

The 340B Drug Discount Program: *What is it? How does it work? Why is it a policy problem?*

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340B: What is it?

In 1990, Congress passed OBRA '90, requiring drug manufacturers to provide Medicaid with the lowest price of any payer

This created a problem for hospitals and clinics serving low-income areas as drug manufacturers were voluntarily giving them the lowest prices in the nation, prices that might not have continued if they were required to be passed on to Medicaid

In 1992, Congress created the 340B program requiring manufacturers to provide deep discounts to hospitals and clinics serving low-income patients and exempting these prices from OBRA best price rules

Facilities became eligible for 340B discounts if 11.75% of their patients were Medicaid

340B: How does it work?

Medicare Patient

- Hospital purchases oncology drug at discounted price of \$25,000 for a medicine with a list price of \$100,000. Dispenses to Medicare patient. Bills Medicare at 106% of Average Sales Price, or \$95,000. Hospital profit: \$70,000

Patient with Commercial Insurance

- Hospital purchases oncology drugs at discounted price of \$25,000. Dispenses to commercially-insured patient. Bills health plan at 75% of list price (\$75,000), the plan's negotiated rate. Hospital profit: \$50,000.

Uninsured Patient

- Hospital purchases oncology drug at discounted price of \$25,000 for a medicine with a list price of \$100,000. Cost to uninsured patient is (hopefully) \$25,000. Hospital profit: \$0. Patient may use manufacturer assistance program.

340B: Why is it a policy problem?



Incentive to Arbitrage Discounts with *Insured* Populations: \$40 billion in hospital profits in 2019



Massive takeovers of community-based physician practices in higher income areas



Uncontrolled growth: in 2022, \$53.7 billion in discounted purchases or \$106 billion at list prices. By 2026, largest federal drug program



For-profit PBMs and pharmacies dominating program: 32,000 pharmacies with 75% at CVS, Walgreens, Express Scripts, Optum, Walmart



10,000 covered entities versus 550 in 1990s. Growth comes as Medicaid/ACA has expanded and uninsured population dropped from 48.2 million in 2010 to 30 million in 2020



Decline in provision of charity care: NEJM says charity care became more difficult to obtain after 340B growth. AHA: total uncompensated care fell to 25-year lows in 2015 and 2016

340B Growth

The 340B Program Reached \$54 Billion in 2022, increasing 22% from 2021

340B DRUG PRICING PROGRAM, PURCHASES BY COVERED ENTITIES



Source: Drug Channels Institute estimates based on data from Health Resources and Services Administration (for purchases at discounted 340B prices) and ICMA (for purchases at list prices). Dollar figures in billions. Purchases exclude sales made directly to healthcare institutions by manufacturers and some sales by specialty distributors. Data for purchases at discounted prices show value of purchases at or below the discounted 340B ceiling prices.

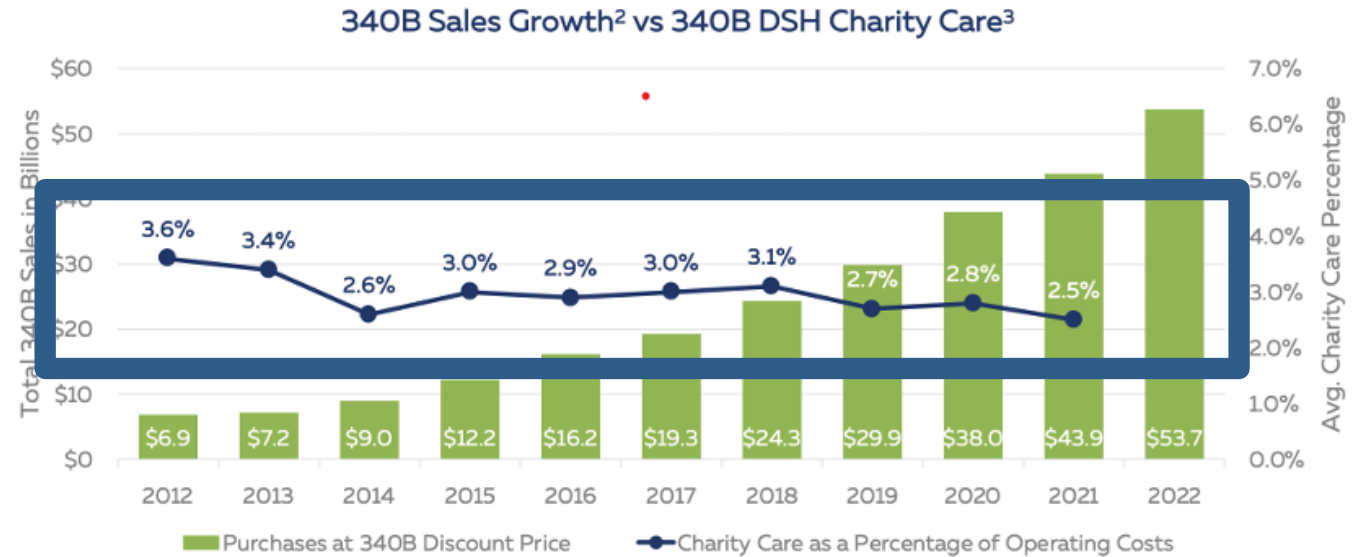
Published on Drug Channels (www.DrugChannels.net) on September 24, 2023.

340B Sales Growth vs 340B DSH Charity Care

340B DSH Charity Care is Again Trending Downwards

The 340B program has grown from \$6.9 billion in discounted sales in 2012 to nearly \$54 billion in discounted sales.¹ However, charity care for 340B DSH hospitals has decreased since 2018.

340B DSH
Charity versus
340B Sales
Growth



1. Fein AJ; Drug Channels Institute. EXCLUSIVE: The 340B Program Reached \$54 Billion in 2022 – up 22% vs. 2021. Published September 2023. Accessed September 2023. <https://www.drugchannels.net/2023/09/exclusive-340b-program-reached-54.html>.
2. Drug Channels Institute analysis for PhRMA of data from the Health Resources and Services Administration (HRSA).
3. Avalere Health analysis for PhRMA of cost report data from the Centers for Medicare & Medicaid Services.

DSH 340B Charity Care Provision

69% of 340B DSH hospitals provide charity care at rates lower than the national average.

36% of 340B DSH hospitals provide charity care that represents less than 1% of their total operating costs in 2021

A 25% of 340B DSH hospitals account for 80% of the charity care provided by all 340B hospitals in 2021

Non-340B short-term acute care hospitals in the United States have equal charity care (2.6%) compared to 340B DSH hospitals (2.5%)



Pioneer Institute 340B Web Tool

Two additions
to the tool:
Charity Care +
Legislative
Mapping

PRIVATE SECTOR PROFITEERING THROUGH THE EXPANSION OF A FEDERAL PROGRAM INTENDED TO HELP THE POOR



340B Program Growth

Track the significant increase in the number of hospitals, health centers, clinics, and supplying pharmacies eligible to receive 340B discounts.

GO!



Legislative Mapping

Find the state legislative districts where 340B-participating pharmacies are located.

GO!



Hospital Charity Care

How has the percentage of hospital charity care changed since the start of ACA?

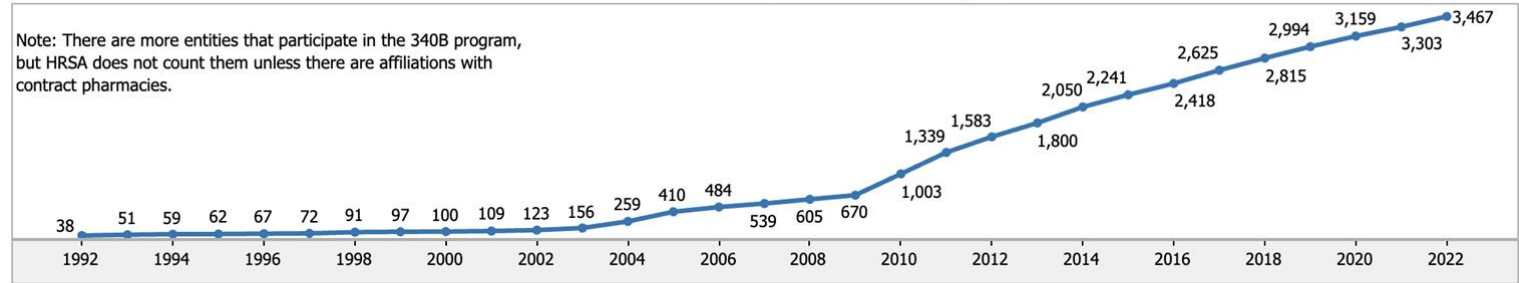
GO!

Trend Data

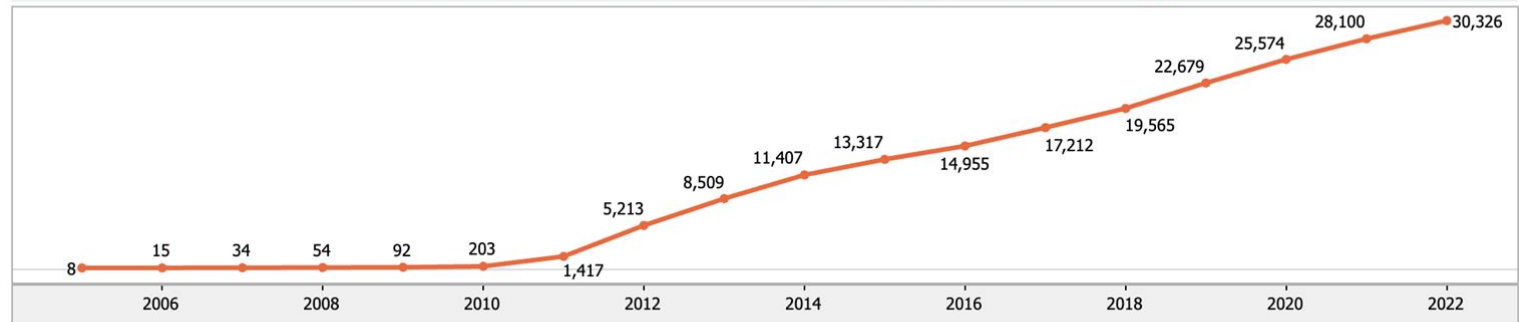
Covered Entities and Pharmacies 1992-2012

Number of Participating Covered Entities - **All**

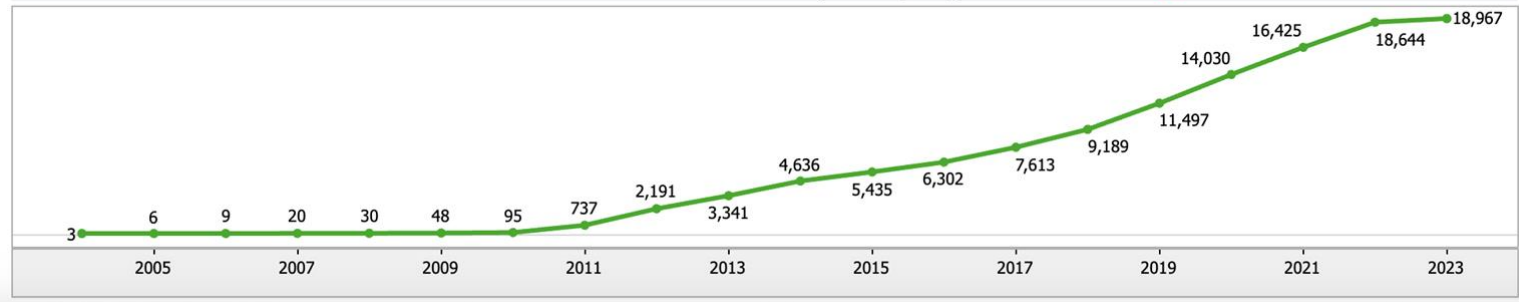
Note: There are more entities that participate in the 340B program, but HRSA does not count them unless there are affiliations with contract pharmacies.



Total Number of Contract Pharmacies Used By Participating Covered Entities - **All**



Number of Active Contract Pharmacies Used By Participating Covered Entities - **All**



District-Based Mapping

Number of Hospitals, Health Centers, and Contract Pharmacies by District

340B Drug Pricing Program Legislative District Search

New York Lower House Districts
 Hover over a districts to see the number of pharmacies, hospitals, and health centers.

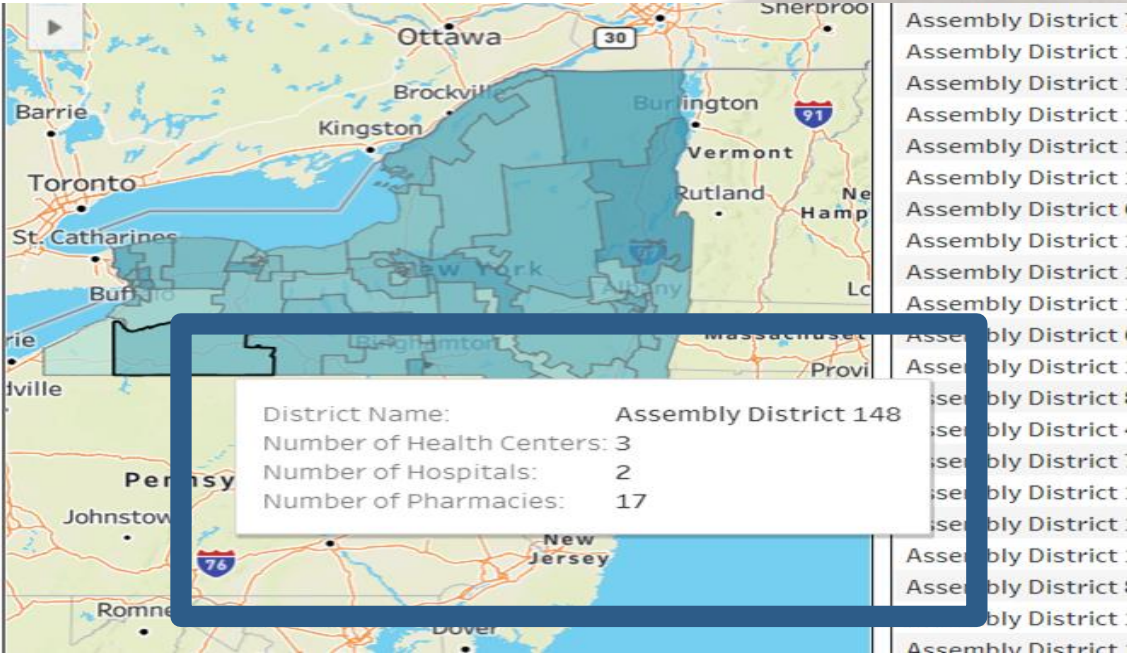


New York -Ranked by Pharmacies in District

District Name	Number of Phar..	Number of Hospitals	Number of Health Cent..
Grand Total	2,121	102	358
Assembly District 84	47	1	13
Assembly District 75	33	0	7
Assembly District 143	29	0	0
Assembly District 114	28	1	18
Assembly District 79	27	1	12
Assembly District 146	26	0	0
Assembly District 138	26	2	1
Assembly District 122	26	1	0
Assembly District 123	25	2	2
Assembly District 113	25	1	6
Assembly District 65	24	0	5
Assembly District 145	24	2	0
Assembly District 115	24	3	5
Assembly District 110	24	0	0
Assembly District 68	23	2	9
Assembly District 127	23	0	0
Assembly District 80	22	1	1
Assembly District 46	22	0	1
Assembly District 70	21	1	5
Assembly District 140	21	0	1
Assembly District 118	21	1	1
Assembly District 116	21	4	3
Assembly District 86	20	0	13
Assembly District 139	20	1	8
Assembly District 109	20	1	1

District-Based Mapping

Number of
Hospitals,
Health Centers,
and Contract
Pharmacies by
District



District-Based Mapping

Name & Location of Contract Pharmacies by District

340B Drug Pricing Program Legislative District Search

Pharmacy Address - Lower House Disticts: State: NY, City: All

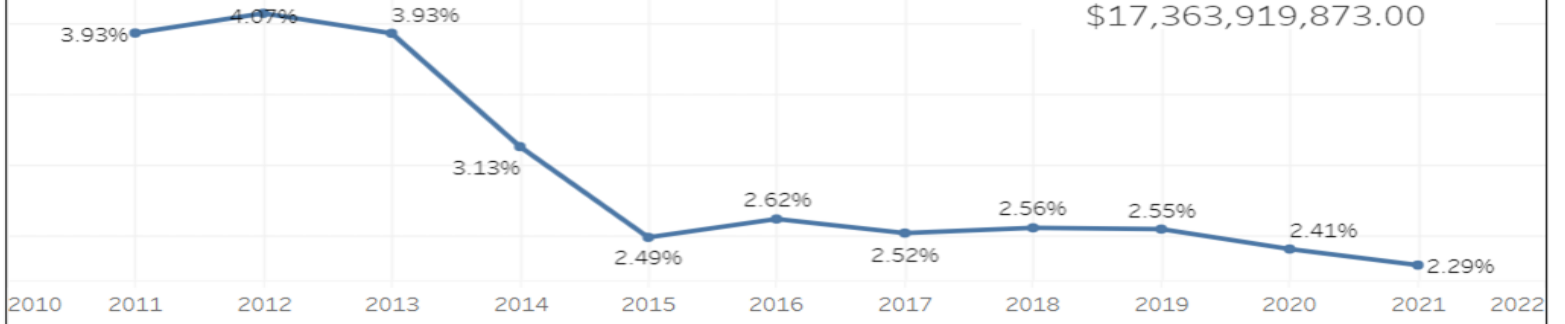
Lower House District	Pharmacy Name	Pharmacy Address	Pharmacy City	Total Contracts
Grand Total				40
Assembly District 148				2
	ECKERD CORPORATION	12208 N.Y. STATE ROUTE 16	YORKSHIRE	1
	WALGREEN EASTERN CO., INC.	3242 ROUTE 39	YORKSHIRE	2
	FILLMORE & FISHER PHCY	2 CENTER ST	CUBA	3
	FILLMORE AND FISHER PHARMA..	10560 ROUTE 19	FILLMORE	3
	BARTHOLOMEWS PHARMACY INC	2 ELM ST	FRANKLINVILLE	1
	MARKS, JEFFREY A.	9 WEST MAIN ST.	FRIENDSHIP	1
	CVS ALBANY, L.L.C.	415 N. UNION ST.	OLEAN	7
	DANIEL J HORN	111 E GREEN ST	OLEAN	4
	ECKERD CORPORATION	265 NORTH UNION STREET	OLEAN	2
	WAL-MART PHARMACY 10-2159	1869 PLAZA DR	OLEAN	4
	RITE AID OF NEW YORK, INC.	9 BROAD STREET	SALAMANCA	1
	NICHOLSON PHARMACY INC.	36 SCHUYLER ST	BELMONT	1
	FILLMORE & FISHERS PHARMAC..	138 N MAIN ST	WELLSVILLE	1
	WALGREEN EASTERN CO.	10 N. MAIN ST.	WELLSVILLE	2
	WALGREEN EASTERN CO., INC.	4175 STATE ROUTE 417	WELLSVILLE	4
	WORTHY PHARMACY, LLC	202 MAIN ST	OLEAN	1

Charity Care

Can Select for Charity Care at the State Level

340B Drug Pricing Program Charity Care

Average Charity Care Ratio - All Reporting Hospitals

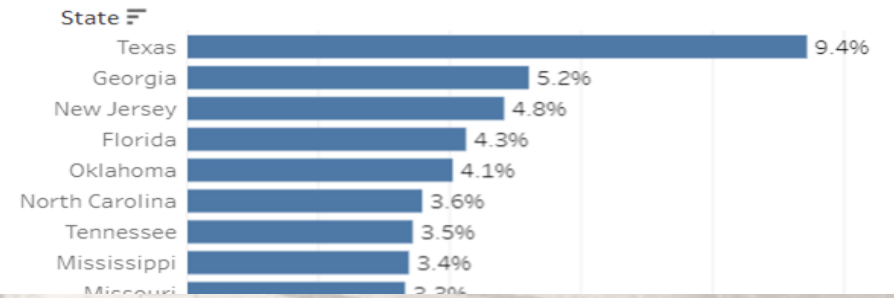


2021 - Total Cost of Charity Care
\$17,363,919,873.00

2021 - Reporting Hospitals

State	Count
Grand Total	2,035
Alabama	139
Alaska	8
Arizona	35
Arkansas	14
California	48
Colorado	60
Connecticut	18
District of Columbia	2

2021 - Average Charity Care Ratio
(Cost of Charity Care / Operating Expenses)

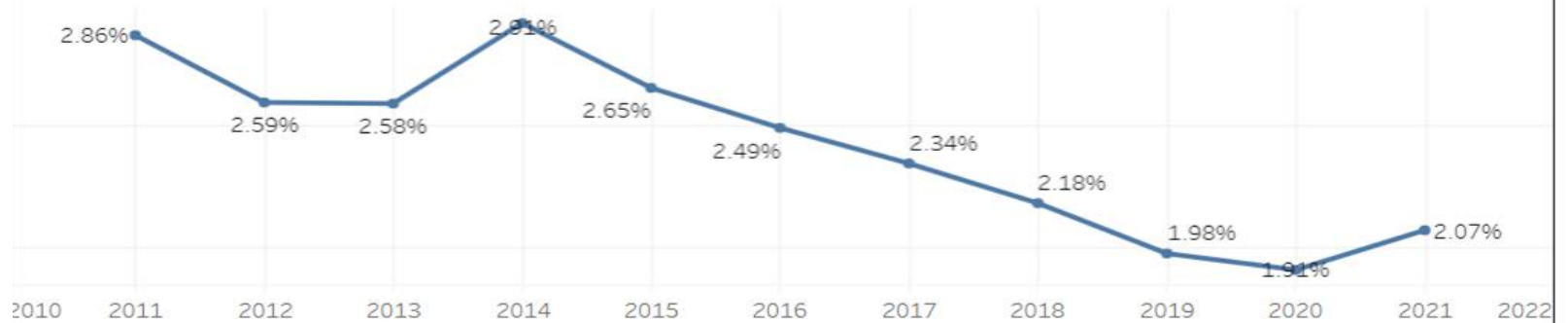


Charity Care

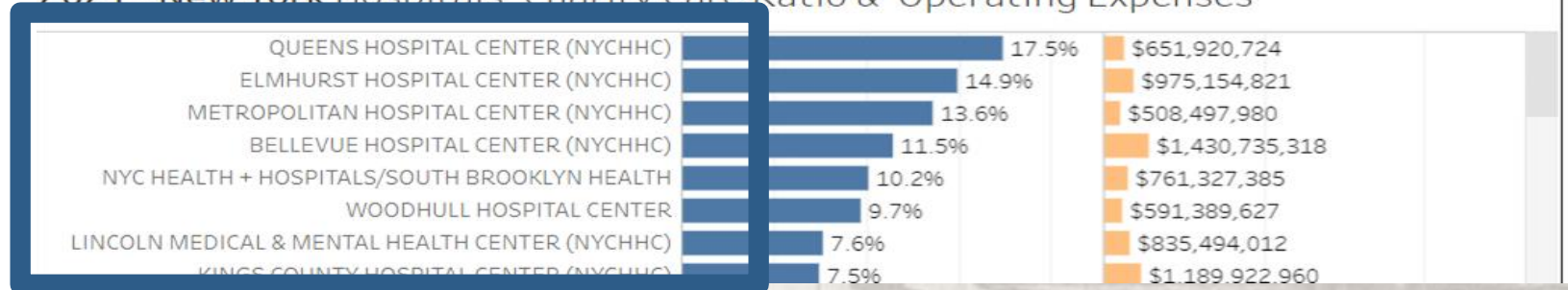
Can Select for
Hospitals
within the
State Level

340B Drug Pricing Program Charity Care

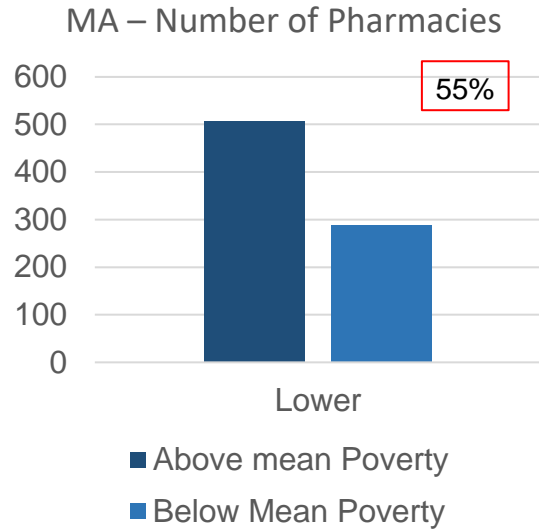
Average Charity Care Ratio - All New York Hospitals



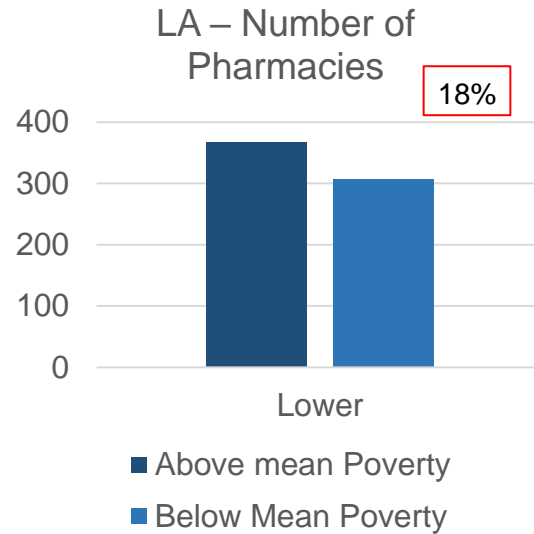
2021 - New York Hospitals: Charity Care Ratio & Operating Expenses



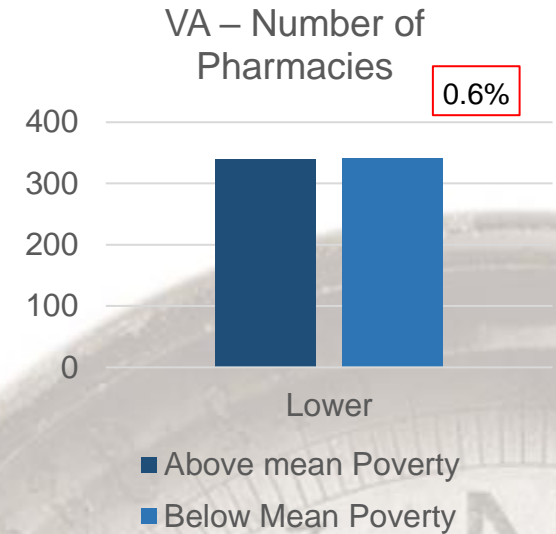
10.4% of the population living in poverty



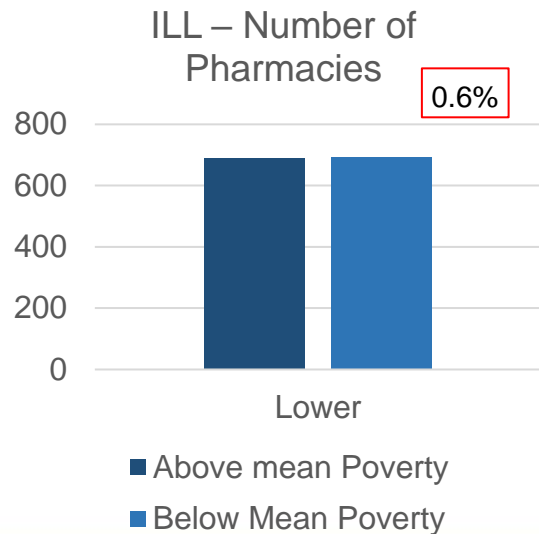
18.6% of the population living in poverty



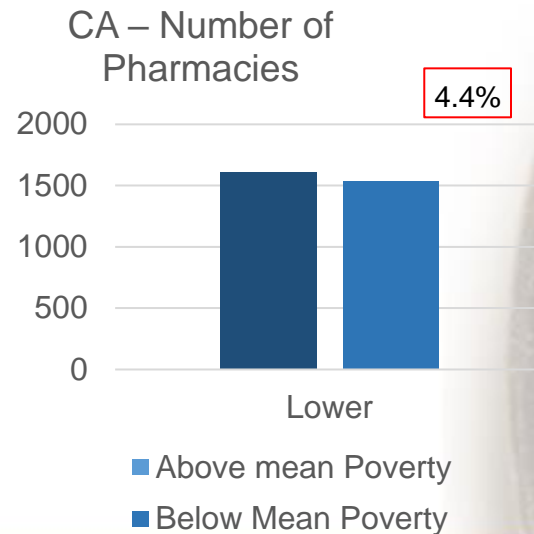
10.6% of the population living in poverty



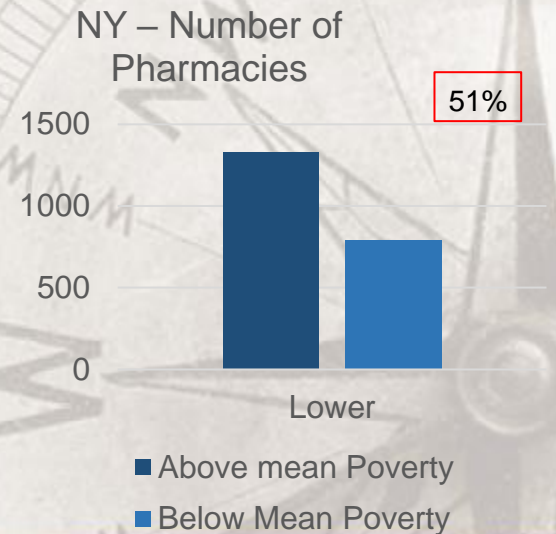
11.9% of the population living in poverty



12.2% of the population living in poverty



14.3% of the population living in poverty



What Can States Do to Reform a Federal Program?

The Problem

1. Uncontrolled program and revenue growth while charity care declines
2. Wealthier areas *tend to be* over served by the 340B program and lose income areas tend to be underserved.²²

The Solution

1. States may be able to require that 340B covered entities disclose 340B revenue and charity care spending
2. Utilize Pioneer's 340B web tool to find overserved and underserved areas in your states and hold hearings.

Contact Information and Web Tool Address

Web Tool Address: <https://pioneerinstitute.org/340babuse/>

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