

In 2015 Alone, 340B Tax-exempt Hospitals Provided Over \$50 Billion in Total Benefits to Their Communities

MARCH 2018

Improving the health of their communities is at the heart of every hospital's mission, regardless of their form of ownership.

For example, every year, tax-exempt hospitals demonstrate accountability to the communities they serve by filing a report on the benefits they provide to their community using the *IRS Form 990 Schedule H* and making it publicly available. In 2015 alone, the most recent year for which data is available, those tax-exempt hospitals participating in the 340B drug savings program provided **\$51.7B** in total benefits to their communities.

340B DRUG SAVINGS PROGRAM

Congress created the 340B drug savings program to help those hospitals serving vulnerable communities expand access to prescription drugs and support essential services for their communities.

The program constitutes less than 3% of the more than \$450 billion in U.S. annual drug purchases. Because it is funded by drug company discounts, not federal dollars, 340B doesn't cost the government one penny – but it makes a big difference to vulnerable communities.

For example, the 340B program helps Henry Ford Health System in Michigan embed pharmacists in primary care and specialty clinics in Detroit to treat chronic diseases, and provide additional services for all patients including the meds to beds program, home delivery and courier services. As a result of savings from 340B, Oregon's Providence Cancer Center has been able to continue providing life-saving infusion treatment for the uninsured and marginally insured patients referred from private practice medical staff members and also expand significantly its social work and spiritual care support. Johns Hopkins Hospital in Maryland uses 340B program savings to provide low-income patients with free and discounted outpatient drugs and other services, including telephone consultations, home visits and transportation services.

COMMUNITY BENEFIT

In return for being exempt from federal taxes, non-profit hospitals have a special responsibility to deliver a variety of benefits tailored to the particular needs of the communities they serve. Hospitals report publicly on those community benefit activities,

which include financial support for the poor as well as a wide range of programs and services designed to meet the current and future health needs of all of those they serve. Examples include tailored programs to address identified community health needs, such as access to prescription drugs for low-income populations, free vaccinations, chronic disease management programs, transportation services for follow-up appointments, and mental health services.

Programs like these and many more strengthen the bond between America’s hospitals and the communities they serve, and support hospitals’ efforts to advance health in America.

340B Hospitals: Total Benefits to the Community

Type of Benefit* Provided	Percent of Total Hospital Expenses	Dollars Spent
Financial assistance, unreimbursed Medicaid, and unreimbursed costs from means-tested government programs	6.2%	\$25,267,225,086
Other benefits, including health professions education, medical research, cash and in-kind contributions to community groups	4.1%	\$17,079,563,560
FINANCIAL ASSISTANCE AND CERTAIN OTHER COMMUNITY BENEFITS	10.3%	\$42,346,788,646
Community-building activities	0.1%	\$319,162,052
Medicare shortfall	1.7%	\$6,900,205,440
Bad debt expense attributable to financial assistance	0.5%	\$2,143,469,669
TOTAL BENEFITS TO THE COMMUNITY	12.6%	\$51,710,148,846

* Schedule H Part I.7, Part II, Part III A.3, B.7

How Benefits were Calculated

The AHA contracted with Guidestar to create a file of all electronic IRS Form 990 Schedule H data submitted for the 2015 tax year. Using that data file, AHA identified 1,034 individual hospital Schedule Hs that represent 62% of exempt hospitals with 340B status and another approximately 500 340B hospitals as part of group filings that include non-340B hospitals. Using Schedule H data from the 1,034 340B hospitals, a representative sample of all 340B exempt hospitals, and AHA Annual Survey data, AHA calculated the percent of total hospital expenses and dollars spent on benefits to the community by 340B hospitals. A more detailed technical appendix describing AHA’s methodology is available upon request. **Ernst & Young (EY)** confirmed that “[t]he methodology described above is consistent with the approach used by EY in our prior analyses of the Form 990 Schedule H.”