

340B: THE UNINTENTIONAL PROFIT STREAM THAT WAS SUPPOSED TO HELP PATIENTS

The 340B Drug Pricing Program was designed to help vulnerable patients improve access to their medicines through manufacturer discounts to specific safety-net, non-profit hospitals and federally funded clinics. Unfortunately, the program has strayed far from its purpose, with more and more for-profit health care entities using these discounts for themselves. Today, it has become less about patients and more about boosting the bottom lines of hospitals, for-profit pharmacies, middlemen and more. At this point, it seems that patients are the only ones not benefiting from the billions of dollars in discounts manufacturers provide each year to fund the 340B program.

\$ MANUFACTURERS

The 340B program is entirely funded by the **biopharmaceutical industry**. Manufacturers continue to provide tens of billions of dollars in discounts each year that seem to never reach patients.

\$ COVERED ENTITIES

Providers, like specified hospitals or clinics that meet criteria under the law, are eligible to join the program and are then referred to as a "covered entity." These covered entities may **claim steep discounts – averaging 59% – on outpatient medicines** dispensed to their qualifying patients, including those with private insurance.

\$ PHARMACY BENEFIT MANAGERS/INSURERS

Through common ownership or affiliations with contract pharmacies, these middlemen have negotiating power over covered entities and **are often positioned to benefit from 340B themselves** while also administering the pharmacy benefit on behalf of health plans.

\$ THIRD-PARTY ADMINISTRATORS/ DATA VENDORS

These private companies have developed software to help pharmacies identify 340B claims and keep track of inventory. They also help covered entities with general program compliance. In return, they **get a piece of the 340B revenue pharmacies and hospitals collect**, which gives them a volume-driven incentive to identify as many 340B claims as possible.

\$ CONTRACT PHARMACIES

The government issued guidance allowing hospitals and grantees to enter into contracts with outside pharmacies to dispense retail 340B medicines. These pharmacies **can share in 340B revenues with no strings attached** – including charging an uninsured individual the full cost of the medicine – greatly benefitting these pharmacies and covered entities financially.

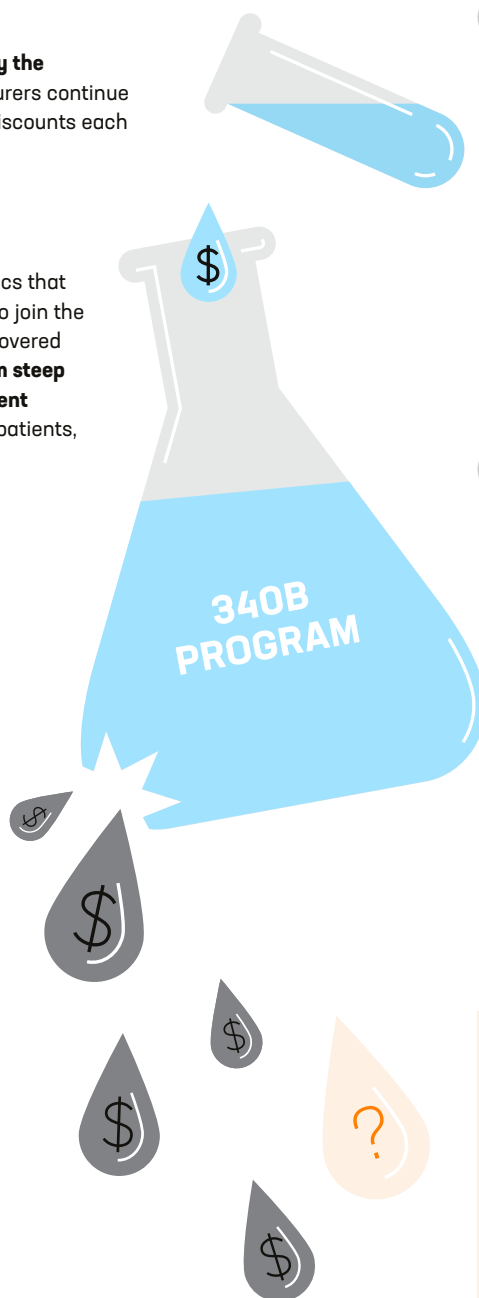
\$ WHOLESALERS

Wholesalers charge fees to maintain the supply chain of medicines and fulfillment of orders from manufacturers to covered entities and their external contract pharmacies, ensuring that covered entities only pay the 340B discounted price for medicines. Wholesalers are able to **earn additional revenue for this role in the 340B program**. Some wholesalers may also offer proprietary inventory management software and consulting services to help covered entities with program compliance.

PATIENTS

Where do patients fit into this cash cow of a program? Well, they often don't.

It's clear 340B has become less about patients and more about boosting the bottom lines of other entities in the health care supply chain.



Far too many entities in our health care system are siphoning money out of 340B and away from vulnerable patients. This is not what Congress intended when it created the program three decades ago. We need to fix the 340B program so it more directly helps patients.