

What is 340B?

Section 340B of the U.S. Public Health Service Act provides that pharmaceutical manufacturers that choose to participate in Medicare and Medicaid sell certain outpatient drugs to safety-net providers at a discount. It was enacted with strong bipartisan support in Congress and signed into law by President George H.W. Bush.

340B At a Glance

Who is eligible for 340B discounts?

The 340B statute specifies a list of 16 types of “covered entities” that are eligible for drug price discounts.

Safety-Net Providers Eligible For 340B Drug Discounts

Hospitals

- ▶ Disproportionate Share Hospitals
- ▶ Critical Access Hospitals
- ▶ Children’s Hospitals
- ▶ Cancer Hospitals
- ▶ Rural Referral Centers
- ▶ Sole Community Hospitals

Clinics and Centers

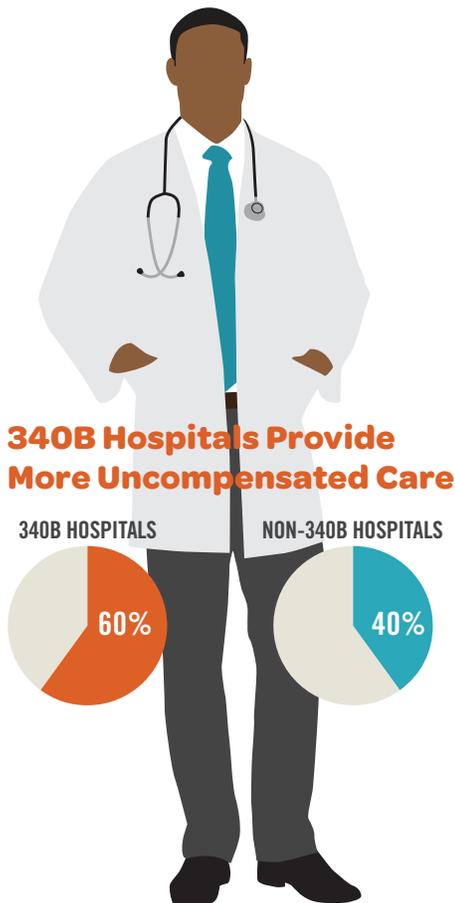
- ▶ Federally Qualified Health Centers (FQHCs)
- ▶ FQHC Look-Alikes
- ▶ Ryan White HIV/AIDS Clinics
- ▶ Black Lung Clinics
- ▶ Hemophilia Diagnostic Treatment Centers
- ▶ Family Planning Clinics
- ▶ Sexually Transmitted Disease Clinics
- ▶ Tuberculosis Clinics
- ▶ Tribal/Urban Indian Health Centers
- ▶ Native Hawaiian Health Centers

How much are 340B drug price discounts?

Congress specified discounts from the average manufacturer price ranging from 13% for eligible outpatient generic drugs to 23.1% for brand-name drugs. Larger discounts are triggered when manufacturers raise their prices by more than the rate of inflation or offer deeper discounts in the market. In 2015, 340B discounts totaled \$6 billion, less than 2% of total drug company revenues in that year.¹

How do hospitals use 340B savings?

340B covered entities use their savings to stretch resources to provide more comprehensive services to more patients, consistent with the purpose of the program as specified by Congress.² Many hospitals use 340B savings to cover the cost of uncompensated care for uninsured and underinsured patients. In 2016, 340B DSH hospitals provided 60% of all uncompensated care in the U.S. while representing only 38% of all acute care hospitals. 340B hospitals provide two-thirds of all inpatient care for people with Medicaid. Many rural hospitals report they use their 340B savings to keep their doors open.³



continued ▶

What is 340B?



Savings from 340B help fund free and low-cost medications as well HIV/AIDS, diabetes, cancer, dental and primary care clinics that serve our most vulnerable citizens.

340B At a Glance

How do 340B savings help patients?

340B savings help serve the needs of patients who have low incomes or live in rural communities, including those who are uninsured, underinsured, or on Medicaid. 340B hospitals enable a wide range of services, including free or heavily discounted prescription drugs, trauma care, care for HIV/AIDS, and treatment for opioid and other substance use disorders.⁴

How does 340B help rural hospitals?

In 2010, Congress extended 340B eligibility to many rural hospitals to help them provide care in their communities and remain open. More than half of the hospitals in 340B are rural providers.⁵ Since 2010, 97 rural hospitals have closed and 430—more than 1 in 5—are struggling to stay open.⁶ Half of rural hospitals surveyed say cuts to 340B savings could force them to close.

Who oversees 340B?

The Health Resources and Services Administration (HRSA) oversees 340B. HRSA requires all covered entities to be recertified each year to assure integrity, compliance, transparency, and accountability. Providers and manufacturers are subject to audits to ensure they are in compliance with 340B program requirements. Since 2012, HRSA has conducted more than 1,000 audits of 340B providers and 16 audits of pharmaceutical manufacturers.⁷ In 2019, HRSA will begin enforcing penalties on manufacturers that “knowingly and intentionally” overcharge 340B providers.⁸

What is the cost of 340B care to taxpayers?

Care provided through 340B savings does not cost taxpayers any money. The care is paid for with the money saved through the price discounts from manufacturers. HRSA has a small budget to oversee the program.

1. Changes to Size of Drug Discount Program Would Not Affect Overall Spending. Allan Coukell and Sean Dickson. Health Affairs Blog, August 8, 2018. www.healthaffairs.org/do/10.1377/hblog20180807.985552/full/

2. H.R. Rep. 102-384(II), at 12 (1992).

3. Evaluating 340B Hospital Savings and Their Use In Serving Low-Income and Rural Patients. 340B Health. June 2018. www.340bhealth.org/files/2017_Annual_Survey_Report_final.pdf

4. Analysis of 340B Disproportionate Share Hospital Services to Low-Income Patients. L&M Policy Research. March 2018. www.340bhealth.org/files/340B_Report_03132018_FY2015_final.pdf

5. Characteristics of Hospitals Participating and Not Participating in the 340B Program. GAO. June 2018. www.gao.gov/assets/700/692587.pdf

6. 97 Rural Hospital Closures: January 2010 – Present. Cecil G. Sheps Center for Health Services Research. February 2019. www.shepscenter.unc.edu/programs-projects/rural-health/rural-hospital-closures/

7. www.hrsa.gov/opa/program-integrity/index.html Accessed Feb. 13, 2018.

8. HHS implements long-awaited 340B drug price transparency rule. Modern Healthcare. Nov. 29, 2018, www.healthcarefinancenews.com/news/hhs-implements-long-awaited-340b-drug-price-transparency-rule