



## 340B – PBM Perspective

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# What is the 340B program?

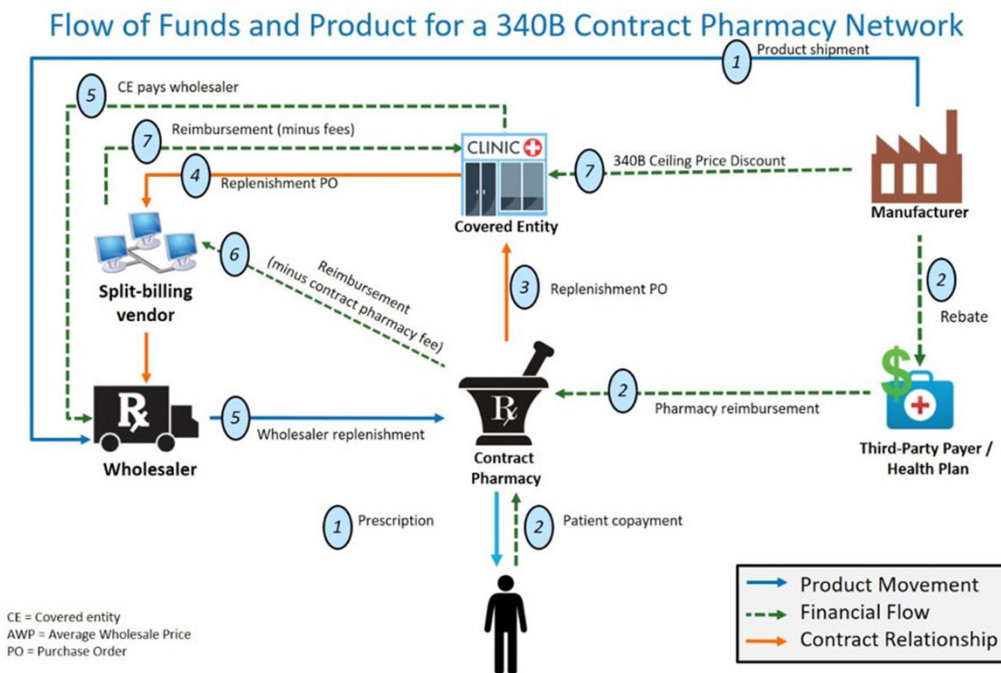


- **Purpose:** To enable certain providers serving the nation’s most vulnerable patient populations, called “**covered entities**”, *“to stretch scarce federal resources as far as possible, reaching more eligible patients and providing more comprehensive services.”*
  - Started in 1992, Congress extended to eligible providers (covered entities) the same relief from high drug costs that Congress provided to the Medicaid program with the Medicaid rebate law (1990).
- **Requirements:** Pharmaceutical manufacturers must enter into a pharmaceutical pricing agreement (PPA) with the HHS Secretary for their drugs to be covered by Medicaid and Medicare Part B.
  - Under the PPA, the manufacturer agrees to provide front-end discounts on covered outpatient drugs purchased by covered entities.

# Flow of Funds for a 340B Contract Pharmacy Network



## Contract Pharmacies Profit with 340B



Source: Drug Channels Institute research. This exhibit illustrates the most common arrangements between a 340B covered entity and its contract pharmacy. It is not intended to be a complete representation of every type of financial, product flow, or contractual relationship in the marketplace. This chart appears as Exhibit 168 in *The 2019 Economic Report on U.S. Pharmacies and Pharmacy Benefit Managers*, Drug Channels Institute. Available at <http://drugch.nl/pharmacy>

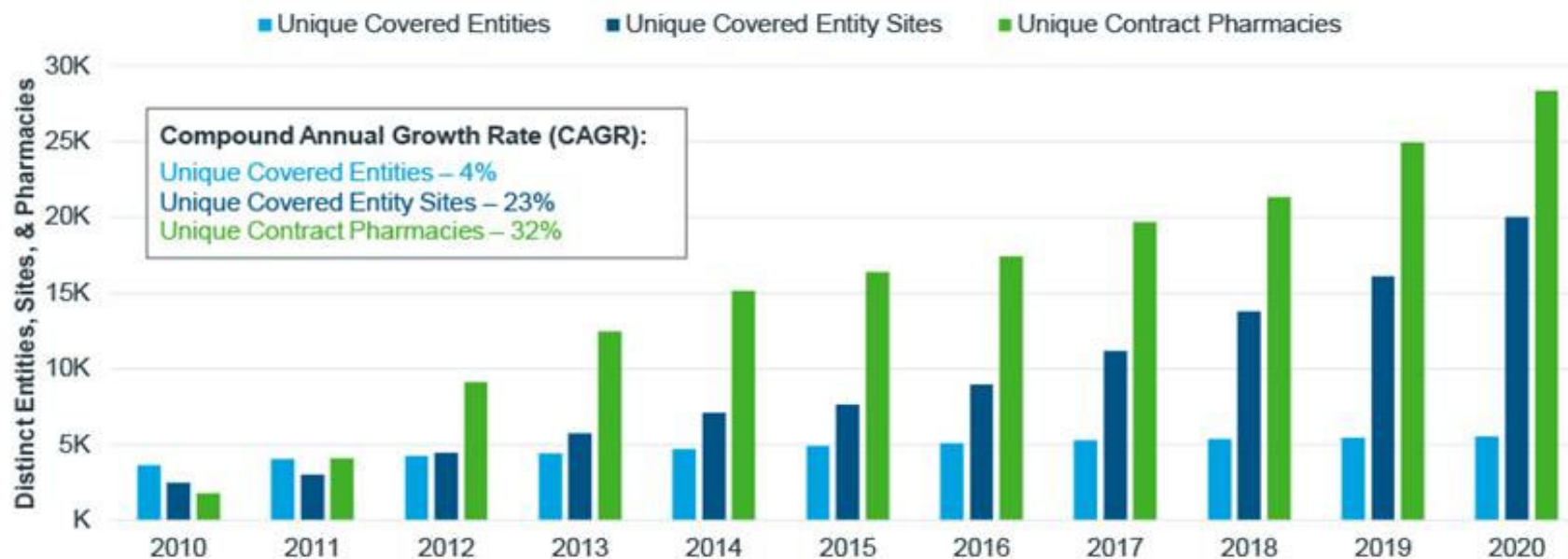


- 340B Covered Entities create own network with Contract Pharmacies
- Covered Entities purchase drug product at approx 70% of average wholesale price (AWP) and supply to Contract Pharmacy for dispensing
- PBMs reimburse Contract Pharmacies for 100% of drug AWP

# 340B Expansion



## CONTRACT PHARMACIES FUEL GROWTH

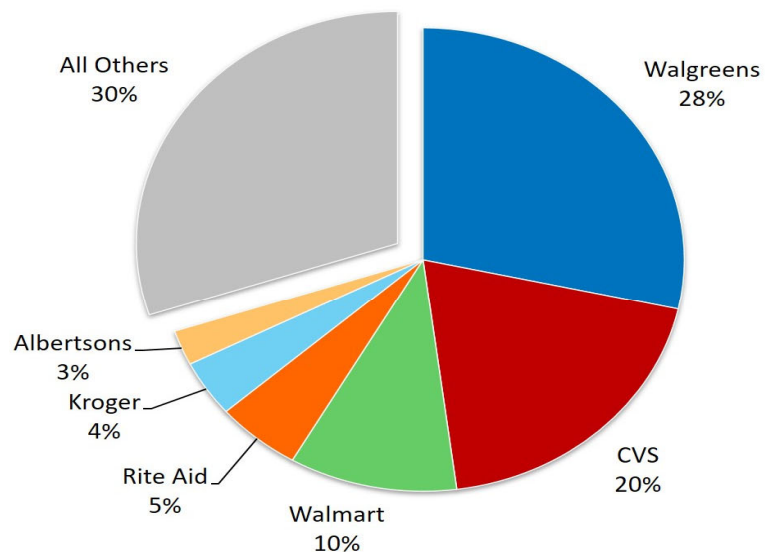


Source: IQVIA, "340B Drug Discount Program Growth Drivers," April 16, 2021, available at <https://www.iqvia.com/locations/united-states/blogs/2021/04/340b-drug-discount-program-growth-drivers>.

# 340B Expansion

## 340B Contract Pharmacy Locations, by Company, 2020

n = 27,928 pharmacy locations



Source: Drug Channels Institute analysis of OPA Daily Contract Pharmacy Database. Data show number of unique contract pharmacy locations as of July 1, 2020. Company totals are computed from combined banners (store names) in the database.

Published on *Drug Channels* ([www.DrugChannels.net](http://www.DrugChannels.net)) on July 14, 2020.

# Recent Federal Activity



## Litigation, Legislation, Agency Activity

### *American Hospital Association (AHA) v. Becerra*

- Focused on Medicare reimbursement rate paid for outpatient drugs and whether HHS singled out 340B covered entities.
- HHS traditionally set reimbursement rates for drugs based on the average sales price and applied it across all hospital groups. But the lawsuit said that practice changed in 2018 when HHS singled out 340B hospitals, the lawsuit argues.
- HHS has argued it has broad statutory authority to adjust drug payments.

### *H.R. 5463 – Drug Pricing Transparency and Accountability Act*

### **Human Resources and Services Administration (HRSA) and Manufacturers**

- On May 17, 2021, the HRSA sent letters to six pharmaceutical manufacturers stating that their policies placed restrictions on 340B Program pricing to covered entities that dispense medications through pharmacies under contract have resulted in overcharges and are in direct violation of the 340B statute.
- Beginning July 2021, some manufacturers stopped providing the 340B ceiling price to covered entities and dispensed through contract pharmacies, while others limited sales until a covered entity has demonstrated 340B compliance.

# Key Points

- 340B is a federal program that needs clarity from the federal government – pending litigation, proposed federal legislation, and future agency action should provide that.
- Medicaid programs require claim modifiers on 340B claims, the very thing that 340B legislation across numerous states is trying to prohibit. Providing the claim modifier will ensure rebates are appropriately credited to Medicaid.
- 340B profits are paid for by what amounts to a tax on employers, patients, and other payers of health insurance.

**Federal Program in need of a federal solution**

**Transparency to ensure compliance**

**Biggest pharmacy beneficiaries of 340B program: large pharmacy chains**

**Profits on the backs of employers, patients and payers**



# Questions

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