PLEASE PROTECT SAFETY-NET HEALTH CARE PROVIDERS; AVOID CUTS TO THE 340B DRUG PROGRAM

The Problem:

SF 2067 proposes to move Minnesota's Medicaid pharmacy benefit from managed care to a DHS-managed fee-for-service (FFS) model. While it is not stated in the bill, SF 2067 indirectly triggers a federal rule that will eliminate millions of dollars in savings for eligible safety-net providers that participate in the Federal 340B Drug Pricing Program (340B). Such savings are currently invested by hospitals and health systems into vital health care and community services for underserved patients across Minnesota.

What is 340B?

Created by Congress in 1992, Section 340B of the Public Health Services Act requires pharmaceutical manufacturers participating in Medicaid to sell outpatient drugs at significantly discounted prices to specific safety net health care providers, referred to as 340B covered entities, that serve many uninsured and low-income patients. Covered entities include disproportionate share and children's hospitals, critical access hospitals, federally qualified health centers, Ryan White HIV clinics, and other safety-net providers.

- Congress' intent in creating the 340B program was to enable eligible safety-net providers "to stretch scarce Federal resources as far as possible, reaching more patients and providing more comprehensive services" – Health Resources and Services Administration (HRSA).

How are 340B savings generated?

340B covered entities can purchase discounted drugs through 340B and bill the patient's insurance – including managed care Medicaid – at the negotiated reimbursement rate. As intended by Congress, the covered entity keeps the difference between the discounted drug price and the reimbursement rate, generating savings for the covered entity to use in service of more patients and provide more comprehensive services.

How are 340B savings used?

340B savings are used to support activities that expand access and improve outcomes for all patients served by a 340B covered entity. Some examples of how 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 their 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.

How does SF 2067 eliminate millions of dollars in 340B savings on managed care Medicaid?

By transferring the state's Medicaid pharmacy benefit entirely away from managed care to FFS, SF 2067 triggers federal regulation that requires all state Medicaid agencies to pay no more than the 340B ceiling price (actual acquisition cost) for drugs purchased under 340B and reimbursed under FFS. As a result, 340B covered entities are no longer able to retain any 340B savings on Medicaid FFS drugs.

Next Steps

While this proposal will potentially save the state money on prescription drugs, such savings partially come at the expense and financial harm of safety-net providers. This will reduce the ability of safety-net providers to invest 340B savings into patient access for critically necessary services in underserved communities across Minnesota. MHA urges the legislature to consider alternatives that do not cut funding for safety net providers and underserved communities.

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