



Safety Net Hospitals for Pharmaceutical Access

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New Bipartisan Bill Would Help Hospitals Serving the Poorest Americans *House Measure Would Also Reduce Costs for Taxpayers*

July 28, 2011—Bipartisan legislation has just been introduced in the U.S. House to improve a drug discount program that reduces expenses for U.S. hospitals that provide the bulk of the nation's charity care. The legislation, which would also reduce costs for the Medicaid and Medicare programs, comes at a time when Congress is considering various options to reduce the federal deficit.

The *340B Improvement Act of 2011 (H.R. 2674)*, sponsored by Reps. Cathy McMorris Rodgers (R-Wash.), Bobby Rush (D-Ill.) and Jo Ann Emerson (R-Mo.), builds on the successful Public Health Service 340B Drug Discount Program, which currently reduces the cost of outpatient drugs to certain health care providers that serve a large volume of low-income and uninsured patients. The government estimates that 340B saves participating hospitals and health centers approximately 30 percent on the cost of pharmaceuticals. The program's purpose is to help these entities stretch scarce federal resources so they can reach more patients and provide more comprehensive services.

The *340B Improvement Act of 2011* would make the following changes to the 340B program:

- **Inpatient Extension.** The 340B program currently only covers outpatient drugs. Extending 340B to the inpatient setting would provide substantial savings for providers and Medicaid, improve access to life-saving pharmaceuticals, and reduce the administrative burden of maintaining two inventory systems.
- **Repeal Orphan Drug Discount Ban.** Rural and free-standing cancer hospitals were added to the 340B program last year, but were prohibited from using the 340B program for pharmaceuticals intended for use in treating rare diseases or conditions, commonly known as "orphan drugs." The bill would lift that ban.

The bill would also make other changes to strengthen the program including enabling rural and children's hospitals to access discounts in remote areas and to eliminate unnecessary reporting requirements for 340B hospitals.

"At a time when our nation's hospitals are struggling to treat the growing number of uninsured and underinsured patients, we need smart, common-sense solutions to make health care more affordable and increase the quality of care," said Rep. McMorris Rodgers. "The 340B drug discount program is part of that solution because it already saves the federal and state governments precious health care dollars. Our bill will extend that program, benefiting over 30 safety net hospitals in Washington State and hundreds throughout the country."

"While the 340B program is already important to our hospitals, this legislation would make critical improvements that will enable our membership to continue their charitable mission," said Ted Slafsky, Executive Director of Safety Net Hospitals for Pharmaceutical Access, an organization of over 700 hospitals in the 340B program.

"We are pleased that a bipartisan group of lawmakers has introduced a bill that would not only help our hospitals and patients but reduce government expenditures," added SNHPA President and General Counsel William von Oehsen.

Overview of the 340B Improvement Act

Since its inception in 1992, the 340B drug discount program has supported the mission of safety-net providers in serving low-income and uninsured patients while also reducing federal and state expenditures. This program enables eligible hospitals, community health centers and other safety-net providers to access discounts on outpatient pharmaceuticals so that they can continue to treat their vulnerable patient populations.

Reps. Cathy McMorris Rodgers (R-Wash.), Bobby Rush (D-Ill.) and Jo Ann Emerson (R-Mo.) introduced the *340B Improvement Act of 2011 (H.R. 2674)* which makes further improvements to the 340B program, as outlined below.

- **Inpatient Extension.** The 340B program currently only covers outpatient drugs. Extending 340B to the inpatient setting would provide substantial savings for providers and Medicaid programs, improve access to life saving pharmaceuticals, and reduce the administrative burden of maintaining two inventory systems. Extension of the 340B program would cost taxpayers nothing but would allow safety-net hospitals to continue to provide care for patients regardless of their ability to pay. In fact, during the last Congress, the Congressional Budget Office estimated that the proposed inpatient extension would save the federal government approximately \$1.2 billion over 10 years.
- **Repeal Orphan Drug Discount Ban.** Rural and free-standing cancer hospitals were added to the 340B program last year, but were prohibited from using the 340B program for pharmaceuticals intended for use in treating rare diseases or conditions, commonly known as "orphan drugs." This prohibition places a significant financial burden on already cash-strapped hospitals as these drugs are among the most expensive, and most crucial, for patients. This provision would lift the ban on obtaining orphan drugs at 340B prices for rural and free-standing cancer hospitals.
- **Strengthen 340B Safeguards and Eliminate Unnecessary Reporting Requirements.** Under current law, state Medicaid programs may obtain rebates from drug manufacturers for physician-administered drugs. To identify the manufacturer of the drug, states can require hospitals to

report National Drug Codes (NDCs) for these drugs. States are precluded, however, from seeking rebates for 340B drugs. This provision would prohibit states from collecting NDCs from 340B hospitals for 340B drugs. This would ensure that drug manufacturers are not put in the position of giving a “duplicate discount” by giving a 340B discount and a rebate to the state on the same drug. It would also reduce the costly administrative burden that hospitals experience in collecting and reporting NDCs.

- **Help Rural and Children’s Hospitals Maximize 340B Program.** Medicare rules allow certain 340B hospitals to utilize 340B discounts in clinics more than 35 miles from the main hospital. This provision would extend that rule to children’s and rural hospitals enrolled in 340B, so that participation of offsite facilities in the 340B and Medicare programs is standardized across all types of 340B hospitals. This, in turn, would give patients of the offsite locations access to affordable medications.

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Safety Net Hospitals for Pharmaceutical Access (SNHPA) is an association of over 700 hospitals with a mission to increase the affordability and accessibility of pharmaceutical care for the nation's poor and underserved populations. For more information about SNHPA and the 340B program, visit www.snhpa.org.