September 2019

HEALTH CENTER PARTNERS
of Southern California

OVERVIEW OF THE 340B DRUG PRICING PROGRAM

Program Basics

Congress enacted the 340B Drug Pricing Program in 1992 to lower drug costs for safety-net providers that serve the nation's most vulnerable patient populations. Congress intended the 340B Program to help these providers "stretch scarce federal resources as far as possible, reaching more eligible patients and providing more comprehensive services."

Under the program, which is administered by the Health Resources and Services Administration's (HRSA) Office of Pharmacy Affairs, pharmaceutical manufacturers are required to extend discounts on covered outpatient drugs to eligible providers as a condition of participating in the Medicaid and Medicare Part B markets.

The 340B Program is a discount program that operates at a marginal administrative cost, and reduces federal, state, and local health care spending by supporting providers that deliver necessary care to underserved populations.

340B Eligibility

The 340B statute defines the types of safety-net providers, called "covered entities," that are eligible to participate in the 340B Program. The types of providers eligible to participate in the program include:

Health Centers

- **Federally Qualified Health Centers (FQHCs)**
- **Federally Qualified Look-Alikes**
- **Native Hawaiian Tribal / Urban Indian**

Ryan White

- **Part B State AIDS Drug Assistance Progams (ADAP)**
- **Part C Early Intervention Services**

Hospitals

- **Children's**
- **Disproportionate Share**
- **Critical Access**
- **Rural Referral Centers**
- **Sole Community**
- **Free Standing Cancer**

Specialized

- **Black Lung**
- **Hemophilia**
- **Title X**
- **STDs**
- **Tuberculosis**

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Who Benefits from 340B?

The significant pharmacy discounts available under the 340B Program allow covered entities to provide and expand needed services that otherwise would not be available in the communities in which they serve.

Many covered entities use 340B savings to cover the cost of uncompensated care for uninsured and underinsured patients. For patients, this means lifesaving medications at reduced or no cost, expanded access to community-based primary and specialty care, help managing chronic conditions, and other community health programs.

How Would Governor Newsom's Proposal Affect 340B in California?

In January 2019, California Governor Gavin Newsom signed Executive Order N-01-19, which directs the Department of Health Care Services (DHCS) to create a single-purchaser system of drugs in California by January 2021. This would transition all pharmacy services for Medi-Cal from managed care to Fee-For-Service (FFS) by January 2021.

The 340B Program enables participating providers to obtain covered outpatient drugs at significant discounts. Since acquisition costs for covered outpatient drugs under the 340B program typically cost less than reimbursement rates under Medi-Cal managed care, covered entities generate savings, which allows these safety-net clinics to maintain and expand essential community and supplemental care services for the uninsured and financially vulnerable.

A major concern with Governor Newsom's proposal is that safety-net providers currently participating in the 340B Program face a drastic reduction in 340B Program savings because the state will pay less for prescription drugs than current prices negotiated under Medi-Cal managed care contracts. Under this shift, 340B-covered entities would get reimbursed by Medi-Cal only for the drug acquisition cost plus a dispensing fee. According to trade associations, community health clinics are estimated to lose around $150 million each year, and safety-net hospitals $240 million, as a result of this policy change. The loss of these funds could effectively end, or limit access to, the services provided by safety-net providers in California. Further, this loss of funds does not result in similar savings to Medi-Cal; at least 50 percent of Medicaid savings are required to be returned to the federal government. Fundamentally, this policy change would take money away from California's most vulnerable patients and send it out of the state.

Health Center Partners of Southern California
www.HCPSOCAL.org
Serving San Diego, Riverside and Imperial Counties in California

Health Center Partners of Southern California is a 17-membership organization of federally qualified health centers (FQHCs), Indian Health Services Organizations, both urban and sovereign, and Planned Parenthood of the Pacific Southwest. Our members collectively serve 806,158 patients each year, for 3.2 million patient visits each year, at 135 practice sites across San Diego, Riverside, Imperial counties, with the seventh largest provider group in the region.