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President and CEO  
P.O. Box 60  
Jefferson City, MO 65102

July 30, 2018

The Honorable Roy Blunt  
U.S. Senator  
260 Russell Office Building  
Washington, D.C. 20510

Dear Senator Blunt:

The Missouri Hospital Association urges the Missouri congressional delegation to oppose legislative efforts to limit the scope of the 340B program.

The 340B drug discount program authorizes price discounts on the purchase of pharmaceuticals by the designated safety-net providers specifically authorized by Congress. Seventy of Missouri's 143 hospitals participate. They use the savings to enhance their capacity to deliver care to vulnerable Missourians and other essential community-based services. The 340B program covered \$167.8 million in Medicare payments to Missouri hospitals for drugs in 2016.

The 340B law 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.

Legislation is pending in Congress to limit the scope of the 340B program. It is being promoted by pharmaceutical manufacturers. Missouri's 340B hospitals oppose the legislative proposals.

Hospitals welcome congressional debate of ways to clarify regulatory oversight of the 340B program — a process long delayed by litigation from the pharmaceutical manufacturers — and set reasonable standards to define program accountability and effectiveness.

For calendar year 2018, the Centers for Medicare & Medicaid Services issued final regulations imposing sharp payment reductions for outpatient drugs other than vaccines purchased separately through the 340B program. The payment standard changed from the average sales price of the drug plus 6 percent to the average sales price minus 22.5 percent — a 28.5 percent decrease in payment. As shown in the attached graphic, this payment reduction extracted \$48 million from 18 Missouri hospitals. Although some of the federal savings were redistributed to Missouri hospitals, the new policy caused Missouri to lose \$9 million in payments. That money was not "saved," but redirected to hospitals in other states.

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The assault on 340B continues. New CMS regulations propose to extend that 340B payment cut to even more settings. Also, 340B hospitals are confronting efforts by some Medicare Advantage plans — the HMOs serving the Medicare population — to incorporate the 340B payment cuts of the Medicare fee-for-service program into their own payment structures and presumably keep the savings for themselves.

The benefits created by the 340B program come at no cost to the federal treasury. Growth in the program is occurring consistent with the explicit authorization of Congress. The savings are returned to communities all across the state of Missouri. The Missouri Hospital Association urges your engagement to protect and improve 340B, rather than dismantle it.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Landon", with a long horizontal flourish extending to the right.

Daniel Landon  
Senior Vice President, Governmental Relations

dl/djb

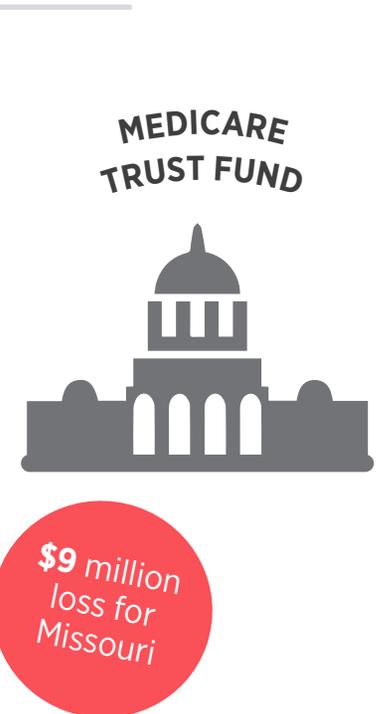
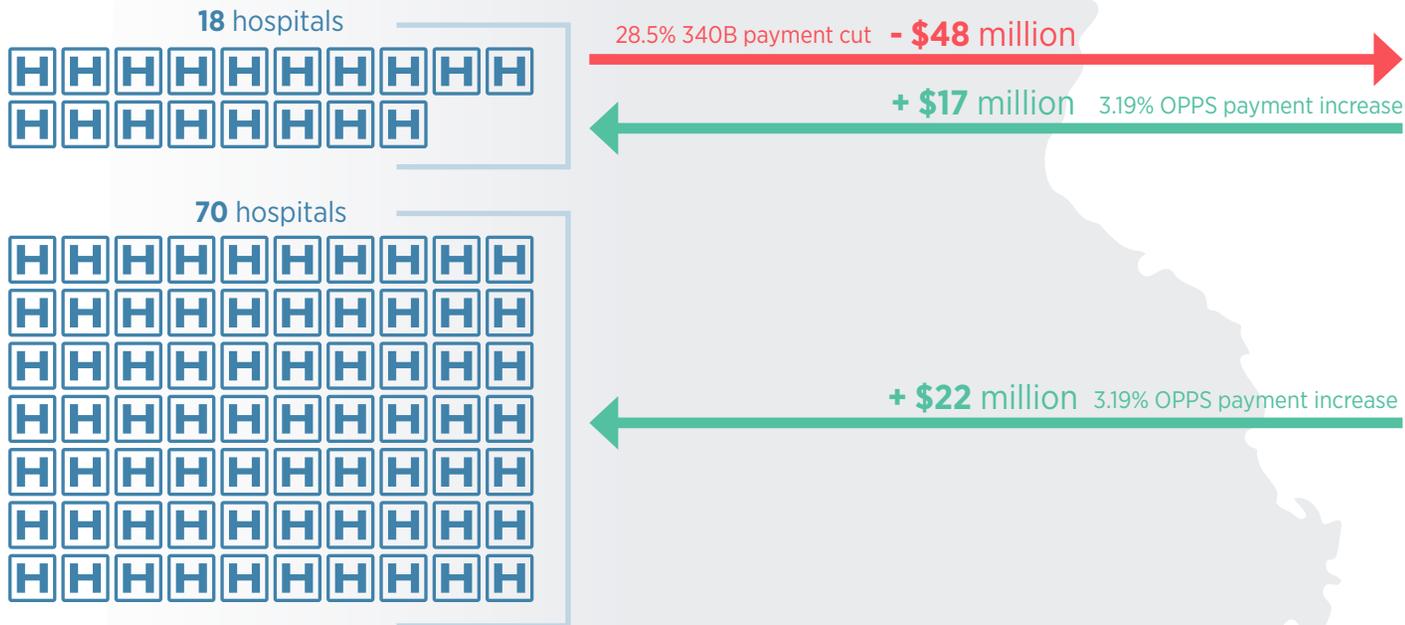
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c Desiree Mowry  
Nick Seelinger

# 340B PAYMENT CUTS



There are seventy 340B hospitals in Missouri. Rural sole community, critical access, children's and certain cancer hospitals **are exempt** from the 340B payment reductions.



## Redistribution of 340B savings:

- CMS officials indicate the purpose of the 340B payment cut is to decouple 340B from the whims of drug pricing.
  - Federal law and regulation require 340B savings be redistributed to all OPPS hospitals.
- CMS officials note that with new laws, CMS could target the redistribution of funds to the affected 340B hospitals.