



A Passionate Voice for Compassionate Care

October 29, 2020

The Honorable Lamar Alexander
Chairman
Health, Education, Labor and Pensions
Committee
United States Senate
Washington, D.C. 20510

The Honorable Greg Walden
Ranking Member
Energy and Commerce Committee
United States House of Representatives
Washington, D.C. 20515

Dear Chairman Alexander and Ranking Member Walden,

On behalf of the Catholic Health Association of the United States (CHA), the national leadership organization of more than 2,200 Catholic health care systems, hospitals, long-term care facilities, service providers and organizations, I am writing in response to your request for information on the 340B program to share with you our strong support for this important program. The 340B program is working well and enabling our members to better serve low-income and rural communities as the law intends. While legislative action is not needed, there is a role for Congressional oversight to ensure that the Department of Health and Human Services (HHS) is enforcing the drug manufacturers' obligations under the law.

As a health care ministry guided by the teaching of the Catholic Church, CHA and its members are committed to respecting the human dignity of each person, promoting the common good, having special concern for low-income and other vulnerable persons, and being responsible stewards of resources. These foundational beliefs drive our long-standing commitment to ensure that every patient has access to quality care regardless of ability to pay, and that all persons in our communities reach their healthiest potential. The 340B program plays an important role in enabling Catholic safety net hospitals to meet these commitments in serving their communities.

Section 340B of the Public Health Service Act requires pharmaceutical manufacturers that participate in the Medicaid program to provide covered outpatient drugs at a discounted rate to safety net and other health care facilities serving low-income, vulnerable communities or remote rural areas. The significant pharmacy discounts available under the program allow hospitals to continue to provide and expand needed services that otherwise would not be available in these communities. To be eligible a hospital must be nonprofit, be owned or operated by or under contract with state or local governments and provide a significant level of care to low-income patients or serve rural communities.

The 340B discount drug program plays a critical role in allowing safety net and rural hospitals to

continue to meet the local needs of their patients and communities with the goal “to stretch scarce Federal resources as far as possible, reaching more eligible patients and providing more comprehensive services.”¹ In 2017 340B hospitals of all types provided \$31.3 in uncompensated care and [\\$64.3 billion](#) in total benefits to their communities.² In addition, [340B DSH hospitals](#) treat significantly more Medicaid and low-income Medicare patients than non-340B hospitals. Although they represent only 43% of hospitals, they provide 75% of hospital care received by Medicaid patients. 340B DSH hospitals are also more likely to provide un- and under-reimbursed “essential community services,” specialized services and community health and wellness services than non-340B hospitals. These 340B providers are able to offer these benefits to communities and patients despite also having significantly lower operating margins than non-340B hospitals.³

Savings from 340B allow CHA’s members, for example, to run free and low-cost clinics; to provide infusion and other services in remote or low-income areas; to offer generous financial aid policies as well as programs that provide low-cost or free prescriptions; to maintain critical services that operate at a loss; and to support community benefit programs meeting the identified needs of their service areas. The 340B program provides an important line of support to low-income and rural hospitals and is a critical resource to communities and patients in need of health care.

The 340B statute requires manufacturers to provide the 340B discounts to entities that meet the program’s requirements and does not grant them the ability to condition those discounts on covered entities taking actions beyond the requirements of the law. Despite this, a number of drug manufacturers have taken steps to restrict 340B discounts on drugs delivered to patients through contract pharmacies and have demanded additional data from providers which is not required by law. These efforts only undermine the statutory intent of the law and deprive hospitals and the rural and low-income communities they serve of resources they rely on to make sure health needs are met. In another troubling development, there is an effort to replace 340B discounts with a back-end rebate system, which would make it much harder for hospitals to access 340B savings and could result in denial of 340B pricing. Hospitals would have to pay higher prices up front, and drug companies would control when and how to provide the discount required by the statute. In order to address these abuses and protect the program. Congress should encourage HHS to exercise its authority under the law to end these abuses by drug manufacturers seeking to cut or limit access to the 340B discounts rather than turning to statutory changes.

¹ ["340B Drug Pricing Program - Official web site of the U.S. Health Resources & Services Administration"](#). *Hrsa.gov*. retrieved 20 October 2020. *See* H. Rep. No. 102-384, Pt. 2, at 12 (1992); *See also* Veterans Health Care Act of 1992, Pub. L. No. 102-585 § 602, 106 Stat. 4943, 4967-4971 (1992).

² American Hospital Association, *340B Hospital Community Benefit Analysis*, 2020, available at <https://www.aha.org/system/files/media/file/2020/09/340b-community-benefits-analysis-report.pdf>

³ Dobson, A., Ph.D., Murray, K., M.P.H., & DaVanzo, J., Ph.D. (2020, July 10). *The Role of 340B Hospitals in Serving Medicaid and Low-income Medicare Patients*. Retrieved October 10, 2020, from

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The 340B program plays a crucial role in providing access to health care to low-income communities and supporting hospitals in low-income and rural communities. Its role in ensuring that hospitals and other covered entities can “stretch scarce federal resources as far as possible” is particularly important at a time when safety-net and rural hospitals face unprecedented challenges in responding to the COVID-19 pandemic. CHA looks forward to continuing to work with you to protect the 340B program.

Sincerely,

A handwritten signature in black ink, appearing to read "Sr. Mary Haddad". The signature is fluid and cursive, with the first name "Sr." and last name "Haddad" clearly legible.

Sr. Mary Haddad, RSM
President and CEO