

DEBUNKING PHARMA'S MYTHS REGARDING THE 340B DRUG PRICING PROGRAM

Pharma and the "interest" groups they finance are on a campaign to persuade the American people that that the 340B program, a vital safety net program which costs taxpayers nothing (the savings in 340B come from discounted drug prices from Pharma) is an out of control boondoggle which is being abused by nonprofit hospitals and public safety net medical providers.

Pharma is wrong – 340B works exactly as Congress intended, and must not be changed just to appease Pharma greed. Here are just some of the myths about 340B propagated by Pharma:

MYTH: The continuing growth in the 340B program is not sustainable.

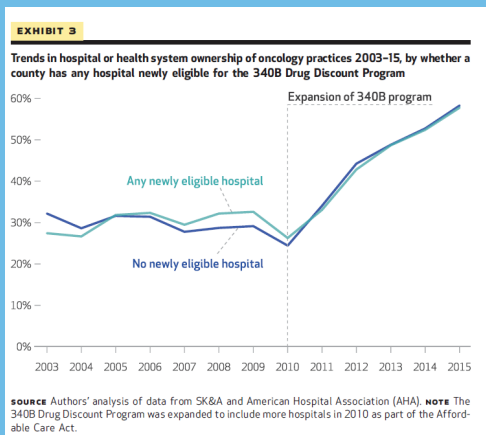
FACT

A condition of Pharma gaining access to the \$33.4 billion Medicaid drug market is that they agree participate in the 340B program. As long as pharma wants access to that \$33.4 billion market, they will participate in the 340B program, which will continue well into the future.

MYTH: 340B is incentivizing industry consolidation, driving up prices.

FACT

While the health care industry is consolidating, it is consolidating everywhere, even in places without 340B (think the merger of CVS and Aetna). While pharma likes to use hospital purchases of oncology practices as its prime example, hospital/oncology acquisitions with 340B are occurring at the same rate as hospital/oncology practices without 340B:



Evaluating The Role Of Payment Policy In Driving Vertical Integration In The Oncology Market, Health Affairs 36, No. 4 (2017), 680-688

MYTH: Congress did not clearly identify the intent of the 340B program, thereby allowing nonprofit entities to abuse it.

FACT

The intent of the 340B program is stated quite clearly in its legislative history. The purpose of 340B is to give safety net providers relief from high drug prices, so they have the resources to provide more and better services to their clients:

In giving these 'covered entities' access to price reductions the committee intends to enable these entities to stretch scarce federal resources as far as possible, reaching more eligible patients and providing more comprehensive services.

Further, the 340B law clearly anticipates that prescriptions could and would be reimbursed by insurers like Medicaid, because there is specific language dealing with how 340B entities should bill Medicaid. See 42 U.S.C. Section 256b(a)(5).

MYTH: 340B has experienced out of control, exponential expansion.

FACT

Congress intentionally expanded the program, with the full knowledge and tacit approval of the drug industry. In 2010, as part of the Affordable Care Act, Congress increased the number and types of nonprofit hospitals that can participate. The growth in the 340B program was intended, and was completely expected.

The drug companies actively pushed for ACA because they knew that, between Medicaid expansion and the individual mandate, they would have a payer source for their drugs for tens of millions of new people. They have made out like bandits:

Since 2010, Medicaid drug sales have now increased by \$13 billion per year

Since 2010, total drug company sales have now increased by over \$85 billion per year

By contrast, 340B discounts have grown by a much more modest amount. While total 340B sales have increased, the discounts offered on those 340B drugs (i.e., the amount that Covered Entities would have paid in the absence of the 340B Program) was far less than pharma asserts. In 2015, the total discounts for 340B drugs increased by only \$2 billion from 2010.

Largely due to ACA, pharma gets an extra \$85 billion per year, and gives up very little. And now they want to renege on that!

For more information visit: Let340B.org

1. 42 U.S.C. Section 256b.

2. H.R. Rep. 102-384, Pt. 2 (1992)

3. See 42 U.S.C. 256b(a)(4)(M)-(O)

4. Data from <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsHistorical.html>.

5. Data from <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsHistorical.html>.

6. Assessing the Financial Impact of the 340B Drug Pricing Program on Drug Manufacturers, Dobson DaVanzo, July 2017, available at https://www.340bhealth.org/files/340B_Financial_Impact_7_17.pdf.