

**John J. Castellani**

President & Chief Executive Officer

March 24, 2015

The Honorable Joe Pitts  
Chairman  
Energy and Commerce Health Subcommittee  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Gene Green  
Ranking Member  
Energy and Commerce Health Subcommittee  
U.S. House of Representatives  
Washington, DC 20515

PhRMA is encouraged that the Energy and Commerce Committee is holding a hearing on the 340B program and we hope this hearing sparks further Congressional attention on the program. PhRMA strongly believes that the 340B program is needed and wants the program to continue. However, we believe that the program's dramatic growth raises questions about its sustainability, whether it is appropriately targeting the facilities that serve vulnerable or uninsured patients, and whether patients are truly benefiting directly from the program as Congress intended.

PhRMA is particularly concerned about the increasing impact of disproportionate share hospitals (DSH) on the 340B program. These hospitals now account for 81 percent of all 340B sales. DSH hospitals are also aggressively expanding the program through expansive contract pharmacy networks and the acquisition of physician practices. These expansions by hospitals often have no direct benefit for patients and, in the case of physician practice acquisitions, can increase costs for the overall health system.

DSH hospitals' role in driving growth in the 340B program raises important questions about whether the program is serving its original goal of improving access to medicines for vulnerable or uninsured patients. Federally qualified health centers, Ryan White Program grantees, family planning clinics and other grantees participating in 340B typically must demonstrate that they serve a vulnerable population using an income-based, sliding-fee scale and must reinvest resources directly into services for those populations. Hospitals, however, do not have this requirement. In many cases, hospitals qualifying for 340B also provide minimal charity care.

PhRMA hopes that this hearing is the start of a reexamination of the 340B program that strengthens and sustains the program by refocusing it on true safety net facilities that use the program to directly benefit vulnerable or uninsured patients.

Sincerely,



CC: Full Committee Chairman Fred Upton, Ranking Member Frank Pallone