What Leaders Are Saying About the 340B Drug Discount Program

AIR340B Alliance for Integrity and Reform

The 340B program has grown well beyond its intended purpose:

- **KATHLEEN SEBELIUS**, former Secretary of Health and Human Services: The 340B program has "expanded beyond its bounds."
  — Testimony at Senate Finance Committee Hearing, April 10, 2014
- **REP. CHRIS COLLINS (R-NY)**: "It is wrong if a hospital fills in gaps in revenue by taking inappropriate discounts."
  — Comments at AIR340B Summit, May 17, 2016
- **REP. GENE GREEN (D-TX)**: "[T]he program has grown significantly and oversight is appropriate to ensure that it is working properly."
  — Comments at House Energy and Commerce Committee Hearing, March 24, 2015

There is a growing lack of transparency and accountability among 340B hospitals:

- **REP. JOE PITTS (R-PA)**: "To preserve the 340B program and ensure that it is serving those who most need help, greater transparency is needed to increase the program's accountability."
  — Comments at House Energy and Commerce Committee Hearing, March 24, 2015
- **REP. FRED UPTON (R-MI)**: "It is in the interest of good government to see program integrity strengthened, the program's operating parameters clarified, and the program's rules consistently enforced."
  — Comments in Press Release, March 24, 2015
- **REP. FRANK PALLONE (D-NJ)**: "Proper oversight of the 340B program is of paramount importance. [A] continued emphasis on program integrity will make the 340B program stronger now and in the coming years."
  — Comments at House Energy and Commerce Committee Hearing, March 24, 2015
- **DR. PETER BACH,** Memorial Sloan Kettering: "The 340B program was designed to help facilities that take care of impoverished patients and patients with limited means with low-cost drugs. And the program has shifted from that objective to one that is being used by many hospitals where a small fraction of their patients are poor in the hospital and then they are able to obtain drugs for outpatients who aren't necessarily poor."
  — Interview with *American Journal of Managed Care*, November 21, 2015
- **ANN MAXWELL,** Assistant Inspector General for Evaluation and Inspections, HHS: "More transparency is needed in both 340B ceiling prices and Medicaid claims for 340B-purchased drugs. OIG's work on the 340B program has consistently found that a lack of transparency in both 340B ceiling prices and Medicaid claims for 340B-purchased drugs has negatively affected 340B providers, State Medicaid programs, and drug manufacturers."
  — Testimony to Congress, March 24, 2015

The trajectory of the 340B program leads to higher costs and often hinders patients' access to care:

- **ECONOMISTS RENA CONTI AND MEREDITH ROSENTHAL**: "Lawmakers could lower the price of prescription drugs by reforming the federal 340B Drug Pricing Program. […]The scope of the 340B program is currently so vast for drugs that are commonly infused or injected into patients by physicians that their prices are probably driven up for all consumers."
  — *New England Journal of Medicine*, February 25, 2016.
- **U.S. GOVERNMENT ACCOUNTABILITY OFFICE**: "[T]here is a financial incentive at hospitals participating in the 340B program to prescribe more drugs or more expensive drugs to Medicare beneficiaries. Unnecessary spending has negative implications, not just for the Medicare program, but for Medicare beneficiaries as well, who would be financially liable for larger copayments as a result of receiving more drugs or more expensive drugs."
  — U.S. GAO Report, "Medicare Part B Drugs: Action Needed to Reduce Financial Incentives to Prescribe 340B Drugs at Participating Hospitals," July 5, 2015
- **ECONOMIST RENA CONTI,** University of Chicago: "[A]s currently structured … the financial benefits of the 340B discounts are accruing almost entirely tohospitals, clinics, and physicians; and patients' out-of-pocket costs and total cost of care are being increased."
  — "Cost Consequences of the 340B Program," JAMA, May 15, 2013

The trajectory of the 340B program leads to higher costs and often hinders patients' access to care (cont.):

- **PROFESSOR STEPHEN PARENTE,** University of Minnesota Medical Industry Leadership Institute: In its current form, the 340B program "arbitrarily lines hospital and pharmacy bottom lines, without improving patient care or physician access. It makes it difficult for local, smaller entities, particularly physicians with their own practices, to compete, since they cannot qualify for the 340B program on their own. And, in increasing numbers, this is leading to hospital acquisition and absorption of independent physician practices, causing the closure of community cancer clinics across the country. In the end, this policy will ultimately end up increasing health care costs for everyone, as patients are shifted from cheaper, community based care to more expensive hospital settings and unnecessarily prescribed the most expensive drugs so 340B facilities capture the largest profits."
  — Working paper, "Unprecedented Growth, Questionable Policy: The 340B Drug Program," Winter 2014

The rapid expansion of contract pharmacies stands in contrast to the intent of the 340B program:

- **ECONOMIST ADAM FEIN**: "These 340B contract pharmacy shenanigans need to stop. Based on the OIG report, uninsured and indigent patients aren't benefiting from 340B drug discounts. Hospitals should stop hiding behind vague language about 'stretching scarce federal resources' and come clean about who really gains from 340B contract pharmacies."
  — "New OIG Report Confirms Our Worst Fears About 340B Contract Pharmacy Abuses," Drug Channels, February 14, 2014
- **STUART WRIGHT**, Deputy Inspector General for Evaluation and Inspections, HHS: "The use of contract pharmacies has increased rapidly over the past few years. Since 2010, the percentage of all covered entities that use contract pharmacies has risen from 10 percent to 22 percent. Moreover, the number of unique pharmacies serving as 340B contract pharmacies has grown by 770 percent, and the total number of contract pharmacy arrangements has grown by 1,245 percent."
  — Comments in Memorandum Report, February 4, 2014

Federal policy actions to address 340B challenges are needed:

- **SEN. CHUCK GRASSLEY (R-IA)**: "I strongly support safety net providers and the goal of the 340B program.'"
  — Letter to Senate Finance leadership urging a hearing on the 340B program, July 17, 2015
- **DEBORAH A. DRAPER**, GAO: "We believe the guidance needs to be clear as to who participates [in 340B.]"
  — Comments at House Energy and Commerce Committee Hearing, March 24, 2015