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## 340B Benefits Patients at Essential Hospitals

### Program Background

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In 1992, in a bipartisan effort, Congress created the Public Health Service 340B Drug Pricing Program to help qualified safety net providers, including hospitals, obtain lower-cost pharmaceutical products.

The 340B program requires pharmaceutical manufacturers that participate in the Medicaid or Medicare Part B programs to enter into a pricing agreement with the Secretary of Health and Human Services. That agreement requires manufacturers to provide front-end discounts on covered outpatient drugs purchased by eligible 340B providers, including essential hospitals, community health centers, AIDS clinics, and others. The Office of Pharmacy Affairs (OPA), within the Health Resources and Services Administration (HRSA), oversees the program.

### 340B Supports Care for the Vulnerable

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The 340B program helps essential hospitals—those with a safety net role in their community—continue their mission to care for underserved populations, while reducing federal and state health care spending. Providing medications to patients is a direct cost to essential hospitals, and one not reimbursed when providing drugs to uninsured patients. Prescription drugs are a critical part of keeping patients healthy and treating acute and chronic conditions. Savings on drugs help providers serve more patients, expand comprehensive health services, and achieve savings in the Medicaid program.

Currently, more than 1,000 public and private non-profit hospitals and health systems participate in the 340B program. In a 2011 survey conducted by the Safety Net Hospitals for Pharmaceutical Access, respondent hospitals reported, on average, spending 27 percent less than they would have otherwise spent on outpatient drugs. Respondents used these savings to enhance services to the

uninsured and underinsured and were able to increase patient access to prescription drugs. The 340B program allows essential hospitals and health systems to stretch scarce resources in ways that expand access to services, including through community-based outpatient facilities.

### Examples of How 340B Helps Hospitals Improve Care, Leading to Better Outcomes, Lower Costs

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At Hennepin County Medical Center in Minneapolis, the hospital's 340B savings helps to offset the more than \$4 million in pharmacy charity care the hospital provides. For example, for one patient—a homeless, uninsured man—the 340B program was critical in better managing his care. Before enrolling in the hospital's Medication Therapy Management program, the man was admitted to the hospital nine times in four months, using services costing more than \$225,000. After enrolling in the Medication Therapy Management program, he worked closely with pharmacists to learn how and when to take his medication. After 37 clinic visits and one hospitalization, his medical expenses dropped to just \$36,000 over a nine-month period.

Savings achieved through the 340B program allow the VCU Health System, in Richmond, Virginia, to invest in programs that improve access to care. An example of such a program is the groundbreaking Virginia Coordinated Care (VCC) program. VCC provides care to more than 23,000 uninsured, low-income individuals in a “medical home” model, contracting with local community providers to provide primary care. Funding this coverage off of its own bottom line, VCU Health System uses 340B savings to help provide low-cost drugs to VCC enrollees at the hospital's outpatient pharmacies. Since VCC launched in 2000, enrollment has doubled, emergency department utilization has declined, and the health of the population has improved.