



AMERICA'S ESSENTIAL HOSPITALS

340B Benefits Vulnerable Patients, Essential Hospitals, and Taxpayers

About the 340B Drug Pricing Program

In 1992, bipartisan congressional action created the 340B Drug Pricing Program to lower drug costs for hospitals that care for a disproportionate share of low-income patients. Under the program, pharmaceutical manufacturers agree to extend discounts to eligible providers on outpatient drugs as a condition of participating in the large Medicaid and Medicare Part B markets. These providers, known as covered entities, include essential hospitals, community health centers, AIDS clinics, and others. The law explicitly makes covered entities the recipients of discounts and allows them to prescribe discounted drugs to **all** patients, including those with insurance.

340B Supports Access to Care, Taxpayer Savings

Covered entities are committed to caring for the vulnerable and use their 340B savings to stretch otherwise scarce resources. For patients, this means lifesaving medications at reduced or no cost, expanded access to community-based primary and specialty care, and help managing chronic conditions.

Most important, 340B supports all these benefits **while also reducing federal, state, and local health care spending**. Every dollar saved through 340B discounts is a dollar of relief for taxpayers.

340B Makes Care Affordable and Efficient

The 340B program provides much more than affordable medications: It supports more efficient care and helps produce better health outcomes. For

example, a homeless, uninsured man was admitted to Hennepin County Medical Center, in Minneapolis, nine times in four months, using more than \$225,000 of services—more than \$56,000 a month. Pharmacists in a hospital medication therapy management program made possible by 340B discounted drugs and related savings taught the man how and when to take his medications. After regular clinic visits and improved care management, his medical expenses dropped to just \$36,000—\$4,000 a month—within just nine months.

Savings from the 340B program also help VCU Health System, in Richmond, Virginia, operate Virginia Coordinated Care (VCC), which contracts with primary care providers in the community to provide a medical home for more than 23,000 uninsured, low-income individuals. VCU uses 340B savings to provide low-cost drugs to VCC enrollees at its outpatient pharmacies. Since 2000, VCC enrollment has doubled, emergency department utilization has declined, and population health has improved.

Soaring Drug Prices Are Simply Unaffordable

Drug prices and pharmaceutical industry profits continue to escalate—even as drug makers complain about the 340B discounts they provide. Recent examples in the news include a promising new hepatitis C drug at a cost of more than \$1,100 per pill, and a top cancer drug regimen that costs more than \$100,000 a year. These costs are unsustainable for patients, hospitals, and taxpayers—and underscore the urgent need for a robust 340B program.

(over)

A Weakened 340B Program Threatens Everyone

If you pull the thread of the 340B program, you unravel the fabric of essential health services for entire communities. A weakened 340B program undermines the capacity of essential hospitals to serve their patients. This means higher costs for care of uninsured and underinsured patients and reduced resources for communitywide essential services, such as trauma care and disaster response.

A Choice for the People You Represent

In the end, lawmakers face a simple choice: Give drug companies an incremental increase in profits or support the providers that ensure the physical and economic health of the people and communities you represent—and reduce costs for federal and state governments. Essential hospitals and health systems cannot absorb higher uncompensated care costs, especially in the face of staggering drug costs. Most already operate at a loss—even with the savings they achieve through the 340B program.

Cutting or scaling back the 340B program will simply put money back in the coffers of highly profitable drug companies at the expense of essential hospitals' ability to serve millions of disadvantaged Americans. Federal and state governments will face higher costs for Medicaid beneficiaries and will either have to find another way to fund access to essential services for disadvantaged patients or cut services—and suffer the expensive economic consequences of poor health in their communities.

Sorting Fact from Fiction

At its core, the 340B program is simple to understand: Pharmaceutical manufacturers discount the drugs they sell to providers that care for the poor. Those providers use the savings to provide lifesaving medications and other services to vulnerable people. And taxpayers save money they otherwise would spend to support indigent care.

Claims that the 340B program increases federal spending are not only false, but, in fact, the exact opposite of the truth: The 340B program achieves savings for federal, state, and local governments. Changes that restrict it will cost the government and, in turn, taxpayers.

Learn the facts about the 340B program and how it supports care for disadvantaged people: Contact us at sgremminger@essentialhospitals.org or 202-585-0112.