OUR VIEW: 340B BENEFITS VULNERABLE PATIENTS, ESSENTIAL HOSPITALS, TAXPAYERS

ABOUT THE 340B DRUG PRICING PROGRAM
In 1992, in a bipartisan fashion, Congress created the 340B Drug Pricing Program to lower drug costs for hospitals that care for a disproportionate share of low-income patients.

Under the program, drug makers agree to give eligible providers discounts on outpatient drugs as a condition of participating in the large Medicaid and Medicare Part B markets. These providers—covered entities—include essential hospitals, community health centers, AIDS clinics, and others. The law explicitly makes covered entities the recipients of discounts and allows them to prescribe discounted drugs to all patients, including those with insurance.

340B SUPPORTS ACCESS TO CARE. TAXPAYER SAVINGS
Essential hospitals are committed to caring for the vulnerable and use 340B savings to stretch otherwise scarce resources. For patients, this means affordable medications, expanded access to community-based primary and specialty care, and help managing chronic conditions.

Most importantly, 340B supports all these benefits while reducing federal, state, and local health care spending. In fact, the 340B program saves dollars that otherwise would go toward indigent care.

BETTER CARE THROUGH 340B SAVINGS
The 340B program provides much more, in addition to affordable medications: It supports better care and better health outcomes.

Hennepin County Medical Center, in Minneapolis, admitted a homeless, uninsured man nine times over four months at a total cost of more than $56,000 a month. Using a medication management program made possible, in part, by 340B savings, hospital pharmacists taught the patient how and when to take his medicine. His medical expenses dropped to $4,000 a month within nine months.

VCU Health, in Richmond, Virginia, operates the Virginia Coordinated Care (VCC) Program, which contracts with primary care providers to offer a medical home to more than 23,000 uninsured, low-income individuals. VCU Health uses 340B savings to provide low-cost drugs to VCC enrollees at outpatient pharmacies. Since 2000, VCC enrollment has doubled and emergency department use has declined.

340B ‘MEGA-GUIDANCE’ WOULD HARM CARE ACCESS
In August 2015, the Health Resources and Services Administration (HRSA), which administers 340B, released proposed guidance that would substantially limit the 340B program. America’s Essential Hospitals hoped the guidance would provide clarity on program oversight and offer clear guidelines for hospitals. Instead, the guidance serves to restrict and add burden to the program. We have significant concerns about the guidance—in particular, a patient definition that jeopardizes 340B access for uninsured and low-income patients, as well as others:

- children and indigent patients who use clinics expressly targeted at their often complex needs
- patients being discharged from the hospital
- cancer patients who depend on hospital chemotherapy infusion services

Our nation’s health care system is moving toward more integrated care—a positive process that this guidance would derail with its burdensome restrictions on where and when vulnerable patients may access affordable medications.

MEDPAC PROPOSAL WOULD REDIRECT SAVINGS
In January, the Medicare Payment Advisory Commission (MedPAC) approved a proposal that would decrease hospitals’ 340B savings. The proposed changes will have no meaningful benefit to vulnerable patients or essential hospitals. The proposal calls for three changes:

- First, for the Centers for Medicare & Medicaid Services (CMS) to reduce Medicare payment for Part B drugs
to 340B hospitals by 10 percent of average sales price.

- Second, to reallocate this 10 percent savings to the Medicare disproportionate share hospital (DSH) uncompensated care (UC) pool.

- Third, to distribute funds from the UC pool to hospitals based on their levels of uncompensated care, using data from the Medicare cost report. CMS uses a hospital’s share of Medicaid and low-income Medicare days to direct DSH payments.

This is the first recommendation that MedPAC has made on the 340B program, which falls outside of MedPAC’s traditional scope.

As recommended by MedPAC, Medicare program savings that go to the UC pool will be distributed to all hospitals eligible for DSH payments. The 340B savings would be spread across a larger group of hospitals, many of which are not even eligible to participate in the 340B program—including for-profit health systems.

Further, the MedPAC recommendation to reduce payment rates to 340B hospitals does little to alleviate mounting financial pressure on Medicare beneficiaries due to the rising cost of drugs. MedPAC estimates that beneficiary savings for these drugs would be $70 million, or roughly $6 per beneficiary, in one year.

A WEAKENED 340B PROGRAM THREATENS EVERYONE

If you pull the thread of 340B savings, you unravel the fabric of essential health services for entire communities. A weakened 340B program undermines the capacity of essential hospitals to serve their patients and keep communities healthy.

A dramatic narrowing of the 340B program, as proposed in the HRSA guidance, or reduction of 340B savings through the MedPAC proposal will result in higher care costs for uninsured and vulnerable patients. Essential hospitals also will have fewer resources for community-wide essential services, such as trauma care and disaster response.

CONGRESS SHOULD PROTECT AND STRENGTHEN 340B

The 340B program provides vital savings that help essential hospitals keep their doors open and expand costly services to our nation’s most vulnerable patients. Essential hospitals and health systems cannot absorb higher uncompensated care costs, especially in the face of staggering drug costs. Most already operate at a loss—even with the savings they achieve through the 340B program.

We urge Congress to take three steps to protect and strengthen the program:

- First, urge HRSA to withdraw its over-reaching guidance, which would fundamentally undermine the 340B program.

- Second, urge HRSA to work with America’s Essential Hospitals and other stakeholders to craft policy that meets our common interest: a well-run, transparent, and robust program that ensures vulnerable patients can access care.

- Third, address the rising cost of drugs through sound policy changes that would result in tangible savings to both the Medicare program and its beneficiaries.

Learn the facts about the 340B program and how it supports care for vulnerable patients: Contact Beth Feldpush, senior vice president of policy and advocacy, at bfeldpush@essentialhospitals.org or 202-585-0111.