



MEDICARE PART B DRUG PAYMENT REDUCTION TO 340B HOSPITALS

Congress Must Block the Cuts

What is 340B?

Congress created the 340B drug pricing program in 1992 to help support and sustain a health care safety net of providers that treat many low-income, uninsured and underinsured patients. The law, which has strong bipartisan support, requires drug manufacturers to sell their outpatient products to community health centers, hemophilia treatment centers, Ryan White HIV centers, as well as public and private hospitals that serve a disproportionate share of low-income patients or are located in rural areas. Congress' stated goal is "to stretch scarce federal resources as far as possible, reaching more eligible patients and providing more comprehensive services."

How Does 340B Work?

Under the law, pharmaceutical companies that wish to participate in Medicaid or Medicare must offer discounts to covered entities on outpatient drugs. These providers use the savings from these discounts to provide free or discounted care and critical health care services to those who are uninsured, underinsured, or are otherwise underserved and face limited access to care. In 2015, the Health Resources and Services Administration (HRSA), which oversees the 340B program, estimated that these discounts totaled \$6 billion; this represents only 1.3% of total U.S. drug spending.¹

Regulation Will Slash Reimbursement to 340B Hospitals

On Nov. 1, 2017, the Centers for Medicare & Medicaid Services (CMS) announced new final regulation for Medicare's Part B Outpatient Prospective Payment System (OPPS) that includes a deep reduction in payments to certain 340B hospitals for drugs. The cut of almost 30%, which would take effect on Jan. 1, 2018, would single out one class of hospitals and transfer the savings to all OPPS hospitals, including non-340B hospitals that do not historically provide care to large numbers of low-income patients.

Bipartisan Legislation Introduced to Block the Cuts

Legislation (H.R.4392) has been introduced in the House by Reps. David McKinley (R-WV) and Mike Thompson (D-CA). The bill, which has a growing number of bipartisan cosponsors, would block CMS from implementing the 340B hospital payment reduction on Jan.1, 2018. The legislation continues a 25-year history of bipartisan support for the 340B program and the providers and patients it serves. H.R. 4392 must be passed before Congress adjourns.

Cuts Will Weaken the Health Care Safety Net

340B disproportionate share (DSH) hospitals represent 36% of acute care hospitals in the U.S. but provide 59% of uncompensated care. In response to a 340B Health survey, hospitals unanimously reported that the cut in payments would affect their ability to serve their low-income and rural patients including:

- 86% said it would affect their ability to provide clinical services, such as by having to close clinics or limit infusion services
- 74% said it would affect their ability to provide pharmacy services, including staffing, offering discounted drugs, and operating programs such as medication therapy management
- More than 2/3 said it would affect their ability to provide uncompensated care
- Nearly 1/2 said it would impact quality of care and patient outcomes

Cuts Won't Lower Prices, Won't Save Money for Medicare or Seniors

Despite CMS' public statements:

- The OPPS regulation will not reduce the cost of drugs for patients or providers. In fact, drug makers will be able to charge whatever they think the market will bear;
- The OPPS regulation will not reduce Medicare spending. The budget neutral regulation actually takes the \$1.6 billion cut from 340B hospitals and redistributes it to all hospitals paid under the OPPS, including for-profit hospitals and other non-340B hospitals that don't care for large numbers of poor patients.²
- The OPPS regulation will not save most seniors money. CMS claims beneficiaries will see \$320 million in reduced cost-sharing for drugs. However, 86% of seniors have some form of supplemental coverage and will not see savings. Since the regulation will increase payments for other services, copay costs will rise there as well.³

Support legislation to block the OPPS cuts.

¹ Dobson DaVanzo analysis of the financial impact of the 340B program on drug manufacturers, www.340bhealth.org/files/340B_Financial_Impact_7_17.pdf

² Centers for Medicare & Medicaid Services, Hospital Outpatient Prospective Payment and Ambulatory Surgical Center Payment Systems and Quality Reporting Programs. November 13, 2017. <https://www.gpo.gov/fdsys/pkg/FR-2017-11-13/pdf/2017-23932.pdf>

³ Medicare Payment Advisory Commission, June 2016, Data Book, <http://www.medpac.gov/docs/default-source/data-book/june-2016-data-book-section-3-medicare-beneficiary-and-other-payer-financial-liability.pdf?sfvrsn=0>