



## Safety Net Hospitals for Pharmaceutical Access

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February 18, 2010

Nancy-Ann Min DeParle  
Director of the White House Office of Health Reform  
The White House  
1600 Pennsylvania Avenue N.W.  
Washington, D.C. 20500

Dear Director DeParle:

Safety Net Hospitals for Pharmaceutical Access, a professional association representing more than 500 hospitals enrolled in the federal 340B drug discount program, applauds the Obama Administration's efforts to reach a bi-partisan solution to reforming our health care system. We hope that next week's bi-partisan health care summit held at the White House will result in an agreement on health reform legislation that can be eventually signed into law by President Obama.

As the Administration works towards a legislative solution, we urge that any proposal supported by President Obama include a provision extending the 340B drug discount to the inpatient setting in safety net hospitals. A provision extending 340B to the inpatient setting was included in H.R. 3590, the Senate passed health care reform bill approved on December 24, 2009.

We believe the effort to improve the 340B program reflects the goals and objectives of the Obama Administration's health care reform effort, which are to increase access to quality health care while providing savings for both health care providers and taxpayers. The Congressional Budget Office estimates that extending the 340B discount would save the federal government more than \$1 billion over the next 10 years if enacted. State Medicaid programs would save a similar amount.

Currently, the 340B program enables hospitals and other providers that serve a large volume of low-income and uninsured patients to access significant discounts on pharmaceuticals. Although the discounts available through the program are approximately 25 percent lower than what is available through other purchasing arrangements, they are only available for drugs used in an outpatient setting. Therefore, 340B hospitals are forced to pay significantly more for inpatient pharmaceuticals, amounting to an average of \$1.7 million a year in additional costs per hospital above what they would be paying if those inpatient drugs could be purchased at 340B prices. Moreover, these hospitals must devote significant time and resources managing two separate drug inventories to prevent drug diversion. There is no rational policy for requiring 340B hospitals to pay more for inpatient drugs than outpatient drugs.

In addition to being approved by the whole Senate, a provision extending 340B to the inpatient setting enjoys wide bi-partisan support in the House. Not only was 340B inpatient language

included in the health reform bill passed by the House Energy & Commerce Committee last July, it is part of stand-alone 340B legislation (H.R. 444) that currently has the support of 96 co-sponsors.

Extending the 340B discount to the inpatient setting would also benefit several new categories of safety net providers – such as children’s hospitals, free standing cancer hospitals, and certain rural hospitals – that would qualify for the program under both the Senate and House passed health care reform bills.

340B hospitals are required by law to provide significant levels of indigent care. As our nation gets ready to usher in a new era of health care reforms, 340B hospitals and their pharmacies will remain the first stop for traditionally underserved individuals who need expensive pharmaceutical and biological treatments for cancer, HIV/AIDS, heart disease, and other chronic conditions.

For additional information on the 340B drug discount program, please contact SNHPA’s Director of Government Relations, Rob Recklaus, at (202)552-5852 or via e-mail at [rob.recklaus@snhpa.org](mailto:rob.recklaus@snhpa.org).

Sincerely,

William von Oehsen  
President and General Counsel

Ted Slafsky  
Executive Director

cc: Jeanne Lambrew  
Michael Hash  
Lauren Aronson