340B DRUG PRICING PROGRAM

Issue Summary

- 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.
- Policymakers should not eliminate, scale back, or significantly reduce the benefits of the program.

Background

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.

Eligible hospital types include:

- Nonhospital facilities including rural referral centers (RRCs), community health centers, federally qualified health centers (FQHCs) and hemophilia treatment centers
- 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)
- 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)
- Children's hospitals: Hospitals that serve as a primary provider of high-acute services to pediatric patients (e.g.: Children's Minnesota, Minneapolis)
- 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)

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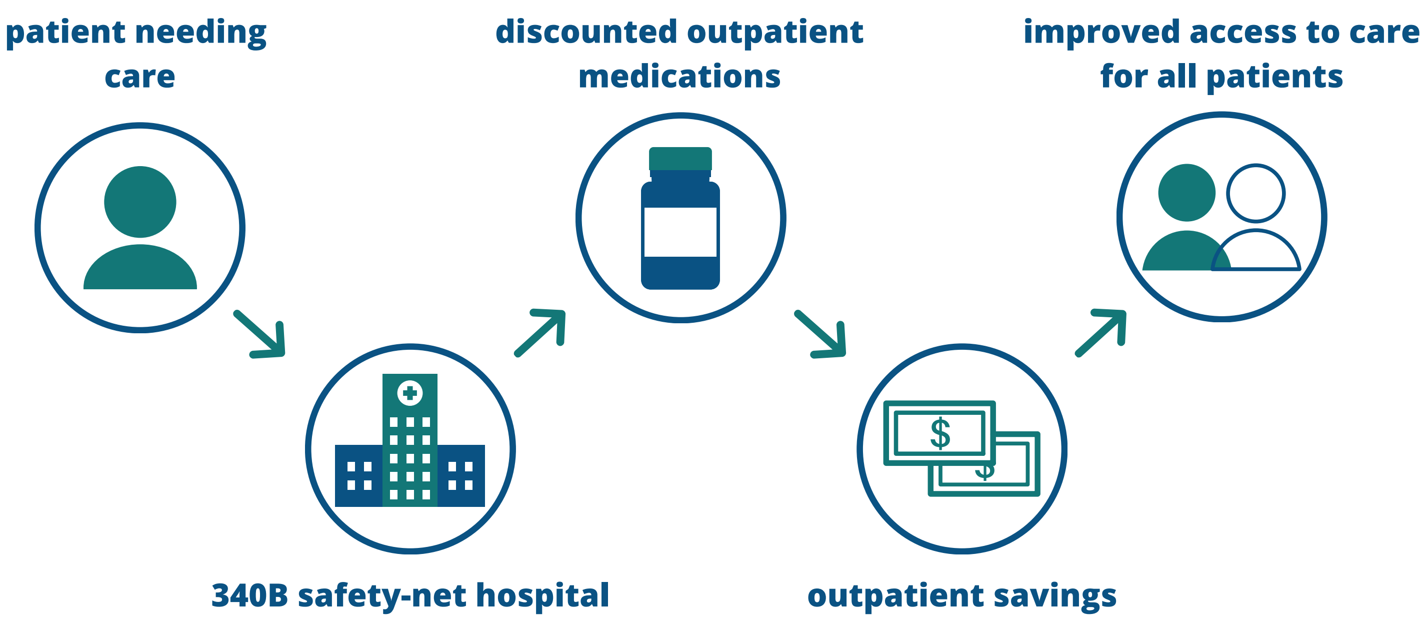
The 340B program allows hospitals to stretch limited federal resources to reduce the price of outpatient pharmaceuticals for patients and expand health services to the communities they serve. Hospitals may use 340B savings to provide free care for uninsured patients, offer free vaccines, provide services 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.

Despite this success, drug manufacturers want to scale back the program while receiving record profits. Pharmaceutical Research and Manufacturers of America (PhRMA) 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. To date, 19 drug manufacturers have announced strategies to interfere with the 340B discount where drugs are distributed through contract pharmacies of 340B-covered entities, despite HRSA issuing warnings they are in violation of federal law.



Minnesota Impact

Of Minnesota’s 143 hospitals, 95 participate in the 340B program. Not all hospitals are eligible to participate in the program, but MHA advocates at both the federal and state level to protect the 340B program and the health of communities. Based on MHA’s most recent member data, charity care provided by both 340B hospitals and non-340B hospitals continue to grow, annually increasing by 7.1% to $176 million in 2020.

Minnesota Hospital Association