



Public Hospital Pharmacy Coalition

www.phpcrx.org

(A Coalition of the National Association of Public Hospitals and Health Systems)

News Release

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Hospitals Struggle to Access Drug Discounts

Survey of Safety Net Hospitals Shows "Sustained Difficulty" in Obtaining Discounts on Inpatient Pharmaceuticals

Most pharmaceutical manufacturers have not utilized a law that allows them to offer discounts to hospitals that serve large volumes of care to low-income patients, according to a new study. Under the federal 340B drug discount program, drug companies are required to provide discounts on outpatient pharmaceuticals. The program is voluntary for drugs used in inpatient settings. The recently enacted Medicare law, which is most well known for its new drug benefit for seniors, also includes a measure that makes it easier for companies to extend federal discounts on inpatient pharmaceuticals. However, a study published by the Public Hospital Pharmacy Coalition, an organization of over 350 hospitals participating in the 340B program, found that its members have encountered sustained difficulty in convincing companies to offer lower prices.

"There are a handful of companies that have stepped up to the plate to provide discounts, but most manufacturers are either refusing to offer price breaks on any of its products or are only offering a lower price on one or two products", said Ted Slafsky, the Coalition's Executive Director. As a result, these hospitals are paying on average \$2 million a year more on inpatient pharmaceuticals, according to Slafsky. These hospitals are also forced to manage two different inventories of drug products, "a burdensome requirement that takes away precious resources from patient care", said Slafsky. The Coalition is now working with a bipartisan group of lawmakers to enact legislation that would extend the 340B program to inpatients. Among the survey findings:

- Hospitals were able to obtain discounts on only about 12 percent of their most commonly used brand name drugs.
- Drug manufacturers appear mostly interested in providing the discounts to a select group of larger hospitals, with small and rural hospitals least likely to receive any price breaks.

The Coalition urged lawmakers to support the "The Safety Net Inpatient Drug Affordability Act", legislation introduced by Senators Thune (R-SD) and Bingaman (D-NM) and by Representatives Emerson (R-MO) and Rush (D-IL) that would extend the 340B program to inpatients. For a copy of the report, contact Sydney Bergman at sydney.bergman@phpcrx.org or (202) 349-4244.



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EXECUTIVE SUMMARY

I. INTRODUCTION

Section 340B of the Public Health Service Act enables hospitals and other providers that serve a large volume of low-income and uninsured patients to access significant discounts on pharmaceuticals through a federal drug discount program called the Public Health Service 340B program. Although the discounts available through the program are approximately 20% – 25% off of what is available through other purchasing arrangements, they are only available for drugs used in an outpatient setting. Therefore, 340B hospitals are forced to pay significantly more for inpatient pharmaceuticals, amounting to an average of more than \$2 million a year in additional costs. Moreover, these hospitals must devote significant time and resources to managing their drug inventory to prevent 340B drugs from being used in an inpatient setting.

In 2003, President Bush signed the Medicare Modernization Act (MMA), legislation that, among other things, created a drug benefit for Medicare beneficiaries. Section 1002 of the MMA allows pharmaceutical manufacturers to voluntarily offer discounted pricing on inpatient drugs to hospitals participating in the 340B program without affecting their Medicaid “best price” and thus impacting the pricing they must offer to the entire Medicaid program. The purpose of this provision, which garnered strong support from the 340B hospital community, was to encourage manufacturers to provide inpatient discounts that are comparable to the discounts that these providers already receive on outpatient drugs.

II. SURVEY RESULTS

Since the introduction of Section 1002, 340B hospitals have reported that they encounter sustained difficulty in obtaining meaningful inpatient discounts from manufacturers. Among the key findings:

- PHPC hospitals have received post-MMA inpatient discounts on only 12% of their most commonly used brand name drugs.
- 70% of post-MMA brand name drug discounts identified in the study were contingent on hospitals guaranteeing a certain market share.
- Inpatient drug discounts appear to be available only when manufacturers’ market interests dictate lower prices. Small and rural hospitals are the least likely to receive discounts.



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III. CONCLUSION

The results of the survey indicate that the MMA's "best price" exemption has not had the desired effect of persuading manufacturers to offer new discounts on inpatient drugs. Furthermore, the data imply that the discounts that are available to 340B hospitals are closely related to the market share that these hospitals can guarantee. As a result, PHPC believes that the greater 340B hospital community will not see significant discounts on inpatient drugs until the program is extended to include inpatient drug purchases. Meanwhile, manufacturers' claims that they are reluctant to offer discounted inpatient pricing to 340B hospitals due to the potential impact of these discounts on Veterans' Affairs (VA) pricing appear to be exaggerated seeing as how very few of these manufacturers have taken advantage of VA pricing protections available to them. Bipartisan legislation has been introduced in Congress that would guarantee 340B inpatient discounts for all 340B hospitals, and the Coalition strongly supports this effort.