Weekly Checkup

Better 340B-elieve It

JACKSON HAMMOND | SEPTEMBER 29, 2023

The 340B Drug Pricing Program is always of interest, and this week a new report emerged about the program's growth in 2022. **Adam Fein of Drug Channels Institute has obtained records from the Health Resources and Services Administration (HRSA) on the 340B Program's growth last year, with some surprising details. Let's dive in and explore the data.**

As regular Weekly Checkup readers know, 340B is a government program administered by HRSA wherein pharmaceutical manufacturers give discounts to qualifying hospitals and other covered entities (CEs) as a requirement of participation in Medicare, Medicaid, and the Veterans Administration programs. **Hospitals can then sell these drugs at prices above the discount to patients, and in theory are supposed to use the profits to "stretch scarce Federal resources as far as possible, reaching more eligible patients and providing more comprehensive services." In practice, many questions remain about just how much patients are actually benefiting from the 340B Program.** In 2022, HRSA documents show that the purchases through wholesalers (HRSA data does not include direct manufacturer sales) at discounted prices totaled $53.7 billion. That's a 22.3 percent increase over 2021, where discounted purchases totaled $43.9 billion. It should be noted that the wholesale acquisition cost (WAC, or list price) of these 340B drugs was $106 billion in 2022 – meaning CEs received a total discount of more than 50 percent. The total savings, $52.3 billion, are $2.6 billion higher than the 2021 savings on list price.

The discount growth is merely the continuation of a trend. As Fein notes, from 2015–2022 the compound average growth rate of 340B discounted purchases was 23.6 percent, while manufacturers' net drug sales only grew at an average annual rate of 3.6 percent (excluding COVID-19 vaccines). Last year's changes in brand-name list prices also grew less than inflation. What these two factors mean is that 340B drug sales outpaced price increases and sales increases. **Fein also estimates the total value of gross-to-net reductions (i.e., rebates and other discounts to all payers) in 2022 at $256 billion, meaning over 20 percent of the total discounts in the United States were the result of the 340B Program.**

Readers may also recall the legal fight that began in 2020 when some drug manufacturers refused to offer 340B discounts to an unlimited number of contract pharmacies because of concerns around duplicate discounts between the 340B and Medicaid programs. The Third Circuit sided with drug manufacturers, and 340B advocates claimed the restrictions by companies threatened $8.4 billion in 340B hospital funding. HRSA disagreed: The agency calculated that in 2022, "$470 million of the total amount were purchases above the 340B ceiling price due to manufacturers restricting a covered entity's ability to obtain the 340B discount when the entity dispensed the drug through a pharmacy under contract with the entity," meaning that hospitals seem to have "miscalculated" the actual amount lost by almost 95 percent. Some other fun facts in this report: **Hospitals accounted for 86.5 percent of total 340B discounted purchases, and every single type of CE experienced double-digit growth in total purchases compared to 2021, demonstrating a rapidly expanding program.**

This author has spilled a lot of ink over the 340B Program, and will likely continue to spill more. This program has grown astronomically larger than Congress intended, and there has been little evidence of benefit to patients – in fact, there is evidence that the program increases both drug prices and hospital consolidation. **The 340B Program is in serious need of reform. Congress has only just begun working on it, so there is much more to be done.**