

2017-18 State Budget

340B Prescription Drug Program



OVERVIEW

Section 340B of the federal Public Health Service Act requires pharmaceutical companies to sell their drugs at a discounted price to specific safety-net providers, referred to as a covered entities, if the pharmaceutical company wants to participate in Medicare and Medicaid.

In California, the 340B program has been highly successful, providing patients served by Federally Qualified Health Centers (FQHCs) with access to affordable prescription drugs and allowing FQHCs to use program savings to improve access to care. As intended by Congress, the program stretches scarce federal resources for community benefit.

In his 2017-18 budget summary, Governor Brown proposed changes that puts the program's viability in jeopardy. Specifically, the Governor will explicitly require FQHCs to bill for Medi-Cal services in such a way that the program savings would benefit the state rather than the FQHC. If this were to happen, FQHCs would be forced to eliminate programs benefiting millions of patients.

WHAT IS A COVERED ENTITY?

The 340B program designates an eligible provider a "covered entity." These federally defined covered entities include:

- Federally Qualified Health Centers (FQHCs)
- Tribal/Urban Indian Health Centers
- Ryan White HIV/AIDS Program
- Hemophilia Diagnostic Treatment Centers
- Title X Family Planning Clinics
- Sexually Transmitted Disease Clinics
- Tuberculosis Clinics
- Children's Hospitals, Critical Access Hospitals, Disproportionate Share Hospitals, Cancer Hospitals, Sole Community Hospitals.

WHICH DRUGS ARE COVERED?

In general, outpatient prescription drugs are covered if written by a covered entity provider at a covered entity site for a patient of the covered entity. Certain drugs identified by the FDA are exempt from the program.

STATE DRUG DISCOUNTS?

The state receives manufacturer rebates (i.e. after purchase) on Medi-Cal drugs if the drug was not purchased using a 340B discount (before purchase).

340B COMMUNITY BENEFIT

Patient: The 340B program gives FQHCs the ability to offer steeply discounted drugs to uninsured patients, often pennies on the dollar. Without this program, our most vulnerable patients would not get needed drugs.

Access to Care: Program savings provide community health centers with flexible resources that they can use to meet the community's needs. For example, program savings have been used to expand a clinic's hours of operation, build new facilities, hire case workers for individuals experiencing homelessness, provide patients with transportation to specialty care appointments, and other vital unfunded programs.

Pharmacy Network: 340B program savings underwrite the cost of mission driven FQHC in-house pharmacies and contract pharmacy networks that provide ready-access to geographically dispersed communities. Without the 340B program, pharmacies would be unable to maintain financial viability, resulting in diminished medication adherence rates and overall health.

THE SOLUTION

The 340B program is working as Congress intended. It does not need to be reformed in California. Any changes to the program would come at the expense of vital, unfunded programs that serve the needs of the local community. While trailer bill language has not been released, we request that no changes be pursued that could hurt providers and the communities they serve.

SUPPORT

CaliforniaHealth+ Advocates

FOR MORE INFORMATION

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