PRESERVE THE 340B DRUG DISCOUNT PROGRAM

The 340B drug discount program authorizes price discounts on the purchase of pharmaceuticals by designated safety-net providers. More than 60 Missouri hospitals participate. They use the savings to enhance their capacity to deliver care to vulnerable populations. The 340B program also is used in community health centers, hemophilia centers and other settings. In 2010, Congress expanded the 340B program to include freestanding cancer hospitals, rural referral centers, sole community hospitals and critical access hospitals that meet the program's criteria. For hospitals, the 340B program applies solely to drugs used in an outpatient setting

In 1990, Congress created a Medicaid drug rebate program. It required drug manufacturers to enter into rebate agreements with the federal government to supply their products to state Medicaid programs at the manufacturer's "best price" — the lowest price offered to other purchasers. In response to pharmaceutical price increases, in 1992 Congress enacted Section 340B of the Public Health Service Act. It requires pharmaceutical manufacturers participating in Medicaid to sell outpatient drugs at discounted prices to specified types of safety-net providers.

The "cost" of the program is borne by pharmaceutical manufacturers, not the federal treasury. In 2005 and 2010, Congressional Budget Office analyses concluded that the proposed 340B program would generate federal savings by lowering Medicare and Medicaid spending. In its authorizing legislation, Congress specifically stated that this was a way to stretch scarce federal resources.

However, some have pressed for legislative and regulatory restrictions on the program, which is administered by the Health Resources and Services Administration. In response, HRSA has instituted several 340B program integrity measures. Litigation by pharmaceutical manufacturers has blocked efforts to clarify and refine 340B regulatory standards.

In August 2017, the Centers for Medicare & Medicaid Services proposed regulations imposing sharp payment reductions for outpatient drugs other than vaccines purchased separately through the 340B program. The payment standard would change from the average sales price of the drug plus 6 percent to the average sales price minus 22.5 percent — a 28.7 percentage point decrease in payment. If finalized, the new CMS policy will be devastating for 340B-participating hospitals.

The Missouri Hospital Association surveyed its membership regarding the implications of CMS' proposed regulation. Small rural hospitals commented that it would lead to:

- *Closing of the infusion center*
- *Foregoing purchase of new equipment*
- *Lowered sliding fee discounts for patients*
- *Uncertain viability of our clinic operations*
- *Re-evaluation of community benefit services*
- *Decreased outpatient infusions*

MHA urges the Missouri congressional delegation to oppose legislative efforts to limit the scope of the 340B program. Missouri hospitals also urge opposition to CMS' effort to undermine the congressional intent of 340B by slashing payments by nearly 30 percent.

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MISSOURI HOSPITAL ASSOCIATION