April 9, 2020

Chairman Charles Grassley  
U.S. Senate Committee on Finance  
135 Hart Senate Office Building  
Washington, DC 20510

Ranking Member Ron Wyden  
U.S. Senate Committee on Finance  
221 Dirksen Senate Office Building  
Washington, DC 20510

Dear Chairman Grassley and Ranking Member Wyden,

On behalf of the thousands of safety-net providers enrolled in the 340B federal drug pricing program, the 340B Coalition strongly urges lawmakers to prevent any changes to 340B that would reduce or eliminate the 340B savings that safety-net providers use to provide vital patient services. The 340B Coalition represents hospitals, community health centers, chronic condition programs, and other clinics in support of preserving the 340B program, a resource critical for the survival of America’s health care safety net.

Over the past year, Congress has been working hard to develop and pass legislation that will lower the costs of prescription drugs for all Americans. While drafting these bills, Congress included language affecting 340B in both House and Senate drug pricing bills (Section 815 of H.R. 3, Section 205(6)(a) of H.R. 19, and Section 206(6)(a) of S. 2543). This language aims to improve transparency and prevent pharmacy benefit managers (PBMs) and Medicaid managed care organizations (MCOs) from using spread pricing to overcharge state governments and pay pharmacies inadequately. One of the remedies included in this provision requires Medicaid MCOs to pay for all retail pharmacy drugs based on actual acquisition costs (AAC).

Unfortunately, as currently written, this provision would limit payment for 340B drugs, eliminating 340B savings in this area for many safety-net providers. Because 340B providers serve a large population of Medicaid patients, these cuts could have a devastating impact on the ability of covered entities that use 340B drugs under Medicaid managed care to provide services to patients with low incomes.

At a time when our country is in the middle of a declared public health emergency and our nation’s safety-net providers are on the front lines responding to the COVID-19 pandemic, we are extremely concerned that Congress is considering language that would alter the 340B program without fully appreciating the negative impact it could have on safety-net providers’ ability to serve patients.

The 340B program is one of the only federal programs that guarantees discounted drug pricing for safety-net providers, which in turn ensures access to affordable, high-quality health care services, prescription drugs, and improved health outcomes for underserved patients across the
country. 340B providers use their program savings to provide free or reduced-cost medicines to patients, to offer vital but often underpaid services critical to low-income and rural patients, and to offset underpayments by Medicaid and other public payers. Any provisions that would reduce or eliminate the critical savings that safety-net providers receive from this program would have a negative impact on their ability to pursue their safety-net missions.

For these reasons, we strongly encourage Congress to prevent changes to 340B that would reduce or eliminate the benefit of the program during its consideration of drug pricing legislation or any other legislation.

Sincerely,

The 340B Coalition

National Association of Community Health Centers
The Hemophilia Alliance
National Alliance of State and Territorial AIDS Directors
National Coalition of STD Directors
HIV Medicine Association
National Health Care for the Homeless Council
National Association of Counties
National Rural Health Association
America’s Essential Hospitals
Children’s Hospital Association
340B Health

cc: The Honorable Nancy Pelosi, Speaker of the House
    The Honorable Kevin McCarthy, House Republican Leader
    The Honorable Mitch McConnell, Senate Majority Leader
    The Honorable Charles E. Schumer, Senate Democratic Leader