

## Rural Hospitals' Experience with the 340B Drug Pricing Program

### OVERVIEW

The 340B Drug Pricing Program (hereafter referred to as the 340B program) enables certain types of safety net organizations to obtain deep discounts on medications delivered during outpatient care, at prices below what is typically offered to Medicaid agencies. Prior to the 2003 Medicare Modernization Act (MMA), few rural hospitals qualified for the 340B program, but the MMA revised eligibility criteria, thereby making more rural hospitals eligible to participate. However, as of April 2006, more than half of eligible rural hospitals were not participating. To understand rural hospital Pharmacy Directors' perspectives on the 340B program—including the specific program features that presented challenges to participation as well as benefits of participation—two surveys were conducted, one of rural hospitals eligible for the program but not participating, and the other focusing on participating hospitals.

### KEY FINDINGS

The 340B program allows qualifying rural hospitals to buy outpatient drugs at reduced prices and benefit from cost savings. The savings attributed to this program are especially important for safety net organizations such as rural hospitals because they provide healthcare services to low income and other vulnerable populations who otherwise may not be able to afford care. However, awareness of the 340B program among rural hospitals is still somewhat limited and many eligible hospitals are not taking advantage of the discounted drug prices and potential cost savings. Key findings for our study include the following:

### Awareness of Program and Support Services

- Over half of non-participating hospital respondents were not aware of their hospital's eligibility for the 340B program.
- Despite availability of federal resources for technical assistance (TA), almost three-quarters of non-participating hospitals reported a need for TA but had not requested any.
- Many respondents are unaware that there are resources available for information and technical support.

### Factors Affecting Participation

- One of the most important factors influencing participation was expected cost savings.
- Participating rural hospitals were larger and were more likely to administer high cost drugs than non-participating hospitals.

### Benefits and Challenges to Participation

- Program participation required extra resources such as staff time, but many of the implementation issues appear to diminish over time.
- Many respondents are concerned with the regulatory and operational details of administering the program.
- Median monthly savings on total outpatient drugs of hospitals surveyed is \$10,000, and the median savings as a percentage of pharmacy budget is 25%. Reported savings range from about \$600 per month in one hospital to \$158,000 per month in another hospital.
- Almost all respondents (96%) reported being satisfied with the level of savings achieved.

## 340B Drug Pricing Program Sources of Technical Assistance

**HRSA OPA PharmTA.** The HRSA OPA Pharmacy Technical Assistance Initiative, called OPA PharmTA, offers entities an opportunity for pharmacy technical assistance via a team of consultants with expertise in 340B implementation and clinical pharmacy services. This government-supported, free-of-charge technical assistance program for entities is managed through the Pharmacy Services Support Center (PSSC). Services and information may assist in the design and implementation of in-house pharmacies utilizing the 340B and prime vendor programs, the implementation of contracted pharmacy arrangements, formulary development, pharmacy computer software selection and integration, and other issues. To submit a request for technical assistance, send an e-mail to [pscc@aphanet.org](mailto:pscc@aphanet.org) or call 800-628-6297.

The independent organization, Safety Net Hospital for Pharmaceutical Access (SNHPA—formerly Public Hospital Pharmacy Coalition), holds regular events, such as discussions, workshops, and presentations, to help monitor, educate, and serve as an advocate on federal legislative and regulatory issues related to drug pricing and other pharmacy matters affecting safety-net providers. <http://www.safetynetrx.org/public/index.cfm>

## STUDY RESULTS

*Respondents from Over Half of Eligible but Non-Participating Hospitals are Not Aware of Eligibility for the 340B Drug Pricing Program*

For eligible but non-participating hospitals, over half of respondents indicated that they were not aware that their hospital was eligible to participate. Those who did know of program eligibility most often learned about their eligibility status from their hospital's senior administrators or corporate offices and wholesalers/drug representatives. Pharmacy directors obtained further information about the program from colleagues and pharmacy staff from other hospitals, their senior administrators or corporate office, or their group purchasing organization (GPO).

Most respondents who knew their hospital was eligible to participate reported a need for technical assistance, including help with: record-keeping and tracking, understanding 340B drug pricing, and completing cost benefit analyses. Even though technical assistance was needed, most respondents had yet to seek any. Most of these respondents indicated they were still considering whether or not to participate. They did, however, identify six factors that would play a very important role in their final decision regarding participation. These factors were: 1) expected cost savings, 2) record keeping requirements, 3) demands on staff time, 4) inventory maintenance, 5) utilization of high cost drugs, and 6) concern about GPO discount.

Participating hospitals had higher annual revenue and reported more pharmacy staff and a greater volume of outpatient services such as ambulatory or day surgery, emergency department visits, and home health care than eligible but non-participating hospitals. Participating hospitals were also more likely to administer high-cost drugs such as Aranesp® or Epogen® (drugs used in the treatment of anemia in patients with chronic renal failure on dialysis) and chemotherapy medications. Because respondents from hospitals of different sizes and with different characteristics reported participating successfully, it is likely that the variation in participation rates is due to a variety of factors. Larger hospitals may have more avenues for learning about the program (e.g., more likely to have corporate offices), they may have more resources—financial, staff, and expertise—with which to undertake the application and enrollment process, or they may perceive that higher benefits are likely to accrue from participation.

*Participating Hospitals Are Larger and Are More Likely to Administer High Cost Drugs than Eligible but Non-Participating Hospitals*

## STUDY RESULTS (Continued)

While the most common complaint noted by respondents from participating hospitals was the amount of time it took to separately track inpatient and outpatient drugs, most were able to resolve the issue during implementation and only one-third of those currently enrolled still find it a problem. Almost half indicated that initially they did not have sufficient personnel to administer the 340B program but the problem lessened after the implementation period.

To resolve the challenge of maintaining separate records for Medicaid and 340B drugs—a problem for 36 percent of the

*Implementation Issues Appear to Diminish Over Time for Participating Hospitals*

hospitals participating in the 340B program—several hospitals created separate accounts for Medicaid patients. Participation in the 340B program required extra resources, notably staff time and, in some cases, new computer software.

### Challenges in implementation and administration of the 340B program (N=92)

	Big/moderate problem when implementing (%)	Remains a problem (%)
Maintaining separate records for inpatient/ outpatient drugs	61	34
Having sufficient personnel to administer the program	49	27
Maintaining separate records for Medicaid/340B drugs	36	17
Issues with the vendor that you purchase drugs from	19	13

*Almost All Pharmacy Directors from Participating Hospitals Reported Satisfaction with Savings*

Pharmacy directors at participating hospitals were asked to report their savings—the difference between the price paid by participants and the price participants would have paid in the absence of the 340B drug discount—either as actual dollars or a percentage of the hospital pharmacy budget. Respondents reported average actual dollar savings of approximately \$19,700 per month on total outpatient drugs, with a minimum of \$600 per month and a maximum of \$158,000 per month. For those who reported based on percent of budget

saved, the average savings was 24 percent of the pharmacy budget.

Entities participating in the program are free to allocate cost savings however they would like. Savings from purchasing discounted outpatient drugs have been used to offset losses from providing pharmacy services (71%), increase and/or improve services at the hospital (51%), offset losses in other departments (41%), reduce medication prices to the patient (27%), and increase the quantity and/or variety of drugs available (16%). Almost all (96 %) of the rural hospital pharmacy directors were satisfied with the discounts they received through the program.

### Pharmacy Savings per Month, Dollar Amount (N=71)

	Dollar
Mean	\$ 19,688
25th Percentile	\$ 3,500
50th Percentile (Median)	\$ 10,000
75th Percentile	\$ 27,083

## 340B Prime Vendor Provides Access to Even Greater Savings

**In addition to the cost savings available through the 340B Program, the 340B Prime Vendor Program (PVP) provides additional savings to HRSA grantees and other eligible safety net providers. The mission of the PVP is to improve access to affordable medications for all 340B covered entities. The program currently provides access to 340B sub-ceiling prices for approximately 3,000 drug products, access to multiple wholesale distributors at favorable rates, and access to other related value added products. The PVP is continuously expanding the current portfolio of 340B sub-ceiling price products and securing sub-ceiling prices on branded products. The PVP is free and voluntary to all 340B covered entities.**

## STUDY METHODS

The NORC Walsh Center for Rural Health Analysis and the North Carolina Rural Health Research & Policy Analysis Center developed two survey instruments: one targeted rural participating hospitals, and the other targeted rural eligible but non-participating hospitals. From HRSA OPA's Disproportionate Share Hospitals & Their Disproportionate Share Adjustment Percentages spreadsheet and Covered Entity Data Extract, 150 rural hospitals were identified as participating in the 340B program, and 240 rural hospitals were identified as eligible but not participating in the program. Data from the OPA's files were linked to Medicare cost report data to identify key hospital characteristics. The surveys were pilot tested through phone interviews with administrative staff at 20 hospitals in the sampling frame and questions were revised accordingly. In May and June 2006, the self-administered mail surveys, along with a cover letter and pre-paid return envelope, were sent to the rural hospitals, addressed to the respective pharmacy directors. The final response rate for hospitals eligible but not participating in the 340B program was 39%; the final response rate for hospitals participating in the 340B program was 71%.

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