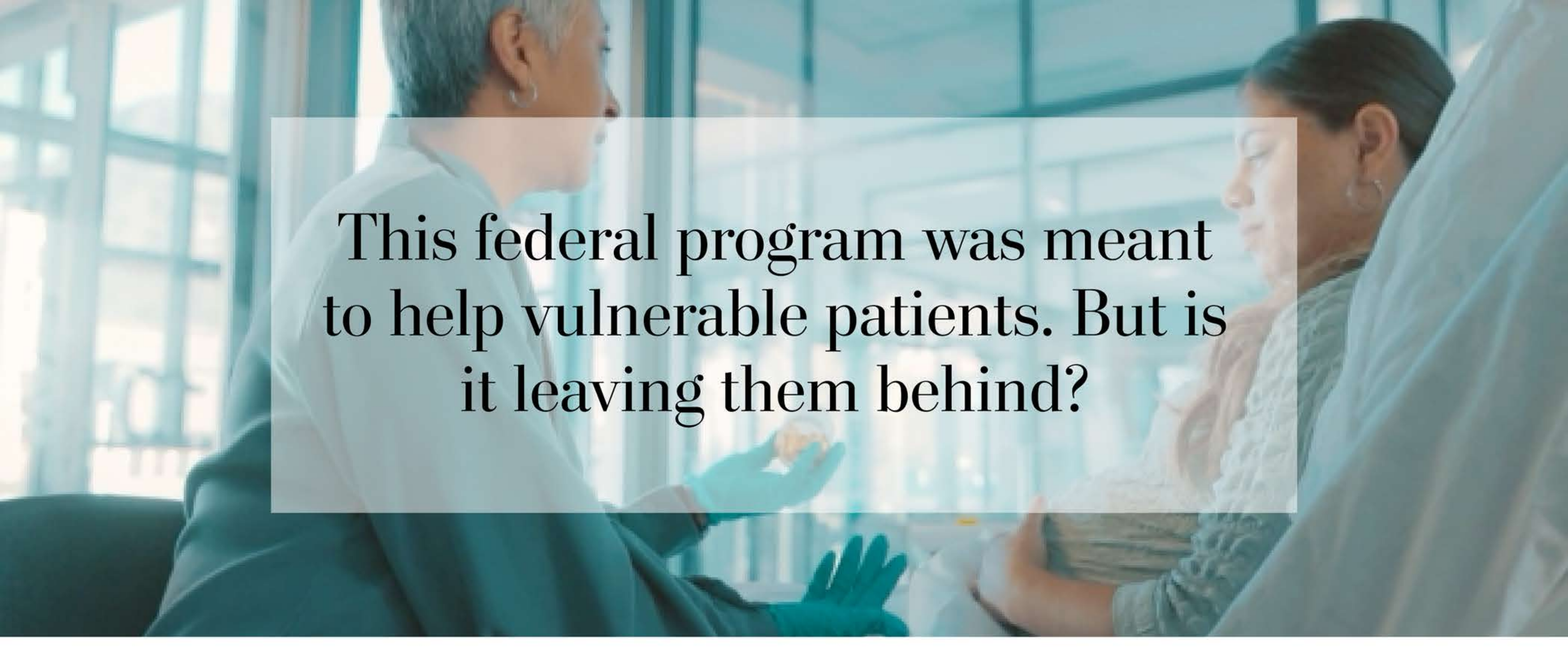

This federal program was meant to help vulnerable patients. But is it leaving them behind?

wp CREATIVE GROUP | PhRMA RESEARCH • PROGRESS • HOPE

The 340B program reduces medicine costs with the intention of improving patient access to medicines and care. But some say it is helping hospital profits, not people. Here are five things to know about it.

A federal drug pricing program meant to help reduce medicine costs for low-income patients might not be benefiting those most in need, according to academic[1] and industry[2] reports, as well as a recent government agency investigation.[3]

The 340B Drug Pricing Program was developed more than three decades ago to help improve access to medicines for vulnerable patients[4] via manufacturer discounts to specific nonprofit hospitals and federally funded clinics. Discounts at times reached 59 percent and some medicines cost as little as one penny, a recent study[5] found. But, according to this study, as well as independent researchers[6] and industry critics[7], some healthcare entities may be using funds accrued from these discounts in ways not originally intended. Instead of improving underserved patient care, savings from the program might be boosting profits for hospitals and their partner pharmacies.

The 340B program, which should benefit socioeconomically disadvantaged communities, is the second-largest federal prescription drug program, behind only Medicare Part D. In 2022, 340B hospitals and clinics purchased $53.7 billion[8] in covered outpatient drugs under the 340B program, up from $43.9 billion[9] the year prior – a 22 percent increase.

And yet, according to a recent white paper[10], for every $10 in profit the top-performing 340B hospitals collected in 2021, they invested only $1 in free or reduced cost care.

Here are five things to know about 340B.

1 340B hospitals are charging patients more, not less.

On average, prices for commercial patients are higher at 340B hospitals than at non-340B hospitals — sometimes 150 percent higher, according to an analysis[11] carried out last year. That same analysis found that there may be financial incentives for 340B participating hospitals to favor more expensive medications, given that they get to keep the difference between reimbursement and a medicine's acquisition cost.

Another report found that in 2022, hospitals charged commercial insurers and uninsured patients nearly five times[12] what they paid to acquire oncology medicines through 340B. Because deductibles and coinsurance are typically based on the cost of a patient's prescriptions, these prescribing patterns may result in higher cost-sharing for some patients[13] and could even drive up premiums for all commercially insured patients.

2 340B hospitals are providing less free or reduced cost care than expected.

Hospitals that participate in the program are expected to provide higher levels of community benefit and charity care, which refers to free or reduced cost care. But recent analysis[10] found that, in 2021, the top-performing 340B hospitals collected nearly $10 in profit for every $1 they invested in charity care. Put another way, one-fifth of 340B hospitals account for 85 percent of all 340B hospitals' profits[14], but only 24 percent of all 340B hospitals' charity care.

In a seperate analysis[15] of 2,000 nonprofit hospitals by a healthcare-focused think tank, 77 percent were found to spend less on charity care and community investment as compared to the value of the tax breaks they received. The Pharmaceutical Research and Manufacturers of America (PhRMA) found[16] that the vast majority of the top 25 nonprofit hospitals in the aforementioned analysis participate in the 340B program.

3 340B hospitals aren't always located where the most needy patients are living.

The program is expected to expand access for low-income communities, but of the roughly 1,200 disproportionate share hospitals that participate in the program, 65 percent are not located in medically underserved areas[17], according to analysis conducted by a coalition of advocacy groups, care providers and pharmaceutical companies. According to the same analysis, the number of 340B hospitals in medically underserved areas has actually decreased over the years as hospitals are expanding into more affluent communities[18] to increase their profits.

4 Consolidation and acquisitions mean reduced access to quality care.

In 2018, a prestigious medical journal[6] sounded the alarm that 340B hospitals are acquiring competitors in a way that consolidates care and raises costs.

By affiliating or outright purchasing independent physician offices, then registering those practices as additional 340B sites associated with the main hospital, they can purchase more medicines at a discounted price. This consolidation reduces competition and creates powerful, large hospital systems that raise costs for patients and insurers.

5 Patients don't always benefit from discounted prices at pharmacies.

Some hospitals and clinics use contracts with retail pharmacies to dispense 340B-discounted medicines, though the role of these pharmacies was never formally set up by the statute.[19] As hospitals generate profit from the program, they share that profit with pharmacies through fixed fees or other percentage-based arrangements, according to government analysis.[20] But the money isn't always passed on to the patients. According to one recent, yearlong study, patients are often expected to pay the undiscounted price of those medicines, including low income, uninsured patients.[21]

Ultimately, while more money flows into 340B hospitals and clinics, vulnerable patients remain underserved.[22] A group of healthcare providers, community advocates and industry leaders have put forward policy principles[23] to ensure the 340B program acts as intended and benefits patients. Their comprehensive plan calls for an updated patient definition, ensuring 340B prescriptions are offered to patients at a discount, establishing clear criteria for contract pharmacy arrangements to improve access, preventing for-profit entities from profiting off the 340B program and updating hospital eligibility requirements, among other efforts.

---

[1] 340B Drug Pricing Program and Hospital Provision of Uncompensated Care, Sunita M. Desai, PhD, J. Michael McWilliams, MD, PhD, The American Journal of Managed Care, October 2021

[2] What I (and Others) Told the Senate about the 340B Drug Pricing Program, Adam J. Fein, Ph.D., Drug Channels, August 2023

[3] Discounted drug purchases under 340B grew 22% to $54B across 2022, HRSA reports, Fierce Healthcare, September 2023

[4] 340B Drug Pricing Program, Health Resources & Services Administration

[5] Measuring the Relative Size of the 340B Program, Berkeley Research Group, June 2022

[6] Consequences of the 340B Drug Pricing Program, Sunita Desai, PhD., and J. Michael McWilliams, MD, PhD, The New England Journal of Medicine, February 2018

[7] What's All the Fuss About 340B? P. Baldwin, The Senior Care Pharmacist, May 2022

[8] 2022 340B Covered Entity Purchases, Health Resources & Services Administration

[9] 2021 340B Covered Entity Purchases, Health Resources & Services Administration

[10] Comparing the Financial Health and Charitable Care of 340B and Non-340B Hospitals, Neal Masia, PhD, Health Capital Group, 2023

[11] Analysis of 2020 commercial outpatient drug spend at 340B participating hospitals, Michael T. Hunter, Katherine M. Holcomb & Carol J. Kim, Milliman, September 2022

[12] Examining 340B Hospital Price Transparency, Drug Profits, and Incentives, Community Oncology Alliance (COA), September 2022

[13] New data: The 340B program is driving up costs for patients and our health care system, PhRMA, September 2022

[14] New report adds to questions about nonprofit status of 340B hospitals, PhRMA, November 2023

[15] Fair Share Spending: How much are hospitals giving back to their communities? Lown Institute Hospital Index 2023

[16] Nonprofit hospitals fall short on community benefit, studies show, PhRMA, April 2023

[17] 340B – A missed opportunity to address those that are medically underserved, AIR 340B Alliance for Integrity and Reform, 2023

[18] The 340B Drug Discount Program: Hospitals Generate Profits By Expanding To Reach More Affluent Communities, Rena M. Conti and Peter B. Bach, Health Affairs, October 2014

[19] Word of the Month: 340B covered entity, PhRMA, August 2022

Drug Discount Program: Federal Oversight of Compliance at 340B Contract Pharmacies Needs Improvement, U.S. Government Accountability Office, June 2018

[21] Are Discounts in the 340B Drug Discount Program Being Shared with Patients at Contract Pharmacies, IQVIA, October 2022

[22] 340B program remains second largest federal drug program, yet little solid evidence of benefits to patient, PhRMA, June 2022

[23] ASAP 340B Policy Principles, ASAP 340B