340B DRUG DISCOUNT PROGRAM AT-A-GLANCE

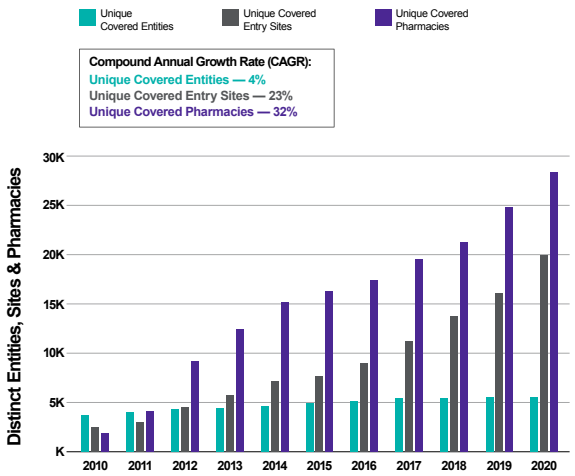
Bio Biotechnology Innovation Organization

In 1992, with the support of the biopharmaceutical industry, Congress created the 340B Drug Discount Program to help uninsured and vulnerable patients gain access to affordable prescription drugs. As part of the law, drug manufacturers provide discounts on outpatient medicines and treatments to select health care entities — often referred to as safety-net providers. The program was necessitated by changes to the Medicaid program that precluded drug makers from continuing to offer steep discounts to safety-net providers voluntarily, as they previously had done. Over the years, however, there have been growing concerns that this program has expanded well past the intent of Congress and that patients may not be seeing the benefits they deserve.

How Big Is 340B?

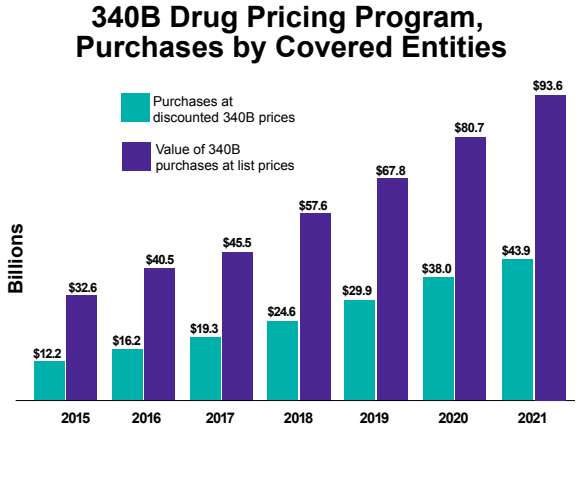
Since its inception, the 340B program has grown dramatically. Currently, about 45% of all Medicare acute care hospitals participate in the program, and between 2014–2016, the volume of purchases made through 340B more than doubled, expanding 125%.

Discounted purchases made under the program totaled at least $38 billion in 2020 — an increase of 27% over the $29.9 billion for 2019. In 2021, discounted purchases now total $44 billion.



340B Drug Purchases on the Rise

Growth in 340B sales continues to increase consistently and by the end of 2021, 340B Program sales made up 14% ($93.6B) of total U.S. pharmaceutical sales and grew four times faster than the overall pharmaceutical market. **Despite this uptick in 340B sales, evidence suggests that certain hospitals are not passing on the savings associated with sales from the program to patients in the form of financial or co pay assistance.**



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What Experts Are Saying

There is growing evidence that hospitals are pocketing the savings from 340B payments and not passing them on to the patients who need them.

"The study spanned 12 months and used a national sample of pharmacy claims for branded, patient-administered drugs. The only claims segment displaying substantial evidence of patient discount-sharing was the 1.4% of 340B-eligible pharmacy claims..."

–IQVIA, October 2022

"HRSA's annual audits reveal a high level of noncompliance with program requirements by covered entities, including the potential for duplicate discounts and diversion of 340B drugs to ineligible patients."

–Rep. Greg Walden (R-OR)
Comments at Energy and Commerce Hearing, July 2017

"The data show that commercial insurers are charged 3.8 times the acquisition price of oncology drugs to 340B hospitals, making the 340B hospital profit for treating commercial patients with cancer truly remarkable ... the analysis suggests that 340B drug discounts are captured by hospitals rather than being passed on."

–Community Oncology Alliance, September 2021

"Notably, there is no requirement that the discounted 340B price be passed on to uninsured patients who seek treatment at 340B covered entities. As a result, the covered entity may acquire the drug at a discounted price, but the uninsured patient may still pay the full list price for the drug at the pharmacy."

–House Energy and Commerce Committee Review of the 340B Drug Pricing Program, January 2018

"We found no evidence of hospitals using the surplus monetary resources generated from administering discounted drugs to invest in safety-net providers, provide more inpatient care to low-income patients, or enhance care for low-income groups in ways that would reduce mortality. These results suggest hospital responses that are contrary to the goals of the program and have a number of important policy implications."

–Federally funded study published by the New England Journal of Medicine, January 2018

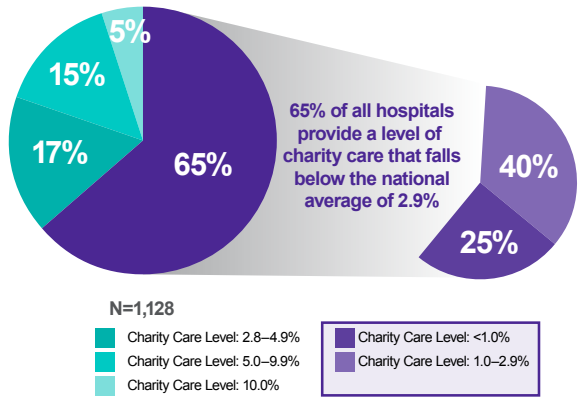
Charity Care Provided By 340B Hospitals Declining

Despite staggering growth in the number of hospitals — and volume of purchases — made under the program, 340B hospitals have demonstrated a dramatic decline in charity care provided since 2013. Between 2013 and 2015, 340B disproportionate share hospital (DSH) facilities decreased charity care levels more substantially than non-340B DSH hospitals, raising questions about who is benefitting from 340B — patients or hospitals.

These findings build upon recent data showing that in total, 65% of hospitals participating in the 340B program provide less charity care than the national average. For 25% of 340B hospitals, their charity care accounts for less than 1% of their operating costs (AIR 340B).

Median Change in Charity Care Level

Charity Care Provided by 340B DSH Hospitals, FY 2019
(As a Percent of Total Operating Costs)



STACH: Short-Term Acute Care Hospital
DSH: Disproportionate Share Hospital
Source: Avalere analysis of FY 2019 Medicare cost reports submitted by 3,209 STACHs. Of those, 1,128 hospitals were participating in 340E as a DSH entity for a full or portion of their cost reporting period based on then enrollment and termination dates in the Office of Pharmacy Affairs (OPA) 340B Database, and submitted 2019 Medicare cost report data.