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December 7, 2010

The Honorable Scott P. Brown
United States Senate
317 Russell Senate Office Building
Washington, DC 20510

Dear Senator Brown:

On behalf of our more than 5,000 member hospitals, health systems and other health care organizations, and our 40,000 individual members, the American Hospital Association (AHA) is pleased to support S.11, legislation to restore the application of the 340B drug discount program to orphan drugs with respect to children's hospitals. We applaud your commitment to America's health care providers and stand ready to advocate for S.11.

In 1990, Congress established the Medicaid drug rebate program, which requires drug manufacturers that supply their products to state Medicaid programs to enter rebate agreements with the U.S. Department of Health and Human Services. The agreements ensure that the products are provided at the manufacturer's "best price" – that is, the lowest price offered to other purchasers. Section 340B of the Public Health Service Act expanded the program by requiring manufacturers participating in Medicaid to sell outpatient drugs at discounted prices to taxpayer-supported health care facilities that care for uninsured and low-income people.

Congress expanded the 340B drug discount program to new entities in the health care reform law. This expansion included a provision to exempt discounts on orphan drugs – drugs used to treat rare diseases. Unfortunately, this provision has been inappropriately applied to children's hospitals. Children's hospitals were eligible for the 340B program prior to passage of health reform and should be allowed access to orphan drugs under the 340B program. Your legislation would address this issue and make certain that children's hospitals have low-cost access to these important drugs.

Again, we are pleased to support this important legislation and look forward to working with you and your colleagues to achieve its passage.

Sincerely,

Rick Pollack
Executive Vice President

