October 30, 2020

The Honorable Lamar Alexander  
Chairman  
455 Dirksen Senate Office Building  
Washington, DC 20510

The Honorable Greg Walden  
Ranking Member  
2185 Rayburn House Office Building  
Washington, DC 20515

Dear Chairman Alexander and Ranking Member Walden,

Children’s hospitals, on behalf of the children and families they serve, appreciate the opportunity to provide feedback on your request for improvements to the 340B Drug Discount Program (340B Program).

The 340B Program supports safety net providers, such as children’s hospitals, in their mission to serve low-income and underinsured patients regardless of their insurance status. Children’s hospitals depend on the 340B Program to provide vulnerable patients with access to life-saving medications. On average, more than half of all patients treated at children’s hospitals are covered by Medicaid and the Children’s Health Insurance Program (CHIP). The support provided by the 340B Program—the result of pharmaceutical manufacturers reducing outpatient drug prices and involving no direct congressional appropriation—enables children’s hospitals to help more vulnerable patients, improve access to care and provide more comprehensive services.

We believe that the 340B Program is working as intended to help safety net providers serve their communities. Over 50 children’s hospitals take part in the program, which is more critical than ever as our nation fights against COVID-19. Hospitals are serving on the frontlines and ensuring patients have access to the care they need. The COVID-19 pandemic has created catastrophic financial damage threatening the essential role children’s hospitals play in the future of our country.

We encourage Congress to use its oversight powers to ensure that the Department of Health and Human Services (HHS) enforces the 340B statute and uses its existing authority to penalize manufacturers for not meeting 340B statutory obligations. Recent actions by manufacturers that attack contract pharmacy policies are extremely harmful to patients. Manufacturers should not be allowed to create new rules for the 340B Program without repercussions, especially when they violate current law and look to collect data that could potentially violate privacy laws.

Children’s hospitals utilize contract pharmacies to help patients more easily access medications within their communities. The ability to enter into arrangements with contract pharmacies enables patients to fill their prescriptions closer to home and without having to travel to the main hospital.

Children’s hospitals are also concerned with proposals that look to restructure the 340B savings model. Moving from a savings model to a back-end rebate model, for example, will require hospitals to front the cost of expensive drugs in hopes that they would receive a rebate at a later point in time. This is extremely damaging as increasing numbers of high-cost therapies are entering the market. We also encourage lawmakers to avoid changes that focus solely on charity care and indiscriminately impose Medicare requirements. Due to Medicaid and CHIP, children’s hospitals are

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hospitals serve low numbers of uninsured patients. On average, more than half of children’s hospitals’ patients are covered by Medicaid, while less than 1% are covered by Medicare. Proposals should not subject 340B hospital entities to Medicare requirements without considering their applicability to children’s hospitals.

Again, thank you for the opportunity to provide feedback. We urge Congress to continue to protect this critical program and ensure hospitals have the resources they need to serve their communities. If you have questions or need additional information, please contact Amanda.Major@childrenshospitals.org.

Best,

John Knapp
Director, Federal Affairs
Children’s Hospital Association