



American Hospital
Association®

Reject Harmful Restrictions on the 340B Drug Pricing Program

AHA View

The 340B Drug Pricing Program is essential to helping safety-net providers stretch limited resources to better serve their patients and communities. The AHA strongly opposes any efforts to scale back or significantly reduce the benefits of the 340B program. In addition, the AHA supports program integrity efforts to ensure this vital program remains available to safety-net providers; expanding the program to certain rural hospitals; and eliminating the orphan drug exclusion for certain 340B hospitals.

Background

For more than 20 years, the 340B program has provided financial help to safety-net hospitals to manage rising prescription drug costs. Section 340B of the Public Health Service Act requires pharmaceutical manufacturers participating in Medicaid to sell outpatient drugs at discounted prices to health care organizations that care for many uninsured and low-income patients. These organizations include community health centers, children's hospitals, hemophilia treatment centers, critical access hospitals (CAHs), sole community hospitals, rural referral centers, and public and nonprofit disproportionate share hospitals that serve low-income and indigent populations.

The program allows 340B hospitals to stretch limited federal resources to reduce the price of outpatient pharmaceuticals for patients and expand health services to patients and the communities they serve. According to the Health Resources and Services Administration (HRSA), the federal agency responsible for administering the 340B program, enrolled hospitals and other covered entities can achieve average savings of 25 to 50 percent in pharmaceutical purchases.

HRSA is expected to issue by summer 2015 comprehensive interpretive guidance that will examine several areas pertinent to the 340B program, such as the definition of patient eligibility, contract pharmacy arrangements, and mechanisms to prevent both ineligible patients from receiving the benefit and duplicate discounts for Medicaid patients. Despite more oversight from HRSA and the program's proven record of decreasing government spending and expanding patient access to care, some want to scale it back or significantly reduce the benefits eligible hospitals and their patients receive from the program.

Key Priorities **Reject Efforts to Scale Back 340B**

The AHA urges Congress and policymakers to reject any changes to the 340B program that would hurt patients and communities. Many 340B hospitals are the safety-net for their communities, and the program generates valuable savings for eligible hospitals to reinvest in programs that enhance patient services and access to care. While many hospitals use the 340B savings to provide free or reduced priced prescription drugs to vulnerable patient populations, the savings also allow hospitals to provide more patient services and programs. For example, hospitals use the 340B savings to provide free care for uninsured patients, as well as offer free vaccinations, services in mental health clinics, medication management programs and community health programs.

Some stakeholders, financed by the pharmaceutical industry, continue to spread misinformation about the program. However, the 340B program accounts for only 2 percent – or \$6.5 billion – of the \$325 billion in annual drug purchases made in the U.S. In addition, in 2013, one out of every three 340B hospitals had a negative operating margin. Meanwhile, pharmaceutical companies averaged an 18 percent¹ operating margin in 2013, and the price of pharmaceuticals continues to rise. Prescription drug prices rose 6.4 percent in the period from December 2013 to December 2014, up from 4.6 percent in the 12-month period from November 2013 to November 2014. This is an increase in the growth rate not seen since 1992. Scaling back the 340B program would hurt vulnerable patients and increase costs to the government in order to add to the already high profits of pharmaceutical companies.

Support for Program Integrity Efforts to Strengthen 340B

The AHA supports program integrity efforts to ensure that the 340B program remains available to safety-net providers. Hospitals that participate in the 340B program are subject to oversight by HRSA's Office of Pharmacy Affairs, and hospitals in the 340B program must meet numerous program integrity requirements. These include yearly recertification; audits from both HRSA and drug manufacturers; and maintaining auditable inventories of all 340B and non-340B prescription drugs. In recent years, HRSA implemented additional program integrity efforts, and the AHA encourages HRSA to develop a process to help financially distressed providers meet the new program integrity provisions.

Expansion of 340B to Benefit Hospitals, Taxpayers

The AHA supports expanding the 340B program to the inpatient setting, as it would be a “win-win” for taxpayers and hospitals. It would generate savings for the Medicaid program by requiring hospitals to share with Medicaid a percentage of their savings on inpatient drugs administered to Medicaid patients. It also would reduce Medicare costs, as CAHs are paid 101 percent of their inpatient and outpatient costs by Medicare, and the 340B pricing mechanism would lower CAHs' drug costs. According to the Congressional Budget Office, expanding the program to cover inpatient services would save the federal government upwards of \$1.2 billion over 10 years.

Support for HRSA in Orphan Drug Case

The AHA supports HRSA's implementation of the orphan drug policy and has filed friend-of-the-court briefs in support of HRSA. The Pharmaceutical Research and Manufacturers of America has mounted a legal challenge to block HRSA from implementing a policy that allows rural and cancer 340B hospitals to purchase “orphan drugs” through the 340B program. HRSA's policy allows these hospitals to purchase orphan drugs through the 340B program when the drugs are not used to treat the rare conditions for which the orphan drug designation was given.

¹ Forbes, BBC News, Pharmaceutical Industry gets high on fat profits. November 6, 2014. <http://www.bbc.com/news/business-28212223>.