



Safety Net Hospitals for Pharmaceutical Access

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GAO Report Highlights 340B Drug Discount Program's Benefits to Safety Net Hospitals and Vulnerable Patients

September 23, 2011—A new report today about a drug discount program that reduces expenses for U.S. hospitals that provide the bulk of the nation's charity care underscores its importance to providers and patients, according to an organization representing close to 800 hospitals. Safety Net Hospitals for Pharmaceutical Access (SNHPA), which represents hospitals participating in the 340B drug discount program, praised the report for demonstrating how the program benefits indigent patients served by high-Medicaid providers. The Government Accountability Office (GAO) report also recommended areas in which it believes the program could be improved.

“We welcome this review of the 340B program as an opportunity to highlight the critical role that the program plays in enabling health care providers to improve patient care and increase access,” SNHPA Executive Director Ted Slafsky said.

Since its inception in 1992, 340B has supported the mission of safety-net providers in serving low-income and uninsured patients while also reducing government expenditures. 340B allows eligible safety-net providers to purchase outpatient drugs at discounted prices so they can stretch scarce federal resources as far as possible, reaching more eligible patients and providing more comprehensive services.

“SNHPA is pleased to see that the report highlights the numerous ways in which 340B providers use program savings to reduce costs for indigent patients and increase access to care for this vulnerable population,” Slafsky said.

The report notes that the 340B program has enabled all covered entities interviewed by GAO to “support their missions by maintaining services and lowering medication costs for patients, which is consistent with the purpose of the program.” Some covered entities pass their 340B savings on to uninsured patients in the form of lower drug costs. Others use 340B savings to provide care for more patients and offer services that otherwise would have been unaffordable, including “additional service locations, patient education programs, and case management, which is also consistent with the purpose of the program.”

The report also recommends that the Health Resources and Services Administration (HRSA) issue clarifying guidance on the definition of an eligible patient. Manufacturers and covered entities often disagree on which individuals may receive discounted drugs due to misperceptions on how hospitals dispense and administer outpatient drugs. These misperceptions can result in the incorrect belief that covered entities are diverting 340B drugs to ineligible patients.

SNHPA has joined other 340B provider organizations in recommending to HRSA a revised patient definition that would clarify the rules without placing unreasonable and unnecessary burdens on safety-net providers. SNHPA has also provided guidance to its members on how to meet the definition of a patient and use 340B drugs for eligible patients only.

The GAO also recommends that HRSA clarify 340B eligibility requirements for private nonprofit hospitals. Although these institutions have clearly demonstrated that they provide large volumes of care to vulnerable patient populations as a result of their high Medicaid percentages, they must also have a contract with state or local government to provide health care services to low-income individuals other than Medicare and Medicaid patients.

“SNHPA is confident that a significant majority of private nonprofit hospitals in the program are providing substantial levels of indigent care,” said SNHPA President and General Counsel William von Oehsen. “Nevertheless, we agree that there should be clearer eligibility criteria for private nonprofit hospitals.”

The report also documents the difficulties 340B covered entities face due to discriminatory reimbursement rates from third party payers. “This is a direct contradiction of the program’s intent, robs 340B providers from benefitting from reduced drug costs and, in the end, passes the savings of the 340B discount to the third party payer,” Slafsky said. “For covered entities to fulfill Congress’ intent that the 340B program help safety-net providers and their indigent patients, pharmacy benefit managers and other third party payers should not be able to reimburse 340B covered entities less than non-340B providers. SNHPA looks forward to working with policymakers to address this and other problems faced by safety-net providers in a way that maximizes the program’s potential and continues to improve this critical program.”

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Safety Net Hospitals for Pharmaceutical Access (SNHPA) is an association of nearly 800 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.