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Benefits of the 340B Drug Discount Program

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BENEFITS OF THE 340B DRUG DISCOUNT PROGRAM

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ABSTRACT

Introduction: The 340B Drug Discount Program required drug manufacturers provide discounted outpatient drugs to healthcare organizations which serve vulnerable patient populations to allow these institutions to offer more services to more people. As the 340B program expanded, controversy has centered on which entities have benefited from the program. Many healthcare organizations sold 340B drugs to well-insured patients at full price, and thus have been financially rewarded. Amendments to the program have permitted 340B providers to utilize contract pharmacies to dispense 340B medication, which has furthered the debate over which stakeholders are benefiting from the program.

Purpose of the Study: The purpose of this study was to determine which stakeholders benefited because of the 340B Drug Discount Program, and what have been the drivers of recent changes to the program.

Methodology: This study utilized a literature review. One database aggregator and 6 academic databases were used to collect 70 total sources. These sources were reviewed and reduced to 39 sources which were used in the written research. Of these, 20 sources were used in the Results section.

Results: Research showed that 340B eligible entities and contract pharmacies have financially benefited from the 340B program. Patient benefit has been indirect, as qualified providers have expanded service offerings and increased access to healthcare services. Regulatory reform, as well as profit potential, have driven the expansion of 340B as more providers have expanded eligible service lines.

Discussion/Conclusion: The 340B program has realized its purpose in allowing healthcare organizations serving vulnerable populations to expand access opportunities to these patient populations through increased capacity and expanded services. While the goal of the 340B program has often been misconstrued, direct financial benefits to eligible providers have allowed for this expansion of access.

OBJECTIVE

The purpose of this study was to determine which stakeholders benefited because of the 340B Drug Discount Program, and what have been the drivers of recent changes to the program.

HYPOTHESIS

This study hypothesized that the 340B Drug Discount Program provides direct positive financial benefit to eligible providers and an indirect benefit to vulnerable patient populations.

METHODS

The methodology for this study consisted of a qualitative literature review. Research articles and peer-reviewed literature were located using Marshall University's EbscoHost, CINAHL, ProQuest, and PubMed research databases.

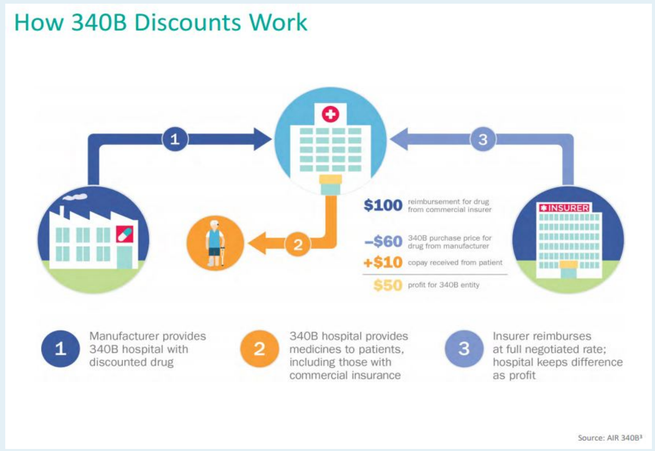
A professional presentation was also utilized as a source of research for vital data that contributed to the literature review. The information gained from these articles, websites, and presentation were used as the sources of primary and secondary materials.

BACKGROUND

As many as one-third of Americans living at or below 200% of the federal poverty level have struggled to afford even modest prescription drug expenses (Bright et al., 2010). The United States (U.S.) government created the Medicaid Rebate Program in 1990 to provide lower-income Americans with assistance with prescription drug expenses (340B Health, 2016). However, this law had the unintended consequence of incentivizing drug manufacturers to discontinue charitable discounts to safety-net providers to ensure that average prices were kept high for purposes of establishing Medicaid rebate rates (von Oehsen, Doggett, & Davis, 2012). Thus, in 1992 Congress created the 340B Drug Discount Program (hereinafter 340B) as part of the Veterans Health Care Act of 1992 (Baer, 2015).

340B mandated that drug manufacturers provide discounted outpatient drugs to certain healthcare organizations which provided services to vulnerable patient populations (42 U.S.C.S. 256b, 2015). These "covered entities" had to either receive money from federal grants or be included in one of six categories of hospitals, the most common of which was called a Disproportionate Share Hospital (DSH), meaning that it served a disproportionate share of the vulnerable patient population (340B Health, 2016). The stated purpose of the program has been to allow healthcare providers to stretch federal resources so that these providers could offer more services to more patients (Mulcahy, Armstrong, Lewis, & Mattke, 2014).

RESULTS



Impact of 340B on Providers

- Considering outpatient prescription medicine caters towards a significant number of conditions that affect the low-income populations Due to the variability in the type of outpatient drugs and their importance regarding curing common illnesses among low-income people, the amount of discount on eligible drugs has remained between 20% and 30% (Mascardo, Spading & Abramowtiz, 2012).
- Hospitals and large healthcare organizations such as Fenway Community Health Center, Inc. in Massachusetts, and Cedars-Sinai Medical Center in California, have reported discounts between 30% and 50% (Community Oncology Alliance, 2014).

- **Impact of 340B on Contract Pharmacies**
  - Contract pharmacies are no longer required to have a specific geographical relationship with a health organization (Eagle et al., 2013).
  - The move has significantly contributed to the growth of the program by increasing the number of different pharmacies serving as contract pharmacies by over 200% between 2010 and 2017 (HRSA, 2017).
  - In 2014, Walgreens made up 38% of all contract pharmacy arrangements in the 340B program as over 70% of the chain's locations participated in at least one contract pharmacy arrangement (340B Reform, 2014).
- **Impact of 340B on Patients**
  - Both insured and uninsured patients at an eligible 340B entity can be treated with deeply discounted drugs under the 340B program. These discounts have ranged from 30% - 50% off the drug's list price though these cuts were not necessarily directly passed on to the patient (Conti & Bach, 2014).
  - The program has also improved access to medications used to treat chronic conditions such as diabetes and asthma among the indigent (340B Informed, 2016).
  - The management of such chronic conditions cost an average of $3,000 per patient annually that has created a financial burden on patients (Centers for Disease Control and Prevention, 2015). This reference matches the references section.
- **Health Reform and Medicaid Expansion**
  - The primary driver of overall growth in the 340B program has been health reform due to the implementation of the PPACA which expanded Medicaid eligibility.
- **Organic Growth of the 340B Program**
  - Through the expansion of services, hospitals have driven organic growth in 340B through increased volumes that would qualify for 340B savings (Traynor, 2014).
  - Duke University reported having generated profits of $282 million for drugs under the 340B program by increasing its locations over a 5-year period (Conti & Bach, 2014).

CONCLUSIONS AND RECOMENDATION

This study concerned a timely topic that is a vital importance to many hospitals and other 340B covered entities. Many healthcare organizations rely on 340B profits to subsidize their budget, allowing them to expand and increase services to vulnerable populations. It is critically important that the ongoing debate over the 340B program consider the original purpose of the program and the myriad of ways vulnerable populations are benefiting from the program.

As 340B has continued to expand, political advocacy has been successful in creating controversy over the direct financial benefit that healthcare providers and contract pharmacies have realized because of the program. However, vulnerable and underserved patient populations have also benefited in the form of expanded services and increased access to healthcare. This type of benefit, while indirect, has fulfilled the intent of the 340B program at its inception.

Thank You, Dr. Avinandan Mukherjee
Dean, Lewis College of Business