



Weekly Checkup

The 340B Drug Discount Program Needs a Facelift

CHRISTOPHER HOLT | JULY 13, 2018

This week the 340B Drug Discount Program has been in the news. First, Health and Human Services Secretary Alex Azar addressed the 340B Coalition on the topic of drug prices in what organizers described as a “frank” speech. Then on Thursday the House Energy and Commerce Health Subcommittee held a hearing examining abuse in the program and potential legislative reforms. Also this week came [news](#) that the Trump Administration will expand its efforts to return the program to its original intent through additional rulemaking.

Readers of the Weekly Checkup are likely familiar with the basics of the 340B Program, its history, and the controversies surrounding it, so let’s stick to the thirty-thousand-foot review of the program (those looking for a deeper dive can check out AAF’s [primer](#) on the program). The program exists because, in the early 1990s, the Medicaid “[best price](#)” program (requiring Medicaid receive the best price on drugs) had a chilling effect on charitable discounts that pharmaceutical manufactures gave to various clinics and hospitals that provided disproportionate levels of uncompensated care. The 340B Program, in response, requires drug manufacturers to give significant discounts to hospitals and their affiliated clinics that provide a lot of uncompensated care. In other words, government action had negative, unintended downstream effects, for which the obvious solution was...more government action. This “fix” has worked out about how you would expect.

While the program was relatively constrained in its first decade, it has been expanded a number of times in recent years, most notably as part of the Affordable Care Act (ACA). As AAF’s Tara O’Neill Hayes notes in her [analysis](#) of how the 340B Program distorts the pharmaceutical marketplace, there were more than 42,000 340B sites as of November 2017, and “the overall share of outpatient brand-name drugs purchased under 340B has reached nearly 8 percent this year, up from 5.4 percent in 2012. Sales under the program have grown at average annual rate of 31 percent since 2013 and reached an estimated \$16.2 billion in 2016.” This increase in eligible entities laying claim to discounted prices has, coincidentally, coincided with a precipitous drop in the number of uninsured Americans. Put another way, the program is expanding, while the need it was intended to address is shrinking. Instead, the 340B Program has become a cash cow for medical facilities, providing hospitals steep discounts to drugs that they can then pocket as profit, feeding its continued expansion.

AAF has suggested a number of [potential reforms](#) to the program aimed at returning it to its original purpose, and a number of the proposals discussed at Thursday’s E&C hearing would be positive steps in that direction. Additionally, the news that the administration will expand upon its past rulemaking—explained in [this AAF analysis](#)—is encouraging. For many years, efforts to reform this ever-expanding program were tantamount to shouting into the void, but perhaps we are finally turning a corner.

From Team Health

[How a Trade War with China Will Impact U.S. Health Care Costs](#) – Director of Trade and Immigration Policy

Jackie Varas and Team Health's Tara O'Neill Hayes examine how the new tariffs will impact health care costs, and particularly the costs of medical goods.

[The Legislative Response to the Nation's Opioid Crisis](#) – Tara O'Neill Hayes explains the different policies that Congress is considering for fighting the opioid crisis.

Intriguing Innovations

[New York Times](#) – Swift Gene-Editing Method May Revolutionize Treatments for Cancer and Infectious Diseases

[Modern Healthcare](#) – Wearable heart monitors reveal otherwise undetected atrial fibrillation

Worth a Look

[Health Affairs](#) – Interruptions In Private Health Insurance And Outcomes In Adults With Type 1 Diabetes: A Longitudinal Study

[Axios](#) – The big warning in the Kentucky Medicaid decision