340B 101

Oregon Senate Committee on Health Care
September 23, 2024

Colleen Meiman
National Policy Advisor for the Oregon Primary Care Association

Name, Eligibility, and Intent

Name & Overview

- **Name**: “340B” refers to the section of the Public Health Service Act that created the program in 1992.

- **Structure:** The program requires drug manufacturers to sell drugs at discounted rates to certain safety net” providers for outpatient use.
  - Drug makers must agree to this as a condition of getting their drugs covered by Medicare and Medicaid

Which providers qualify for 340B?

- **Many hospitals, including those that:**
  - Serve a minimum percentage of low-income Medicare & Medicaid patients (“DSH hospitals”
  - Critical Access & Sole Community Hospitals
  - Public hospitals
  - Children’s, cancer, and rural referral hospitals

- **Grantees** – providers who get HHS grants
  - Community Health Centers (aka FQHCs)
  - Ryan White Clinics
  - ADAPs
  - STD, hemophilia, family planning, and other clinics

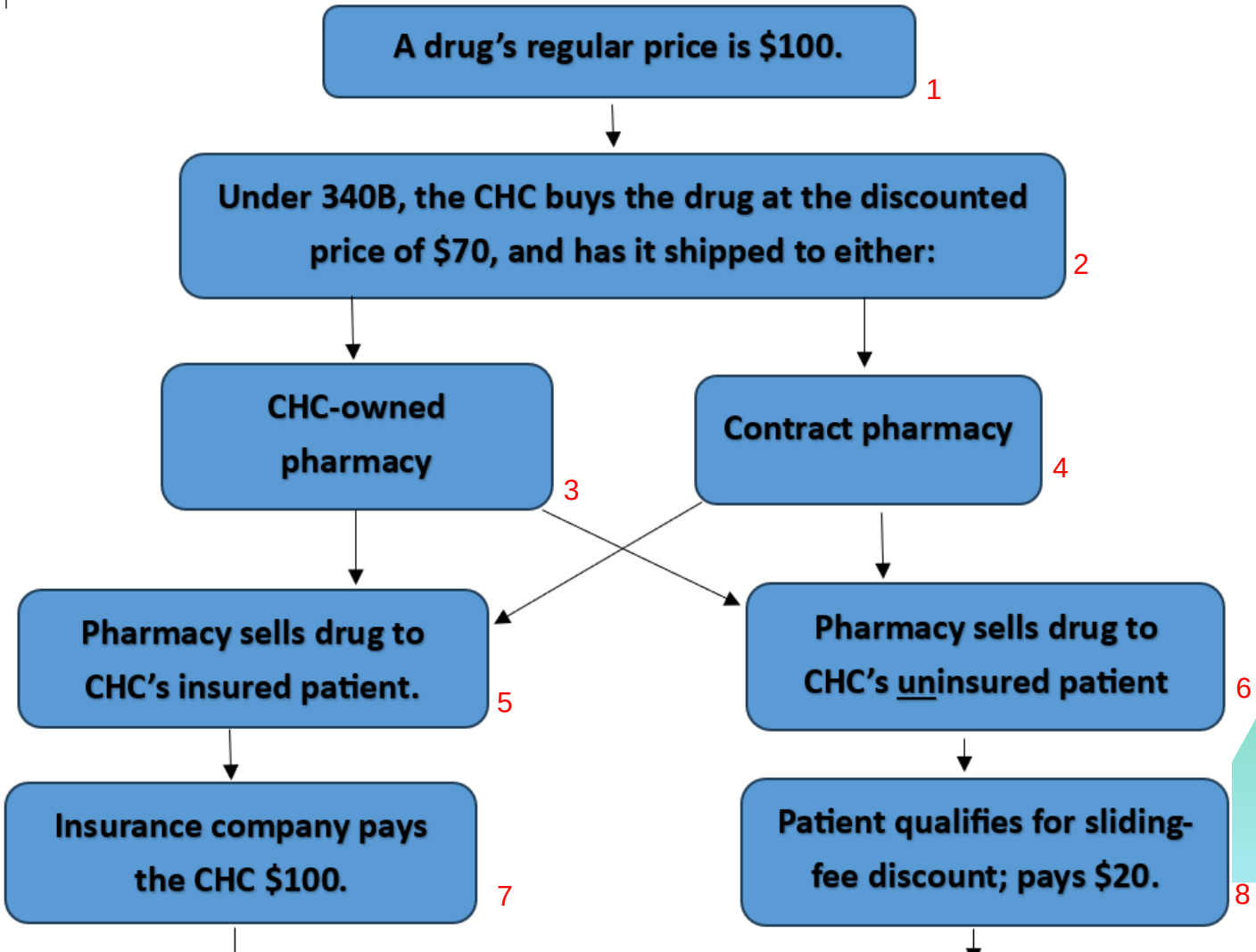
Program Intent

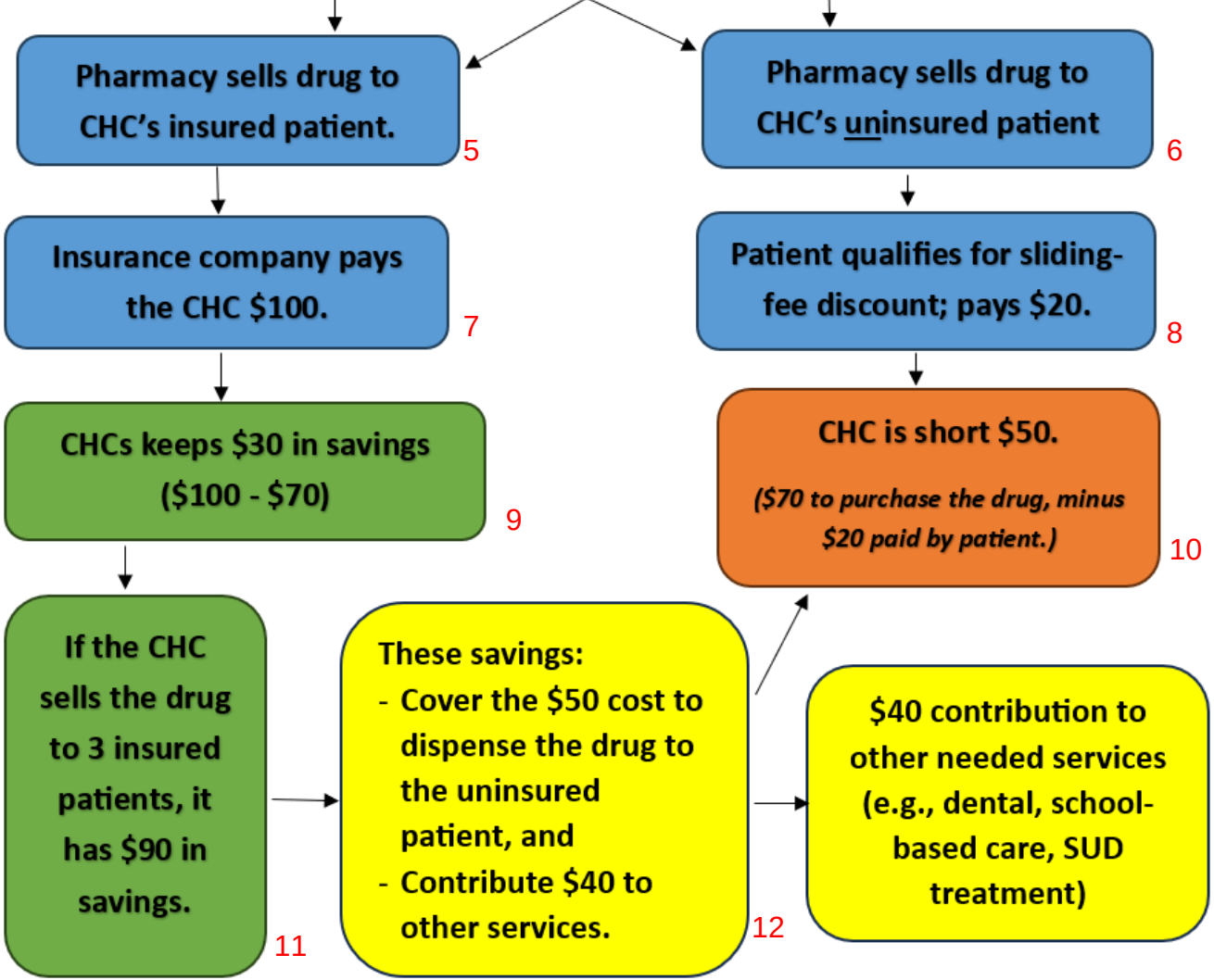
When creating 340B in 1992, Congress said its purpose is to:

"permit covered entities ***to stretch scarce Federal resources as far as possible, reaching more eligible patients and providing more comprehensive services.***"

- This means:
  - The covered entity, not the patient, is meant to receive the direct benefit.
  - 340B is about expanding many types of services, not just pharmaceuticals

How 340B Works


A drug's regular price is $100.
1
Under 340B, the CHC buys the drug at the discounted price of $70, and has it shipped to either:
2
CHC-owned pharmacy
3
Contract pharmacy
4
Pharmacy sells drug to CHC's insured patient.
5
Pharmacy sells drug to CHC's uninsured patient
6
Insurance company pays the CHC $100.
7
Patient qualifies for sliding-fee discount; pays $20.
8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Patient qualifies for sliding-fee discount; pays $20.
8
CHCs keeps $30 in savings ($100 - $70)
9
CHC is short $50.
($70 to purchase the drug, minus $20 paid by patient.)
10
If the CHC sells the drug to 3 insured patients, it has $90 in savings.
11
These savings:
- Cover the $50 cost to dispense the drug to the uninsured patient, and
- Contribute $40 to other services.
12
$40 contribution to other needed services (e.g., dental, school-based care, SUD treatment)
13

Three Key Points

1. 340B does not involve taxpayer dollars.
   - The savings all result from discounts provided by drug manufacturers, as a condition of getting their products covered by Medicare and Medicaid.

2. CHCs and other grantees are required by both law and regulation to invest every penny of 340B savings into activities that expand access for underserved populations.

3. 340B is about much more than pharmaceuticals; it supports a wide range of services at safety-net providers

The Importance of 340B to the Health Care Safety Net

340B is Essential to the Financial Stability of Many Safety Net Providers

This is not an overstatement. For example:

- In 2021, 340B contributed 16% more to a CHC's bottom line (on a per-patient basis) than their Federal grant.

- Many Critical Access Hospitals and Sole Community Hospitals report that they could not keep their doors open if they lost 340B.

If 340B went away, many safety net providers – including CHCs – would have to significantly scale back their operations, or close their doors entirely.

Drug makers are directly attacking 340B

- **Contract pharmacy restrictions:** Restricting or eliminating 340B providers' ability to use contract pharmacies.

- **Rebate model:** Requiring providers to pay full price for the drugs up front, and then apply to the drug maker for a rebate payment.
    - Most CHCs will be unable to support either the cashflow or new administrative demands this model requires.

- **Very burdensome data demands:** Requiring providers to submit extensive data (e.g., 28 fields per unit of drug) in order to receive 340B pricing and/ or shipments to contract pharmacies.