotiates prices on their behalf, maximizing purchasing power in order to realize discounts. Genentech's decision to restrict the distribution methods for three of the most common outpatient can-

cer drugs forces hospitals to receive the drugs only via six authorized specialty distributors instead of the less expensive wholesaler channels.

These unplanned expenses limit the hospital's ability to invest in research, programs and technologies that could benefit patients and further improve care. Because these drugs are essential and often lifesaving, hospitals have no choice but to pay the going rate. Physicians can try to limit the use of these drugs and look for alternative, lower cost drugs, but that is not always the safest option for the patient.

We understand that the pharmaceutical market is ever-changing, and many factors outside the manufacturers' control could warrant modifications to a distribution plan. But this change, instituted virtually overnight seems questionable at best. While hospitals like ours have eliminated unnecessary tests and prevented expensive complications, any savings from these efforts are quickly wiped out by drug price fluctuations over which we have little to no control.

We ask that you begin an expedited review of Genentech's decision and the impact it will have on cancer patients' access to timely treatment.

Thank you for your interest in this important issue, and please feel free to reach out to any one of us if you need additional resources or have any questions.

Sincerely,



Gary L. Gottlieb, M.D., M.B.A.
President & CEO
Partner's Healthcare System



Kenneth L. Davis, M.D.
President & CEO
The Mount Sinai Medical Center



Paul B. Rothman, M.D.
Dean of the Medical Faculty
CEO, Johns Hopkins Medicine



Michael M.E. Johns, M.D.
Interim Vice President for Medical Affairs
University of Michigan



Steven Lipstein
President & CEO
BJC HealthCare



Ralph W. Muller
Chief Executive Officer
University of Pennsylvania Health System

Steven G. Gabbe

Steve G. Gabbe, M.D.
Senior Vice President for Health Sciences
Chief Executive Officer
The Ohio State University Medical Center

S.W. Caughman MD

S. Wright Caughman, M.D.
Executive Vice Chancellor for Health Affairs
Emory University
CEO, Woodruff Health Sciences Center

John D. Stobo

John D. Stobo, M.D.
Senior Vice President
Health Sciences and Services
University of California System

Steven J. Corwin

Steven J. Corwin, M.D.
Chief Executive Officer
New York-Presbyterian Hospital

cc: Members of Congress
United States Senate