

340B Drug Discount Program Community Health Centers Depend On It

In January 2019, Governor Newsom signed Executive Order N-01-19 to create a single-purchaser system for prescription drugs in California, which will ultimately transition pharmacy services in Medi-Cal Managed Care to fee-for-service. This transition will eliminate savings that health centers receive from the 340B program in Medi-Cal Managed Care. In April 2019, health centers in California were asked what Medi-Cal Managed Care 340B means to them and their communities and what's at stake if savings from the program are lost. This is what we learned...

Community health centers project a loss as high as \$150 million*

Loss of 340B savings will impact access to care

- **22** health centers will have to reduce hours of operation and care access
- **1,024** less hours that health centers will be open on a weekly basis across the state
- **3,664** fewer appointments statewide on a weekly basis
- **20** health center organizations will close at least one site of operation
- **36** new health center sites will not open as previously planned

Health center corporations will have to eliminate services

- **45** will be forced to stop subsidizing low cost or free medications to low-income patients.
- **29** will have to eliminate Nutrition and Diabetes education programs/classes
- **25** will have to eliminate population health and chronic care management services for the chronically ill
- **24** will end their education and outreach programs offered to community members
- **24** will be forced to stop subsidizing and paying deductibles related to the cost of care for homeless and low-income patients
- **19** will have to eliminate care coordination for HIV and Hepatitis C patients, as well as STI prevention (PrEP and PEP)
- **13** will have to eliminate transportation vouchers
- **10** will have to eliminate automated systems that electronically dispense prescribed medications & mail-order prescription delivery programs
- **7** will no longer be able to sustain innovative programs that are medication heavy
- **8** will have to close their food pantries, harming the communities access to nutritional food
- **3** will have to close legal clinics
- **2** will have to eliminate transitional housing programs

Health center corporations will be forced to close pharmacy sites and stop pharmacy services

- **31** health center corporations will close their in-house pharmacies that provide free to low cost drugs to all their patients, including uninsured, which will result in a total loss of at least **45** health center pharmacy sites.
- **32** health center corporations would cease to conduct any pharmacy services if 340B is removed under Medi-Cal Managed Care, which includes closing their in-house pharmacies and ending contracts with external pharmacies.
- **33** health center sites will have to reduce hours of operation for their pharmacies. Health centers most frequently reported that they would have to reduce hours of operation for their pharmacies by **40** hours per week.

"I can't stress the importance of the 340B savings enough. In our case, \$466,000 340B savings out of a \$34,000,000 budget is only 1.4%, but our operating margin is only 2%."
- Response from a California urban health center

*Equation: 340B Savings = (reimbursement from Medi-Cal MCO - 340B price paid) - cost of doing pharmacy. Total amount of 340B savings from 118 health centers was \$104,092,545 million. 30 health centers did not reply and another 30 are just starting so have not yet received any savings or are losing money. To understand statewide impact an extrapolation was done. Amount extrapolated (low): \$104,092,545 + \$15,886,315 = \$119,978,860; (med): \$104,092,545 + \$37,618,794 = \$141,711,339; (high): \$104,092,545 + \$54,013,471 = \$158,106,016; Extrapolations: The formula is based on dividing the amount of 340B savings (after cost) by the number of Medi-Cal patients, and then finding the average amount- \$11.84, then a low (\$5/ patient) and high (\$17/ patient) figure were calculated.

California's community health centers will be forced to layoff staff

| Total Staff Layoffs | Low: 373 | Mid: 1,239 | High: 2,290 |
|--------------------------|----------|------------|-------------|
| Pharmacists | 34 | 170 | 340 |
| Pharmacy Techs | 56 | 202 | 380 |
| Medical Assistant | 69 | 188 | 330 |
| Community Health Workers | 66 | 173 | 300 |
| Clinicians | 35 | 136 | 260 |
| Front Office Staff | 45 | 147 | 270 |
| Back Office Staff | 68 | 223 | 410 |

Community Health Centers Use 340B Savings to Invest in Their Communities

Access to health care should be a fundamental right, regardless of citizenship status, race, ethnicity or any other differentiating factor. The community health center mission embraces this principle by serving California's most vulnerable communities. In California there are roughly 175 health center corporations operating 1,330 sites that deliver care to nearly 7 million people, including nearly 2 million children and teens. In many rural communities throughout California, community health centers serve as the only source of medical and wellness care for families in the region.

The 340B Drug Discount program aims to support the mission of health centers by providing prescription drug discounts that ensure low cost drugs to patients. Savings from 340B provides health centers with additional resources they can invest into health care services. For example, one rural health center uses savings from the 340B program to:

- **Access to Affordable Medication & Pharmacy Programs:** health centers provide free and low cost drugs to patients
- **Expanded Access to Healthcare:** purchased new medical van to serve homeless
- **Build a Strong Workforce:** we offer competitive salaries which helps us with retention, we support a residency program, and we employ care coordinators, care managers, and behavioral health nurses
- **Upgrade Infrastructure Support:** upgraded technology and remodeled an old building
- **Strengthen Quality Improvement:** regular training for staff

Survey Methodology: Two surveys were conducted. The first was an email to all CEOs of CPCA member health centers in late March and early April of 2019 requesting that they use the given equation (see footnote on front side) and report how much they obtain in 340B savings after removing the cost of running their pharmacy program. The second survey requested health centers to quantify the impact that losing these savings would have on patient services, their workforce, and health center and pharmacy sites. The survey was released in April 2019 and shared with CPCA member health center CEOs, CFOs and participants of the 340B Peer Network. Not all those that responded to the short email survey completed the longer comprehensive survey.

Survey Figures: Survey was only sent to CPCA members and does not reflect all FQHCs in CA as not all FQHCs are members. Responded to just savings question: 20; Responded to full survey: 98; Non responses: 30; Health centers receiving savings: 77; Health centers not participating in Medi-Cal managed care 340B, just started, or losing money: 37