



American Hospital Association®

Setting the Record Straight on 340B: *Fact vs. Fiction*



Overview: For more than 20 years, the 340B Drug Pricing 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. This, in turn, allows 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.

Despite the program's proven track record of decreasing government spending and expanding patient access to medical services, some policymakers and interest groups want to scale it back or significantly reduce its benefits. In addition, some groups continue to spread misinformation about the program. This document attempts to set the record straight on the 340B program.

Fiction: Growth in the 340B program is out of control.

Fact: The 340B program accounts for only two percent of the \$325 billion in annual drug purchases made in the U.S. Through the Affordable Care Act (ACA), Congress expanded the benefits of the 340B program to other safety-net hospitals to improve health care access to more low income and uninsured patients. Those safety-net hospitals

included critical access hospitals (CAHs), rural referral centers, sole community hospitals and free standing cancer hospitals. While Congress has expanded the program to these safety-net hospitals, the drugs used by these hospitals account for only a small fraction of drugs sold under the 340B program.

Fiction: The 340B program has lost its way from its original intent.

Fact: The 340B program is still operating in the manner Congress intended when it established the program in 1992. Congress stated the purpose of the program was to permit providers that care for a high number of low income and uninsured patients "to stretch scarce Federal resources as far as possible, reaching more eligible patients and providing more comprehensive services." This includes, but is not limited to, improved access

to outpatient prescribed pharmaceuticals. Hospitals have used savings from the 340B program to establish and support a variety of programs that are improving access and quality of care for not only low income and uninsured patients, but also the entire community the hospital serves. Given the increasingly high cost of pharmaceuticals, the program is just as relevant now as it was when Congress established it.

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Fiction: 340B hospitals do not pass along the savings they receive from the program to their patients.

Fact: The 340B program generates valuable savings for eligible hospitals to reinvest in programs that enhance patient services and access to care. To qualify for the 340B program, hospitals must serve a disproportionate share of low-income and uninsured people or be CAHs providing essential services to their rural communities. These hospitals also must provide services to low income populations that do not qualify for Medicaid or Medicare.

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 vaccines, services in mental health clinics, medication management programs and community health programs.

Fiction: 340B hospitals do not provide significant levels of charity care.

Fact: It is more accurate to look at a hospital's total uncompensated care rather than just its charity care numbers, as charity care alone does not account for the myriad programs and services that hospitals provide to their communities. Hospitals participating in the 340B program provided \$28.4 billion in uncompensated care in 2012. This represents 62 percent of all uncompensated

care provided by America's hospitals in 2012. Uncompensated care includes "bad debt" (services for which hospitals anticipated but did not receive payment) and charity care (services for which hospitals neither received nor expected payment because they determined, with help from the patient, the patient's inability to pay). It does not include Medicaid and Medicare underpayment.

Fiction: The 340B program lacks any meaningful oversight.

Fact: Hospitals that participate in the 340B program are subject to oversight and must meet numerous program integrity requirements. Hospitals must:

- Recertify annually their eligibility to participate in the program and attest to meeting all the program requirements;
- Participate in audits conducted by the Health Resources and Services Administration (HRSA), which oversees the program, and drug manufacturers;

- Maintain auditable records and inventories of all 340B and non-340B prescription drugs.

In addition, HRSA is expected to publish a proposed rule soon that will likely provide further clarity to improve the oversight of the 340B program. The AHA and its 340B hospital members support program integrity efforts to help ensure that all covered entities are able to comply with the program requirements.

Fiction: 340B is a main driver of consolidation in the oncology field.

Fact: Market forces have stimulated some independent oncology practices to merge with their community hospitals. Hospitals are strengthening ties to each other and to physicians in an effort to respond to new payment systems, quality improvement efforts, implementation of electronic medical records and coordinated care across the entire health care

continuum. Unlike independent oncology practices, hospitals care for all patients who seek care, regardless of their insurance status or ability to pay; maintain standby disaster readiness capacity in the event of a catastrophic occurrence; and treat patients who are sicker and require more complex services than those treated by private practice oncology clinics.

Key Takeaway: The 340B Drug Pricing Program is a small program with big benefits. It allows eligible hospitals to stretch scarce federal resources to establish and support a variety of programs that are improving access and quality of care for low-income and uninsured individuals. Given the increasingly high cost of pharmaceuticals, the 340B program remains essential to creating healthier communities.