



## **2019 340B Health Annual Survey: 340B Hospitals Use Benefits to Provide Services and Improve Outcomes for Low-income and Rural Patients**

### **Overview**

In November and December of 2019, 340B Health conducted its Annual Survey to learn how 340B hospitals are using their 340B savings to support care for patients with low income and rural patients, assess the level of the 340B benefit for different types of hospitals, and collect data on trends in program structure and operations. This issue brief presents findings on the amount of the 340B benefit and how it is used. Key findings include:

- All hospitals surveyed reported using their savings to benefit patients with low income and those living in rural communities.
- 76 percent of Critical Access Hospitals (CAHs)—defined as having 25 beds or fewer and located more than 35 miles from another hospital—rely on 340B savings to keep their doors open.
- Cuts to the 340B program would force nearly all respondents to scale back key programs. Oncology and general patient care services would be most affected.
- The median 340B benefit ranged from \$564,000 for Critical Access Hospitals (CAH) to \$12.6 million for Children’s Hospitals. Disproportionate share (DSH) hospitals—which are traditionally the largest facilities—had a median benefit of \$8.9 million.

### **The 340B Program has a Long History of Supporting the Safety Net**

340B hospitals are a critical element of America’s health care safety net. 340B DSH hospitals serve a patient population that is more likely to be low income, disabled and/or minority and are more likely to offer services that are low margin, but critical to these populations. Rural 340B hospitals often are the only source of care in a wide geographic area. The populations served by 340B hospitals in general face greater health challenges and barriers in accessing health care. Enacted in 1992, the 340B program requires manufacturers to provide discounts on most outpatient drugs to qualifying safety-net hospitals, clinics, and health centers. While the program is small relative to total U.S. drug spending, it plays an outsized role in supporting the safety-net. Savings from these discounts allow 340B providers to provide additional programs and services to low-income, rural, and/or vulnerable patients at no additional cost to taxpayers.

### **Survey Reflects the Experiences of Nearly 500 340B Hospitals**

The 340B Health annual survey was administered to 340B Health member hospitals in November and December of 2019. 482 hospitals responded. DSH hospitals were slightly over-represented relative to the entire universe of 340B hospitals.

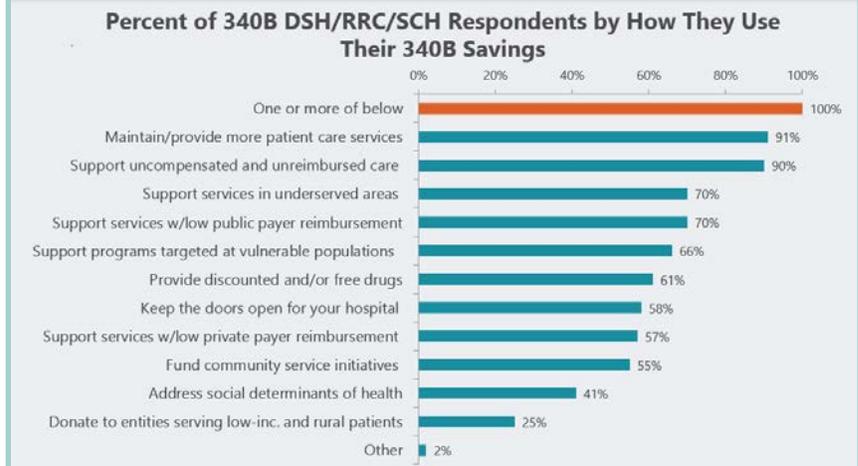
## Safety-net Hospitals Use Their 340B Savings to Support a Wide Range of Programs and Services for Patients with Low-Income and Those Living in Rural Communities

The purpose of the 340B program is to provide discounts on outpatient drugs to create savings that allow safety-net providers to stretch scarce resources as far as possible to reach more patients and provide more comprehensive services.<sup>1</sup> This year's survey documents the many ways 340B safety-net hospitals (DSH/RRC/SCH) are using their savings to support services for patients with low income and rural patients.

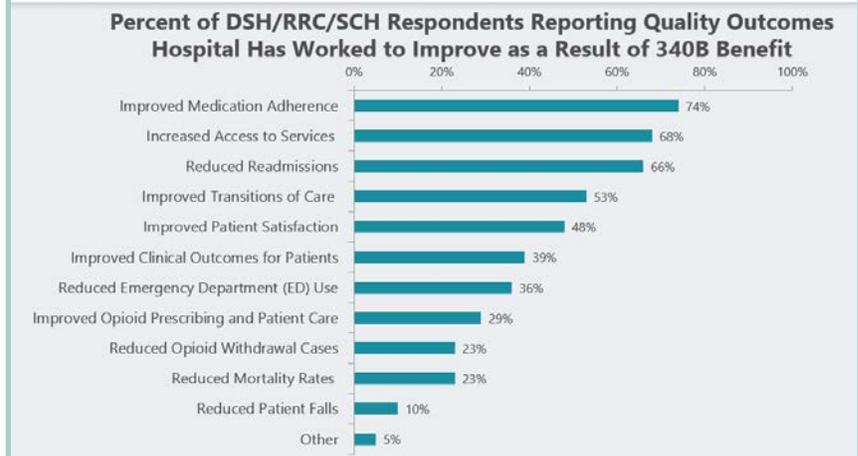
100 percent of safety-net hospitals reported that they use their 340B savings in at least one way; most reported many. The most common uses reported were to maintain or provide more patient care services and to support uncompensated and unreimbursed care.

Respondents also reported areas where the 340B benefit has supported improved outcomes. Improved medication adherence was the outcome most commonly reported, and improved access and reduced readmissions were close behind. Hospitals also highlighted specific ways their organization uses their 340B benefit and outcomes they have worked to improve.

### 340B DSH/RRC/SCHs use their savings to support care for low-income and rural patients.



### 74 percent of DSH/RRC/SCHs report the 340B benefit has helped support medication adherence.



#### Specific examples of ways DSH/RRC/SCH use their 340B benefit to serve patients include:

- Dispense free and low cost medications.
- Run a multi-disciplinary diabetes program.
- Fund an HIV/hepatitis C specialty clinic targeted at LGBTQ community.
- Subsidize chemotherapy and immunotherapy for Medicaid and uninsured patients.
- Provide care for neonates withdrawing from maternal opioid addiction.
- Support non-reimbursable services like care coordination and medication therapy management.
- Provide NARCAN to all known patients abusing opioids upon discharge from Emergency Department.

**340B hospitals use 340B benefits to improve quality outcomes in various ways:**

- Home pharmacist visits to improve medication adherence and reduce drug interactions
- Medication therapy management clinic to improve blood pressure and A1C control for diabetes patients
- Early detection of breast cancer
- Reduced emergency department visits for patients receiving chemotherapy
- Support pharmacist involvement in transitions of care programs for discharged patients
- Improved communication through translation services
- Provide housing to homeless emergency department users to stabilize medical conditions and reduce use

**Cuts to the 340B Program Could Hurt Safety-net Hospitals and Patients**

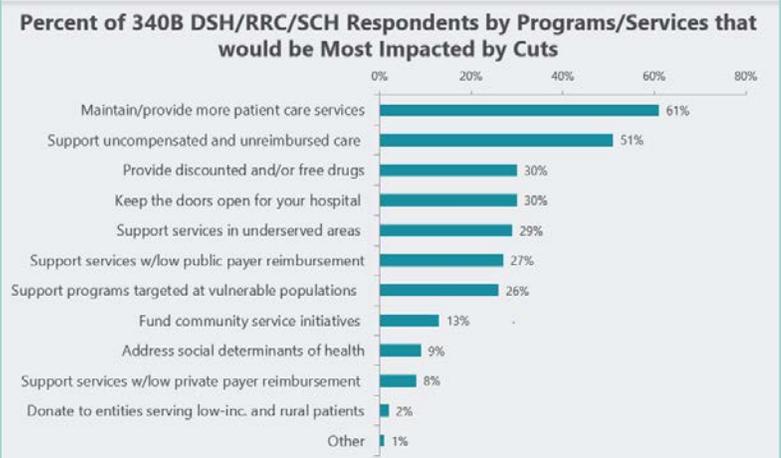
Legislative or regulatory changes that reduce the 340B benefit could take resources away from critical safety-net services provided by 340B hospitals.

340B safety-net hospitals most often reported that cuts would reduce their ability to maintain/provide patient care services and support care that is uncompensated or unreimbursed. For nearly a third, programs to provide discounted or free drugs would be at risk. Similarly, 30 percent said a loss of savings could harm their ability to keep the doors open.

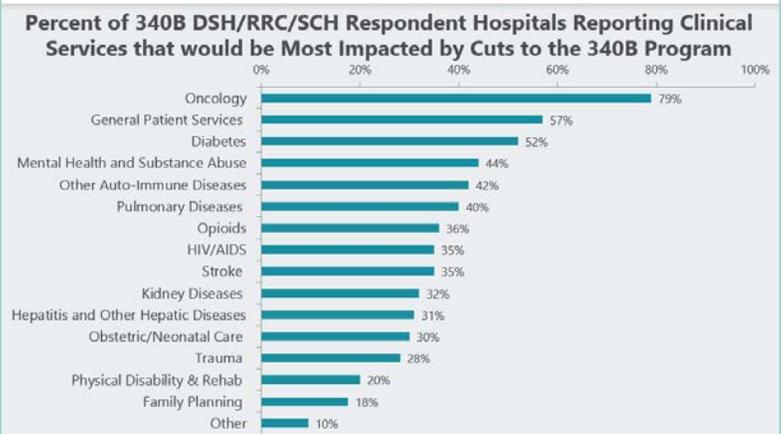
Hospitals also reported which clinical services would be most affected by cuts to the program. Oncology was the most frequently cited, and over half reported cuts could impact general patient care services and diabetes care. Other services critical to vulnerable populations like mental health, substance abuse, and HIV/AIDS care are also at risk.

*“Without the 340B benefit, we would have to limit or eliminate the outpatient infusion center...patients would find it difficult to get these services elsewhere.”*

**Cuts to the 340B program would threaten multiple programs and services for most DSH/RRC/SCHs.**



**Loss of 340B funding would impact oncology for 8 out of 10 DSH/RRC/SCHs.**



## 340B is a Lifeline for Small Rural Hospitals

340B is particularly critical to rural hospitals. One in five Americans live in rural areas.<sup>2</sup> Many of these areas are sparsely populated and far from urban areas. As such, accessing health care can be a challenge. Rural areas are often not populous enough to support a hospital as low volumes create financial challenges. In 1997, Congress created the Critical Access Hospital (CAH) designation which gave special reimbursement for hospitals with 25 beds or less that are 35 miles from another hospital. Today nearly three-quarters of rural hospitals are CAHs.<sup>3</sup>

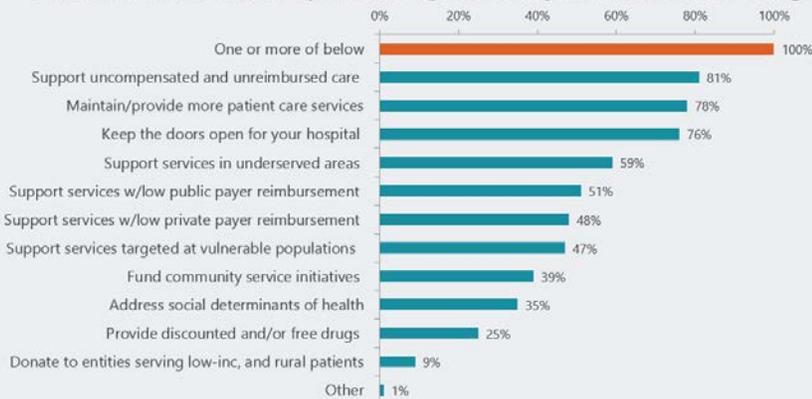
---

*“Our CAH has used our 340B benefits to open a retail pharmacy so that our residents don’t have to drive 30 plus miles to obtain their prescription medications.”*

---

### Three-quarters of 340B CAH hospitals rely on 340B savings to keep the doors open.

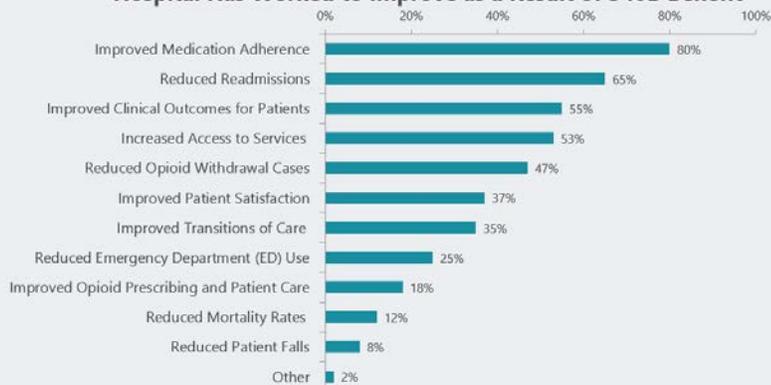
Percent of 340B CAH Respondents by How They Use Their 340B Savings



Despite the CAH program, rural hospitals have continued to struggle. Over the past decade, over 120 rural hospitals have closed.<sup>4</sup> The 340B program, expanded by Congress to CAHs and other types of rural hospitals in 2010, has offered another lifeline. Three-quarters of CAH survey respondents reported 340B savings helps keep their doors open. Even more use their savings to support uncompensated and unreimbursed care and/or to maintain patient care services for their communities.

### The 340B benefit has supported efforts to improve medication adherence for CAHs.

Percent of Respondent CAHs Reporting Quality Outcomes Hospital Has Worked to Improve as a Result of 340B Benefit



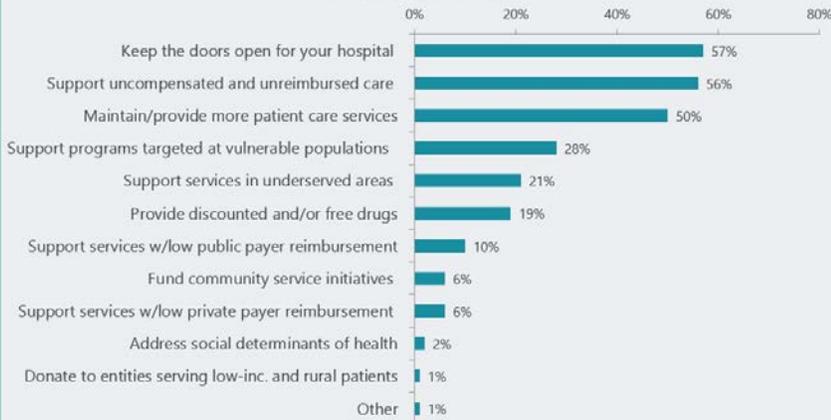
The 340B program also provides CAHs with resources they can use to improve quality. Eight of 10 CAH respondents reported 340B savings helps them improve medication adherence. Other outcomes supported by 340B savings include reduced readmissions, improved clinical outcomes, increased access to services, and reduced opioid withdrawal cases.

Telemedicine programs are an important way that CAHs can provide access to specialty care in rural communities. Over a third of CAHs reported using their 340B benefit to support a telemedicine program.

## Cuts to the 340B Program Could Harm Small Rural Hospitals and Their Patients

### Cuts to the 340B program could threaten the viability of over half of 340B CAHs.

Percent of CAH Respondents by Programs/Services that would be Most Impacted by Cuts

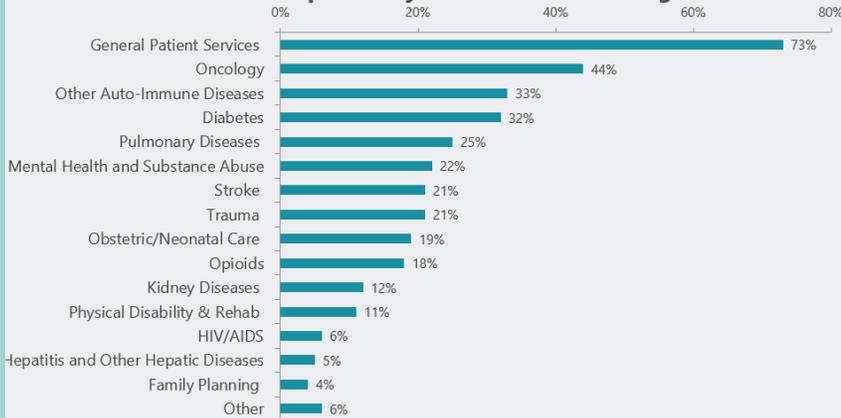


*“Being a small rural hospital, we mainly use the 340B savings to keep the doors open and to maintain the current level of services. Without 340B, it would be very difficult to find the funds to keep the hospital running.”*

340B savings represents a critical funding source for CAHs. 57 percent of CAHs report that the reduction or elimination of 340B savings would threaten their ability to stay open. The loss of a hospital in a rural community has devastating effects on the local economy. Half or more reported that cuts would reduce resources to support uncompensated and unreimbursed care and/or patient care services.

### Loss of 340B funding would impact the ability of CAHs to offer various clinical services.

Percent of 340B Hospitals Reporting Clinical Services that would be Most Impacted by Cuts to the 340B Program



Any cuts could harm clinical services. For CAHs, which tend not to provide a lot of specialty care, general patient services are most at risk. However, nearly half of CAHs cited oncology as a clinical area that might have to be scaled back. Loss of chemotherapy and other cancer services in CAHs would increase travel times and expenses for chemotherapy and other treatments for rural populations.

#### Specific ways CAHs use their 340B savings include:

- Operate retail pharmacy to provide free and low-cost drugs.
- Keep expanded dialysis center open despite operating losses; next closest center is 45 minutes away.
- Fund money losing services like psychiatric care.
- Keep labor and delivery unit open.
- Operate a robust pulmonary rehab program to address high COPD rate in community.
- Support outlying clinics that provide local access to care in communities where winter travel is difficult.
- Subsidize only oncology clinic within 60 miles, saving patients travel and lodging expenses.

## 340B is a Critical Funding Source for Safety-net and Rural Hospitals

340B savings provides important financial support to safety-net and rural hospitals. The median 340B savings reported by respondents varied by hospital type. The median savings for DSH hospitals was \$8.9 million while the median for CAHs was \$564 thousand. Sole Community Hospitals (SCH) and Rural Referral Centers (RRC) were on the lower end of this range.

The 340B program allows covered entities to receive discounts on both drugs provided by inhouse outpatient and retail pharmacies and through contracts with non-hospital owned retail pharmacies. Prescriptions of patients of 340B hospitals filled at contract pharmacies can receive the 340B discount.

Overall about a quarter of the average 340B benefit comes from contract pharmacy arrangements, though this varies by hospital type. On average, Critical Access Hospitals reported receiving 57 percent of their 340B benefit from contract pharmacy arrangements while DSH hospitals reported 24 percent.

The majority of respondents reported an increase in their 340B benefit relative to the prior year. However, recent cuts to Medicare reimbursement by the Centers for Medicare and Medicaid services led about a third of affected hospitals to make cutbacks in personnel or programs or take other action in response including reducing the level of uncompensated care provided.

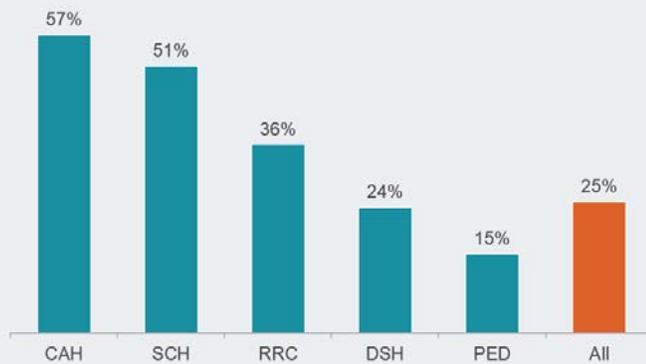
**The median 340B benefit varied considerably by hospital type.**

Median Reported 340B Benefit by Hospital Type  
(Millions of Dollars)



**Overall a quarter of the benefit comes from contract pharmacy, but for CAHs it's over half.**

Average Percent of Reported 340B Benefit from Contract Pharmacy Arrangements



---

*“Without our 340B savings, we would struggle to keep our doors open.”*

---

## Survey Responses Demonstrate Value of 340B Program

This year's 340B Health survey documents the multiple programs and services made possible by the savings the 340B program provides to safety-net and rural hospitals. From offering free and reduced-price medications to medication therapy management to comprehensive oncology programs, 340B hospitals are using 340B savings to meet a wide variety of community needs, especially for vulnerable and rural populations. Without the 340B program, at a minimum, critical programs would need to be scaled back. In some cases, loss of 340B funding could lead to closure.

---

<sup>1</sup> Veterans Health Care Act of 1992. Section 602, Public Law 102-585.

<sup>2</sup> U.S. Census Bureau. <https://www.census.gov/library/stories/2017/08/rural-america.html>

<sup>3</sup> American Hospital Association. <https://www.aha.org/statistics/fast-facts-us-hospitals> and Rural Health Information Hub. <https://www.ruralhealthinfo.org/topics/critical-access-hospitals>

<sup>4</sup> The Cecil G. Sheps Center for Health Services Research. <https://www.shepscenter.unc.edu/programs-projects/rural-health/rural-hospital-closures/>



*340B Health is an association of more than 1,400 non-profit hospitals. We are the leading advocate and resource for hospitals that serve their communities through participation in the 340B drug pricing program. For more information about us and the 340B program, visit [www.340bhealth.org](http://www.340bhealth.org).*