

**Recommendation: Address channel distortions from the 340B Drug Pricing Program**

- **Require that covered entities share financial savings from the 340B program with uninsured and vulnerable patients.** We estimate that hospitals now receive 340B discounts on nearly half of their drug purchases. The limited available evidence suggests that 340B savings are not always shared with patients and their insurance providers, including Medicare.
- **Revise hospital eligibility for the 340B program to create a clearer patient definition.** The program should target benefits towards needy patients and true safety-net providers.
- **Remove incentives for extraordinary hospital profits and site-of-care consolidations.** Hospital outpatient facilities earn tremendous profits from spreads between reimbursements and acquisition costs. To payers, enormous hospital markups make drug prices look much higher than they really are. When buying at 340B prices, hospitals can earn thousands of dollars more from a drug than the drug's manufacturer earns. Hospitals' extraordinary profits are partly responsible for hospitals' acquisitions of oncology practices. These acquisitions have shifted care from lower-cost community practices to higher-cost hospital outpatient departments.
- **Require HRSA and Apexus (the Prime Vendor) to report the size and scope of the 340B program.** For example, data on annual purchases are disclosed inconsistently—or not at all—to the public.
- **Mandate that contract pharmacies for 340B hospitals charge no more than the discounted 340B price to uninsured, underinsured, and vulnerable patients.** Nearly one of every four retail, mail, and specialty pharmacies now acts as a contract pharmacy for hospitals and other healthcare providers that participate in the federal 340B Drug Pricing Program.
- **Require contract pharmacies to identify 340B prescriptions at the time of adjudication (payer prescription approval).** Manufacturers cannot identify 340B prescriptions dispensed by contract pharmacies. Manufacturers therefore offer smaller formulary rebates to Part D plans and commercial payers so as to offset potential double-dipping on these claims.
- **Require the disclosure of and transparency into the fees and profits generated by 340B contract pharmacies.** Six retail chains—Walgreens, Walmart, CVS, Rite Aid, Kroger, and Albertsons—account for two-thirds of the 18,000 340B contract pharmacies. Require that fees be based on existing CMS fair market value standards.
- **Limit the number and geographic scope of contract pharmacy arrangements.** Some 340B covered entities operate unusually large networks of more than 200 contract pharmacies. Smaller, more controlled networks will ensure that only eligible patients use the pharmacy.

**Background Materials**

- [Challenges for Managed Care from 340B Contract Pharmacies](#), *Journal of Managed Care & Specialty Pharmacy*, March 2016
- [Latest Data Show That Hospitals Are Still Specialty Drug Profiteers](#), *Drug Channels*, April 4, 2017
- [Six Retail Chains Now Dominate the Still-Booming 340B Contract Pharmacy Business](#), *Drug Channels*, August 10, 2016