



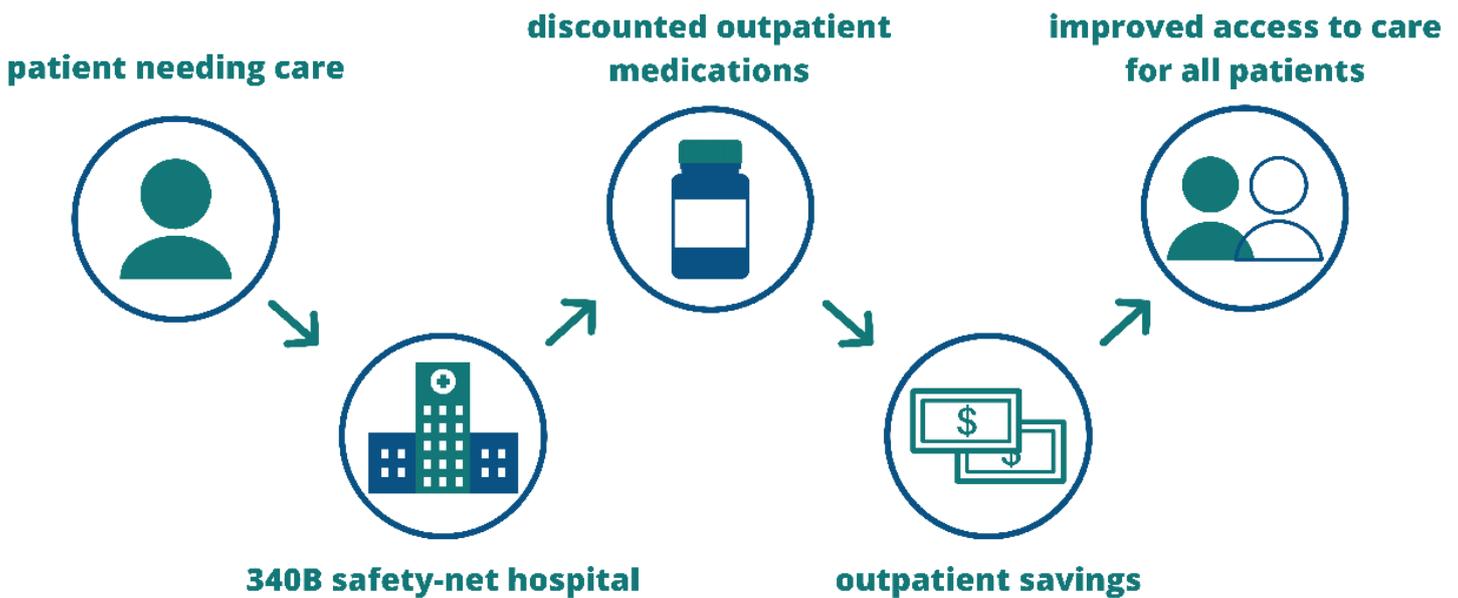
Minnesota Hospital Association

THE IMPORTANCE OF THE

340B DRUG PRICING PROGRAM

TO MINNESOTA'S HOSPITALS, HEALTH SYSTEMS, AND COMMUNITIES

HOW THE 340B PROGRAM WORKS



The 340B Drug Pricing Program is a key federal program that delivers millions of dollars in cost savings on medications that safety-net hospitals and other providers use to help vulnerable Minnesotans.

Savings generated through 340B at Minnesota's participating hospitals and health systems are a vital source of safety-net investment and patient care.

Despite its proven record of decreasing government spending and expanding access to patient care, drug manufacturers want to scale back the program. These drug manufacturers out-pace earnings more than most industries, making this less about the patients and more about profits.

The Minnesota Hospital Association (MHA) strongly opposes any efforts to eliminate, scale back, or significantly reduce the benefits of the program.

The 340B Drug Pricing Program supports safety-net hospitals and other providers.

Since 1992, the 340B Drug Pricing Program has provided financial help to safety-net hospitals and clinics to manage rising prescription drug costs and preserve access to needed health care services in communities.

- Under the 340B program, pharmaceutical manufacturers participating in Medicaid are required to sell outpatient drugs at discounted prices to eligible health care organizations that care for a large percentage of uninsured and low-income patients.
- A patient's health insurance status and income level does not affect a hospital or health system's ability to access 340B discounted medications. If the hospital or health system's overall patient population meets the 340B requirements, discounts are available for all eligible outpatient drug purchases.
- The 340B program offsets Medicaid underpayments and exorbitant prices from pharmaceutical companies.
- 340B-covered entities are provided access to lower costs of drugs to recognize the high levels of Medicare, Medicaid and indigent populations they serve. This includes dense urban areas – DSH hospitals – and remote rural areas – CAHs.

Minnesota health care providers participate in the 340B program.

Of Minnesota's 143 hospitals, 95 participate in the 340B program. Not all hospitals are eligible to participate in the program. Eligible hospital types include:

Critical access hospitals (CAHs):

Hospitals located in rural areas that have less than 25 patient beds (e.g.: Tri-County Health Care, Wadena; Sleepy Eye Medical Center)

Children's hospitals: Hospitals that serve as a primary provider of high-acute services to pediatric patients (e.g.: Children's Minnesota, Minneapolis)

Sole community hospitals (SCHs):

Hospitals in isolated locations that serve as the sole source of inpatient hospital services reasonably available in a geographic area (e.g.: Grand Itasca Clinic and Hospital, Grand Rapids; Essentia Health-St. Joseph's Medical Center, Brainerd)

Prospective payment system (PPS) hospitals: Government or non-profit hospitals that are eligible for the disproportionate share hospitals (DSH program because they serve low-income and indigent populations (e.g.: Essentia Health-Virginia; Hennepin Healthcare, Minneapolis)

Nonhospital facilities including rural referral centers (RRCs), community health centers, federally qualified health centers (FQHCs) and hemophilia treatment centers may also participate in the 340B program.

The 340B program benefits patients, families and communities.

- The 340B program allows hospitals to stretch limited federal resources to reduce the price of outpatient pharmaceuticals for patients and expand health services to the communities they serve. Hospitals may use 340B savings to provide free care for uninsured patients, offer free vaccines, provide services in mental health clinics, and implement medication management programs and community health programs.
- According to the Health Resources and Services Administration (HRSA), the federal agency responsible for administering the 340B program, enrolled hospitals, and other covered entities can achieve average savings of 25-50% on pharmaceutical purchases. Savings are used to support underfunded community services.

Drug manufacturers are attacking the 340B program.

The 340B program has a proven track record of decreasing government spending and expanding access to patient care. Despite this success, drug manufacturers want to scale back the program while receiving record profits. Pharmaceutical Research and Manufacturers of America (PhRMA), the trade group representing pharmaceutical companies, has advocated for new restrictions on the program, such as limiting use of the discounted drugs to “uninsured” patients instead of all patients of 340B-covered entities as intended under the law. Some drug manufacturers have announced strategies to interfere with the 340B discount where drugs are distributed through contract pharmacies of 340B-covered entities.

Other actions from drug manufacturers to undermine the 340B program include:

Several major drug manufacturers have recently announced that they will limit or restrict 340B pricing based on where the safety-net provider elects to have its 340B drugs shipped. These actions are in violation of the statutory requirement that drug companies charge no more than the 340B ceiling price when selling their products to 340B providers.

In May 2021, HRSA found that six pharmaceutical companies were violating the 340B statute and required that the companies immediately begin offering their drugs at discounted prices to hospitals participating in the federal drug pricing program. The acting administrator of the HRSA sent letters to six drugmakers stating that HRSA determined their policies that place restrictions on the 340B drug pricing program for hospitals that dispense drugs through contract pharmacies have resulted in overcharges and are in direct violation of the 340B statute.

Other manufacturers are threatening to deny 340B pricing unless 340B providers comply with demands for superfluous claims data that goes far beyond the scope of the 340B statute and raises issues related to patient privacy. These actions establish a dangerous precedent that will undermine the ability of safety-net 340B hospitals to serve vulnerable communities, particularly in rural areas. The U.S. Department of Health and Human Services (HHS) recently admonished at least one company for doing this, citing the company’s actions to raise drug prices and its increase in income and stock prices at a time when most health care providers, including 340B providers, are financially struggling.

MHA advocates at both the federal and state level to protect the 340B program and the health of communities.

MHA opposes moving the Medicaid prescription drug program to the Department of Human Services (DHS) from Prepaid Medical Assistance Program (PMAP) plans and county-based purchasing. During the 2021 legislative session, the Minnesota House omnibus health and human services budget bill (HF 2128) proposed that DHS manage the outpatient prescription drug program for Medical Assistance enrollees, carving it out of the PMAP and county-based purchasing. MHA shared concerns about this proposal and it did not advance.

- This policy would have triggered a federal rule that would result in hospitals, health systems, and other 340B entities losing a considerable amount in payments that are used to help provide health and community services that have either no reimbursement or low reimbursements.
- Removing this from managed care would have simply been a payment cut, shifting 340B funding to DHS rather than keeping that funding in the health care system in service of our patients and communities.

MHA filed an amicus curiae brief in support of an American Hospital Association lawsuit supporting 340B.

- In *AHA v. Cochran* (No. 20-1114), the U.S. Supreme Court is being asked to review a different decision of the D.C. Court of Appeals that allowed CMS to cut reimbursement for drugs eligible for 340B discounts. In the brief, the hospital associations argue that the significant cuts by CMS illegally eliminate the statutory goals of the 340B program.

MHA encouraged actions by state attorneys general to defend the 340B program. In December 2020, 27 state attorneys general sent a letter urging HHS to hold accountable drug manufacturers that are unlawfully imperiling access to affordable prescriptions for low-income patients. Pharmaceutical companies such as Merck, Eli Lilly, Sanofi, Novartis, AstraZeneca and Novo Nordisk have engaged in activities that counter the 340B program's intent, including:

- Preventing 340B-priced drugs to be shipped to contract pharmacies close to patients.
- Demanding extensive amounts of data as a condition for receiving 340B-priced drugs.
- Replacing upfront price discounts with a rebate system that is burdensome to 340B providers.

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