



A Passionate Voice for Compassionate Care

340B DRUG DISCOUNT PROGRAM

THE ISSUE

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.

Six types of hospitals are eligible to participate in the 340B discount drug program: disproportionate share hospitals (DSHs), children's hospitals and cancer hospitals exempt from the Medicare prospective payment system, sole community hospitals, rural referral centers, and critical access hospitals (CAHs). 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. Several kinds of non-hospital entities that receive federal funding are also eligible for the program, including federally qualified health centers (FQHCs) and "look-alikes," and programs under the Ryan White CARE Act.

Congress created the program as a response to the high pharmaceutical costs faced by safety net hospitals. Purchasing outpatient pharmaceuticals through the 340B discount drug program allows safety net and rural hospitals to continue to meet the local needs of their patients and communities and "to stretch scarce Federal resources as far as possible, reaching more eligible patients and providing more comprehensive services."¹ Many Catholic health ministry hospitals rely on the 340B discount to free up funding, 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 plays a crucial role in providing access to health care in the communities served by the ministry.

Only hospitals that provide a significant level of care to low-income patients or serve rural communities are eligible to be in the 340B program. 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 hospitals](#) treat significantly more Medicaid and low-income Medicare patients than non-340B hospitals and, 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

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>

despite also having significantly lower operating margins than non-340B hospitals.³

MINISTRY TRADITION

As the Catholic health ministry our mission is based upon the social teachings of the Church, which call us to respect the human dignity of each person, promote the common good, have special concern for low-income and other vulnerable persons, and be responsible stewards of resources. These foundational beliefs drive the Catholic health ministry's 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 highest potential for health possible. The 340B program plays an important role in enabling Catholic hospitals to meet these commitments in serving their communities.

CHA'S POSITION AND ACTIVITIES

CHA supports measures to strengthen the 340B program consistent with its original intent—assisting safety net and rural hospitals to stretch resources as far as possible, reaching more patients and providing more comprehensive services. CHA supports:

- Adequate funding for the Health Resources and Services Administration (HRSA) to ensure compliance with 340B program requirements
- Rescission of the steep cuts to reimbursement for 340B drugs in the Medicare Outpatient Prospective Payment System

CHA opposes proposals that would undermine the 340B program and harm the communities our member serve, such as:

- Establishing a moratorium on new covered entities
- Making it harder for safety net hospitals and community health centers to participate
- Impose reporting requirements that are unduly burdensome or do not provide information relevant to the program's intent or operation

CHA also supports, and our members are implementing, the American Hospital Association's 340B Good Stewardship Principles, which call for hospitals to:

- Communicate the value of the 340B program by publishing a narrative describing how 340B savings are used to benefit the community
- Disclose their 340B estimated savings annually, using a standardized method
- Continue rigorous internal oversight through internal reviews and training for the hospital's interdisciplinary 340B teams.

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 [https://www.340bhealth.org/files/340B and Medicaid and Low Income Medicare Patients Report 7.10.2020 FINAL .pdf](https://www.340bhealth.org/files/340B%20and%20Medicaid%20and%20Low%20Income%20Medicare%20Patients%20Report%207.10.2020%20FINAL.pdf)