

March 21, 2023

Chair Wicklund and members of the Health and Human Services Committee,

We are reaching out on behalf of CentraCare regarding our concerns with the impacts of SF 2067 on the Federal 340B Drug Pricing Program (340B). CentraCare is a health system operating 9 hospitals and more than 30 clinics across greater Minnesota, serving a large percentage of rural Minnesotans. Our concern is this bill will negatively impact our ability to serve the needs of these Minnesotans – particularly those who are underserved.

SF 2067 proposes the transfer of Minnesota's managed care Medicaid pharmacy benefit to a fee-for-service (FFS) model. The complete transfer of the benefit from managed care to FFS triggers a federal rule that will eliminate millions of dollars in annual savings for eligible safety-net providers that participate in 340B. Although we understand the need to address unchecked pharmaceutical costs and its negative impact on patient care in Minnesota, SF 2067 would damage existing funding for increased access to care and services at safety net hospitals and other safety net providers across Minnesota.

Hospitals are critical components of the health care safety net, and they work with community health care providers to deliver a wide range of care to patients in need. Without access to 340B discounts, it will be more difficult for patients to receive the same level of care from their community health providers. These include patients whose health conditions have advanced to the point of requiring the specialized, complex care that only hospitals can provide. Because 340B cuts would leave fewer hospital resources to help pay for uncompensated and unreimbursed care, this proposal would be especially harmful to patients who are uninsured, underinsured, and dependent on public health programs, such as Medicaid.

Some examples of how our hospitals use 340B savings to benefit their general patient population include but are not limited to:

- Addressing social determinants of health by connecting patients to social service resources and legal assistance
- Providing critical services – such as vaccines, medication management, and mental health care – to patients regardless of insurance status and ability to pay
- Funding patient outreach programs that bring medical providers into the community to provide specialty care that supports the management of chronic diseases

Under the proposed FFS arrangement in SF 2067, covered entities effectively pass the 340B savings to the Minnesota Department of Human Services. However, if the covered entity continues to use 340B to purchase discounted medications for their FFS Medicaid patients the state must refrain from seeking a Medicaid rebate on the FFS covered drugs pursuant to the Medicaid Exclusion File (MEF) and the requirement to eliminate duplicate discounts. Therefore, under SF 2067 there is both the potential for the elimination of 340B savings currently available for investment into patient care and the state will not be able to pursue a Medicaid drug rebate.

CentraCare strongly encourages this Committee to ensure that 340B is protected, access to discounted medications is sustained, and the ability for hospitals and all 340B Covered Entities to invest in services for their patients and communities remains secure.

Thank you for your consideration,

Jodi Gertken
Director, State Government and Community Relations