



Statement by 340B Health

**Energy and Commerce Subcommittee on Health Hearing on,
“Making Prescription Drugs More Affordable: Legislation to Negotiate a
Better Deal for Americans.”**

September 25, 2019

340B Health respectfully submits the following written comments for the record to the House Committee on Energy and Commerce, Subcommittee on Health regarding the hearing on Wednesday, September 25, 2019, “Making Prescription Drugs More Affordable: Legislation to Negotiate a Better Deal for Americans.”

340B Health represents more than 1,400 public and nonprofit hospitals that participate in the federal 340B drug pricing program. Our membership spans a broad spectrum of hospitals, including academic medical centers, community hospitals, children’s, free-standing cancer hospitals and rural facilities. The 340B program provides resources to hospitals serving high volumes of low-income and rural patients to enable those hospitals to provide more comprehensive services and treat more patients.¹

We applaud the Committee for its focus on lowering the cost of prescription drugs. Safety-net hospitals know the pain high drug prices cause for individuals and families seeking care. As the Committee considers ways to address the important issue of high drug prices, we ask that the Committee preserve the 340B program due to the important role the program plays in limiting drug costs for hospitals serving high volumes of low-income and rural patients and supporting patient care.

340B Allows Hospitals to Support Care for Low-Income and Rural Patients

The 340B program requires drug manufacturers to offer outpatient drugs to participating covered entities at discounted prices as a condition of participation in the Medicaid and Medicare Part B programs. Through access to discounted drug prices, 340B helps safety-net hospitals stretch their resources, allowing them to support care for low-income and rural patients. This care is not funded by taxpayer dollars as resources come from the price discounts.

To qualify, hospitals must provide a high volume of care to low-income patients or be located in remote, rural areas to qualify for the 340B program.² In particular, 340B disproportionate share (DSH) hospitals must treat a high volume of Medicaid and low-income Medicare patients in order to qualify for 340B.³ Although 340B DSH hospitals are 38 percent of hospitals, they provide 60 percent of all uncompensated care.⁴ They also treat significantly more Medicaid and low-income Medicare patients than non-340B hospitals.⁵ Compared with non-340B providers, 340B DSH hospitals treat many more Medicare Part B beneficiaries who are low-income cancer patients, dually eligible for Medicaid,

¹ Veterans Health Care Act of 1992, Pub. L. No. 102-585 § 602, 106, Stat. 4943, codified as Section 340B of the Public Health Service Act at 42 U.S.C. § 256b; see also H Rpt. No. 102-384, Part II, Pg. 12, 102nd Congress, Second Session.

² 42 U.S.C. § 256b(a)(4).

³ 42 U.S.C. § 256b(a)(4)(L)

⁴ L&M Policy Research, Analysis of 340B Disproportionate Share Hospital Services to Low-Income Patients (March 12, 2018), https://www.340bhealth.org/files/340B_Report_03132018_FY2015_final.pdf.

⁵ *Id.*

disabled, or are racial or ethnic minorities.⁶ 340B DSH hospitals have 31 percent lower median total facility margins than non-340B acute care hospitals.⁷

340B hospitals use their program savings to support patient care in a variety of ways. One way that hospitals use 340B savings is to provide free or discounted drugs to low-income patients, including those who are uninsured and underinsured. These hospitals also use 340B savings to provide other vital services to support low-income and rural patients, such as maintaining and supporting uncompensated care and offsetting low Medicaid reimbursement.⁸ For example, hospitals report relying on their 340B savings to support the implementation and operation of programs and services to treat opioid dependency, such as changes to opioid prescribing patterns; community education programs; distribution of free naloxone and suboxone to first responders; clinical care teams to manage, treat, and prevent cases of opioid use; medication-assisted treatment programs; and drug take-back days in coordination with local law enforcement.⁹

H.R. 3, “The Lower Drug Costs Now Act”

We applaud efforts to rein in high drug prices, as the cost of many prescription drugs makes it difficult for patients to afford needed medications. As introduced, H.R. 3 contains language addressing the coordination between Medicare drug price negotiation and the 340B program. 340B Health understands that the intent of the language is to allow 340B hospitals to continue to purchase drugs at the 340B discount price. For the reasons outlined above, it is important that any actions by Congress to address high drug prices continue to allow 340B hospitals to purchase drugs at 340B discounted prices and access savings through the 340B program to support care for their low-income and rural patients.

As this legislative process moves forward, it is critically important that we preserve the 340B program and protect it from any negative consequences for the safety-net hospitals that rely on it and the millions of patients they serve. We will continue to evaluate any proposed legislation and look forward to working with the Committee to achieve these positive outcomes.

Conclusion

We thank the Committee for the opportunity to submit these comments. We hope that the Committee will consider the important role the 340B program plays in limiting drug costs for safety-net hospitals and supporting patient care as the Committee addresses the issue of high drug prices. Given that the 340B discount also helps limit drug price increases, we ask that Congress preserve the 340B program.

⁶ Dobson DaVanzo, Analysis of the Proportion of 340B DSH Hospital Services Delivered to Low-Income Oncology Drug Recipients Compared to Non-340B Provider (2017), <http://www.340bhealth.org/files/LowIncomeOncology.pdf>; L&M Policy Research, A Comparison of Characteristics of Patients Treated by 340B and Non-340B Providers (April 8, 2019), https://www.340bhealth.org/files/340B_Patient_Characteristics_Report_FINAL_04-10-19.pdf.

⁷ Government Accountability Office (GAO), Drug Discount Program: Characteristics of Hospitals Participating and Not Participating in the 340B Program (June 2018), <https://www.gao.gov/assets/700/692587.pdf>.

⁸ 340B Health, Evaluating 340B Hospital Savings and Their Use in Serving Low-Income and Rural Patients: Results From 340B Health’s 2018 Annual Survey (June 2019), https://www.340bhealth.org/files/2018_Annual_Survey_Report_FINAL.pdf.

⁹ 340B Health, 340B Hospitals on the Front Lines of Addressing the U.S. Opioid Epidemic (Jan. 2019), https://www.340bhealth.org/files/OpioidReport_FINAL_1_23_19.pdf.