



## 340B Drug Pricing Program Helps Further the Patient Mission

By **Maureen Testoni**, President and CEO, *340B Health*

**Outside of not-for-profit health systems, hospitals, health centers, and clinics, the federal 340B drug pricing program does not have a great deal of name recognition.** That relative anonymity belies the fact that over the past 30 years, 340B has helped thousands of these safety-net institutions and the dedicated community health leaders who run them provide crucial care to millions of patients in need. And with drug prices and the costs of delivering medical care continuing to rise exponentially, 340B is becoming even more essential to the core mission of serving those patients.

Among the providers known as 340B covered entities are disproportionate share hospitals, critical access hospitals, children's hospitals, cancer hospitals, rural referral centers, and sole community hospitals. They are eligible for 340B because they care for large percentages of patients living with low incomes who cannot afford needed care and patients living in remote areas of the country where access to care can be difficult. Congress established that drug companies that want Medicaid and Medicare Part B to cover their products must offer covered entities discounts on select outpatient drugs ranging from 13 percent to 23.1 percent, or higher if companies hike their drug prices by more than the rate of inflation.

Since it was enacted in 1992, 340B has become a major health system success story. Without utilizing any taxpayer dollars, it generates savings to safety-net providers that they reinvest into care for patients in need. It has proven so effective because it gives health system executives and their governing boards the flexibility to direct those savings into health services and support that the communities they serve need the most. One hospital might provide home nursing visits for heart failure patients, while another might embed pharmacists into hepatitis C care teams, while yet another might connect low-income HIV/AIDS patients with housing assistance.

That community-tailored approach to directing resources has become invaluable in a health system environment where the incidence of chronic diseases and the costs of treating them continue to go up while government health coverage continues to fall short in enabling patients to afford those costs. 340B disproportionate share hospitals alone provide 75 percent of hospital care to Medicaid patients while representing only 43 percent of all acute care hospitals. They provide 60 percent of all uncompensated and unreimbursed care in the U.S., including for the tens of millions of uninsured and underinsured Americans.

340B savings make up a significant share of hospitals' budgets, in many cases meaning the difference between maintaining positive margins or operating at a loss. For many smaller, rural hospitals, 340B resources are what keep their doors open for the communities they serve.

Even as 340B evolved and grew over the course of three decades to help meet growing community health needs, it has stayed true to the intent that Congress established for it in 1992. Just as it did then, 340B today enables health systems, hospitals, and other covered entities "to stretch scarce federal resources as far

### → Key Board Takeaways

- For 30 years, the 340B drug pricing program has provided crucial resources to safety-net health providers, especially during difficult economic periods.
- Health systems and their governing boards can invest their 340B savings into health services and support that are tailored to address specific community health needs.
- Alignment of 340B patient care goals among boards, executives, and providers enables health systems to maximize the potential of 340B savings.
- Successful 340B programs require adequate staffing, legal and compliance assistance, and other executive support.
- 340B resources are crucial in the evolution of health systems to extend far beyond the four walls of the hospital and to meet patients where they live.
- Health systems should document how they use their 340B savings to care for patients in need.

as possible, reaching more eligible patients and providing more comprehensive services.”<sup>1</sup>

## Partnerships for Success

340B Health, which represents more than 1,400 health systems and hospitals, advocates on behalf of 340B and works to help our members run effective, compliant programs for the benefit of patients in need. Some of the most successful examples we have seen are from systems that fully grasp the potential of their 340B savings and work collaboratively to maximize that potential. When health system boards, members of the C-suite, pharmacy department leaders, and 340B operations staff are aligned on that point, the resulting improvements in patient health outcomes serve as a testament to the great power of 340B.

The scores of patient care success stories we have helped tell in recent years involve health systems and hospitals where the program managers, pharmacy technicians, and pharmacists who run the 340B programs receive the executive support and guidance they need to be successful in their work. That includes staffing those programs adequately and providing the legal and compliance resources needed to ensure they meet all federal and state requirements. The Health Resources & Services Administration (HRSA), the federal agency that oversees 340B, conducts 200 audits of covered entities every year to confirm that they are claiming drug discounts correctly.

These effective collaborations also can identify the health services and support toward which they can best direct 340B resources. As health systems increasingly migrate toward more coordinated, patient-centered care, they are looking beyond the four walls of the hospital to community-based and home-based initiatives. Today, 340B savings help fund a wide variety of care innovations, such as home medication therapy management services, naloxone distribution to first responders for opioid overdoses, and free community health screenings and education.

The COVID-19 pandemic has highlighted the need for health systems and their boards to focus on expanding telehealth services and reaching more patients who cannot travel to a hospital for outpatient care. 340B savings can help provide resources for the major investments required to stand up the information technology, electronic health record systems, and other technologies needed to achieve that vision.

1 340B Health, “[340B Drug Pricing Program Overview](#).”

## A Mission Challenged

With 340B growing to meet increasing health needs, the program and its participants have faced more challenges in recent years. Some drug companies have started unilaterally restricting discounts to health systems and hospitals, and some pharmacy benefit managers and health plans have started attempting to capture the value of 340B discounts for themselves. Litigation over these issues has made its way into federal courts, and a dispute over how much Medicare pays 340B hospitals is awaiting a decision from the U.S. Supreme Court.

Health system boards and executives have important roles to play in protecting 340B amid such challenges. They can help advocate for the future of the program by documenting how they use their savings to care for patients in need as well as communicating to policymakers and the public how important 340B is to their hospitals and their patient care mission. When health systems tell these patient care stories, they demonstrate why 340B is a 30-year success story that is worth continuing for decades to come.

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