



**AMERICA'S  
ESSENTIAL  
HOSPITALS**

**Statement for the Record  
Submitted to  
U.S. House of Representatives Committee on Energy and Commerce  
Subcommittee on Health  
Hearing on Examining the 340B Drug Pricing Program  
Tuesday, March 24, 2015  
By  
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America's Essential Hospitals**

America's Essential Hospitals appreciates the opportunity to submit this statement on the 340B Drug Pricing Program to the Subcommittee on Health of the U.S. House of Representatives Committee on Energy and Commerce.

America's Essential Hospitals is the leading association and champion for hospitals dedicated to high-quality health care for all, especially the uninsured and other vulnerable people. Since 1981, America's Essential Hospitals has advocated, advanced, and preserved programs and policies that help these hospitals ensure access to care. Our more than 250 members are vital to their communities, providing primary care through trauma care, health professionals training, research, public health services, and population health programs.

Essential hospitals provide these services and more largely through a patchwork of federal, state, and local support, including savings from the 340B program. Because our hospitals on average operate at a loss—a negative 3.2 margin, 2013 data show—scaling back any component of that support would severely challenge essential hospitals' ability to serve their communities. The safety net simply cannot absorb additional cuts to hospital reimbursement. Since 2010, federal spending in the hospital industry has declined by more than \$115 billion. Restricting access to 340B savings would have the same effect as an outright funding cut: It would significantly compromise our hospitals' ability to provide high-quality health care services to those in need.

America's Essential Hospitals and our members support integrity and transparency in federal health care programs. We welcome efforts to ensure the 340B program operates as Congress

intended and reaches the people and communities its bipartisan authors sought to help. We believe the program accomplishes both these goals—and saves money for taxpayers.

At its most basic level, the 340B program requires pharmaceutical manufacturers to provide outpatient drugs at a discount to hospitals and other providers that care for a disproportionate share of low-income and other vulnerable patients. Hospitals use their 340B savings in many ways, which the law plainly allows. But their ultimate goal is to stretch their limited funding for the care of uninsured and underinsured patients. Of course, much of the savings pass directly to vulnerable patients in the form of access to low-cost medications they might not be able to afford otherwise. For the chronically ill and others, this can have lifesaving consequences. And for the health care system, it means significantly lower costs and better outcomes.

For example, Hennepin County Medical Center, in Minneapolis, admitted a homeless, uninsured man nine times over four months at a cost of \$225,000, or more than \$56,000 a month. Pharmacists in a hospital medication therapy management program made possible by 340B savings taught the man how and when to take his medications. After regular clinic visits and improved care management, his medical expenses dropped to just \$36,000—\$4,000 a month—within just nine months.

The 340B program also provides a lifeline to essential hospitals in California communities hit hard by unemployment and large indigent populations. The program has helped the Los Angeles County Department of Health Services provide broader access to chronic care and cancer medication therapy by helping the system and its patients afford costly drugs used to manage chronic conditions. At San Joaquin General Hospital, in French Camp, California, the 340B program not only makes affordable medications available to more patients, but also supports investments in automated dispensing machines, which reduce medication errors and increase patient safety.

The story is the same across the nation: affordable drugs to help patients manage their conditions and avoid costly complications—and all possible for only a nominal administrative cost and no direct federal funding. But vulnerable patients benefit in many ways beyond access to low-cost drugs. Congress wisely chose to allow hospitals to use their 340B savings not only to provide access to affordable medications, but to help support other services for the poor. This is a key—and often misunderstood—feature of the 340B program.

UC Davis Medical Center, in Sacramento, uses 340B savings to pay for clinic staff who help patients access financial assistance programs for the high copayments associated with expensive cancer and hepatitis C drugs. Over the past year, the hospital has secured more than \$600,000 in financial support for these patients.

Savings from 340B help many essential hospitals offset the cost of expanding primary care networks and health homes to underserved areas. These community clinics reach indigent patients where they live, helping to keep them healthy and out of the emergency department. Arrowhead Regional Medical Center in Colton, California, for example, credits 340B with helping the hospital reduce costly inpatient admissions by supporting more outpatient clinic care.

The 340B program also makes cancer care more broadly available, especially to vulnerable patients. Detroit's Henry Ford Health System, which provides more than \$314 million in charity and uncompensated care annually, is on the front lines of cancer care. The system treats thousands of oncology patients annually, and does so without regard to economic circumstances. It can meet this commitment largely through 340B savings that help fund four oncology clinics and related services in Detroit and surrounding communities. The system's 340B savings also help the hospital hire pharmacists and nurses to follow up with patients to ensure medication adherence.

The ability of the 340B program to accomplish so much for so little public investment makes it imperative we protect this program. It has a strong track record, and even the U.S. Government Accountability Office has found that it operates as Congress intended. As such, 340B merits our continued commitment, which is a commitment to patients, communities, and the essential hospitals they rely on. To this end, we look forward to working with the Health Resources and Services Administration to strengthen the 340B program and ensure it does the most good possible for those most in need. Allowing 340B savings to revert to drug companies, or to go toward other uses, would undermine the core goals of the program and jeopardize vital health services—trauma and neonatal intensive care, burn units, extensive primary care networks, and many others.

The need to protect 340B is all the more urgent when you consider the sharply escalating cost of prescription drugs. Recent examples include a promising new hepatitis C drug for more than \$1,100 per pill and a top cancer drug regimen that costs more than \$100,000 a year. These are unsustainable costs, not only for low-income patients and essential hospitals, but also for local, state, and federal governments and all taxpayers.

We urge policymakers to side with communities by keeping 340B discounts where they belong—with patients and communities and the essential hospitals that serve them. Returning an incremental profit to drug makers or using 340B savings for other purposes equals more hospital cuts and higher costs, and poorer health in communities across the country.

We appreciate the opportunity the Subcommittee on Health has given us to share our thoughts on the 340B program. If committee members or other interested parties wish to learn more

about essential hospitals in the context of this issue, contact Shawn Gremminger, director of legislative affairs, at 202-585-0112 or [sgremminger@essentialhospitals.org](mailto:sgremminger@essentialhospitals.org).