NYS COMMUNITY HEALTH CENTERS FACTS 2024

COMMUNITY HEALTH CARE ASSOCIATION of New York State
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The Federal 340B Drug Discount Program

Established by Congress in 1992, the federal 340B drug discount program allows safety net providers like community health centers (CHCs), also known as "covered entities," to purchase pharmaceutical drugs at steep discounts to enhance their ability to "stretch scarce federal resources," at no cost to the federal or state government. As required by the Health Resources and Services Administration (HRSA), health centers reinvest 340B savings to expand access to care.

340B Savings Advance Health Equity

CHCs rely on 340B to create and expand unfunded and underfunded programs that meet the needs of their communities. These efforts include subsidizing high-cost drugs for the uninsured and underinsured, expanding dental care and behavioral health care, establishing school-based health centers, and providing social care supports like housing, transportation vouchers, and food. The programs depend on the discounts that pharmaceutical manufacturers are required to provide through the 340B program at no cost to the state.

As of April 1, 2023, NY Medicaid members enrolled in managed care plans receive their pharmacy benefits through Medicaid fee-for-service. This means that the Department of Health now manages the Medicaid pharmacy program, eliminating CHCs' 340B savings in Medicaid. Yet CHCs remain able to utilize the federal 340B discount drug program to purchase discounted drugs and obtain 340B savings from drugs dispensed to those with commercial insurance and Medicare. 340B savings are reinvested into programs that benefit the vulnerable populations that CHCs serve.

Shrinking 340B & Discriminatory Practices

In 2020, pharmaceutical manufacturers began denying or restricting access to 340B discount prices, severely reducing CHCs' 340B savings. Some pharmaceutical manufacturers have even instituted new policies prohibiting CHCs from receiving 340B-priced drugs at multiple contract pharmacies. This limits access to low-cost drugs. In NY, 95% of CHCs utilize contract pharmacies, and, on average, CHCs contract with 20 pharmacies to ensure access for their patients. Pharmaceutical benefit managers (PBMs) often impose restrictive contracting terms exclusively towards 340B covered entities, diverting savings from safety net providers to line PBM pockets.

Solution: 340B Prescription Drug Anti-Discrimination Act

Legislative action is needed to protect the integrity of the 340B program and CHCs' 340B savings by:

- Prohibiting discriminatory restrictions that limit the dispensing of a drug or access to a drug by a contract pharmacy or covered entity;
- Creating a statutory obligation for pharmaceutical manufacturers to provide 340B priced drugs to contract pharmacies; and
- Authorizing DOH to impose civil monetary penalties for violations.

By protecting 340B savings, CHCs will maintain their rightful access to vital resources needed to provide and expand healthcare services that meet the needs of the vulnerable communities they serve at no cost to the state. Similar provisions have been enacted in Arkansas and Louisiana and withstood legal challenges, resulting in pharmaceutical manufacturers eliminating their restrictions on drug shipments to contract pharmacies in those states.

A Tale of Two Patients

Imagine two CHC patients who take the same heart drug. The drug's regular price is $100, and the 340B price is $70.

Ex #1: Patient 1 is uninsured and can only pay $10 for the drug. Even with the 340B discount, the CHC incurs a $60 shortfall.

Patient 2 has insurance, which normally reimburses $100 for this drug. If the insurance company reimburses the CHC the same as non-340B providers, it retains $30 in savings. The CHC reinvests the $30 to expand access to care like subsidizing the cost of drugs for Patient 1.

PBMs and other third parties are discriminating against CHCs to take the 340B savings (above, $30) for themselves. For example, if Patient 2's PBM learns their drug was purchased under 340B, it drops reimbursement from $100 to $70. The $30 savings is taken to boost the PBM's profits.

Ex #2: A pharmaceutical manufacturer is prohibiting CHCs from receiving the 340B-priced heart drug at multiple contract pharmacies.

Patient 1 who lives 1 hour away from the CHC will now have to travel a long way to obtain their medication instead of the 15-minute walk to the local pharmacy. But Patient 1 doesn't always time or access to transportation, and risks not getting their medications on time.