The Daily Dish

340B Gets a Gentleman's C

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Axios reports that "Safety net hospitals are marking up the cost of drugs they buy through the government's discount drug program by as much as 11 times the cost, according to a new report provided first to Axios by the Community Oncology Alliance (COA)." The discount drug program in question is the 340B Drug Pricing Program (340B). It requires prescription drug manufacturers participating in Medicaid to provide outpatient drugs at a reduced cost to so-called "covered entities" (CEs). The CEs can then resell the drugs at higher rates, ostensibly providing revenue to cover the cost of charity care.

That's the theory. In practice: "'This program has turned into literally an unbelievable cash cow,' said Ted Okon, executive director of the COA." That's putting it mildly. The program has exploded in scale in the aftermath of the Affordable Care Act, even though 340B is not effectively targeting the indigent and uninsured. As a result, participating hospitals provide less charitable care than non-participating hospitals, yet a driving reason for establishing the 340B Program was to enable charitable care

(Bonus aside: The Inflation Reduction Act drug provisions are only the most recent drug-pricing sin. The original sin of drug pricing is Medicaid Best Price, which requires that Medicaid be given the lowest price for which a drug is sold. Overnight, this eliminated the charitable donation of drugs to low-income patients, which would make the best price zero. 340B is the health policy proof that two wrongs don't make a right.)

Here's the good news. AAF's Jackson Hammond sizes up the challenges facing 340B and offers a number of solutions.

Step one is to legislate a purpose for the program. Hammond proposes "that a statutory purpose for 340B be constructed along the following guidelines:

1. Defined intent: What is the goal of the program?
2. Defined patient population: Whom is the program meant to serve?
3. Defined use: How are the savings CEs obtain through the program to be used?

An example following these guidelines might look like this: 'The intent of the 340B Program is to provide discounts on pharmaceutical drugs to hospitals that serve indigent populations, and the savings from these discounts shall be used to provide services to indigent patients.'"

Step two is to reform eligibility for the program: "The metric for determining an entity's eligibility for the program should be adjusted to ensure participating hospitals are primarily serving the targeted beneficiaries."

Step three is to give the Health Resources and Services Administration the authority it needs to effectively administer the program. For example, at present it cannot require hospitals to report the amount of funds they generate from the program or how those funds are spent.

Reform of 340B is long overdue and should be a priority for Congress.