MINNESOTA 340B HOSPITALS SERVE MORE PATIENTS WITH LOW INCOMES, WHO LIVE WITH DISABILITIES, AND/OR IDENTIFY AS BLACK

FACTS ON PATIENTS OF 340B HOSPITALS IN MINNESOTA

Analysis of Medicare claims and cost report data in Minnesota finds:

- Relative to non-340B hospitals, patients of 340B hospitals are:
  - 101% more likely to be dually eligible for Medicaid and Medicare (a proxy for having low-income),
  - 66% more likely to be originally eligible for Medicare because of a disability making them more costly to treat, and
  - 225% more likely to be persons identifying as Black/African American.
- Medicaid makes up a 68% higher share of operating revenue for 340B DSH hospitals.
- 340B hospitals provide 88% of all hospital care provided to Medicaid patients in Minnesota.

Introduction

The 340B Drug Pricing Program was created to enable participating entities to stretch scarce resources to reach more eligible patients and provide more comprehensive services by allowing these entities to obtain covered outpatient drugs at reduced prices. Prior research has documented that 340B supports hospitals with certain safety-net characteristics, such as those serving a higher share of patients with Medicaid and/or experiencing low-income.[1]

To better understand patterns of care provided by hospitals in 340B, 340B Health contracted with L&M Policy Research to examine differences in sociodemographic and health-associated Medicare enrollment characteristics between patients of 340B and non-340B hospitals in 2019, updating results from an earlier study based on 2016 information.[2] Specifically, this study compares characteristics of Medicare fee-for-service beneficiaries who received separately-payable Part B discount-eligible drugs at 340B disproportionate share hospitals (DSH) and non-340B acute care hospitals to assess whether 340B hospitals serve proportionally more historically underserved populations. Within the Medicare program, patients who are dually eligible for Medicare and Medicaid, a proxy for having low income, and/or are eligible for the program based on a disability tend to be more complex and costly to treat.[3] People who identify as being of Black/African American ancestry have higher prevalence of some chronic conditions, such as hypertension[4] and diabetes,[5] and utilization patterns indicative of less access to primary and preventive care[6] than White beneficiaries due to structural racism and other historical inequities.[7]

Additionally, prior research at the national level has shown that 340B DSH hospitals provide the majority of all hospital care provided to Medicaid patients,[8] but no similar analysis existed at the state level. Medicaid payments do not typically cover the cost of care, with hospitals receiving direct payments of 84 cents for every dollar spent providing care to Medicaid patients.[9] 340B Health commissioned Dobson DaVanzo & Associates to perform a state-level analysis comparing DSH hospitals participating in the 340B program to non-participating acute care hospitals in the delivery of services to Medicaid patients.

Methodology in Brief

The research teams at L&M Policy Research and Dobson|DaVanzo used the Medicare Inpatient Prospective Payment System (IPPS) final rule and correction notice impact files to identify the universe of eligible hospitals to include in the study. The team then used the HRSA Office of Pharmacy Affairs

Information System (OPAIS) Covered Entity Daily Report to identify 340B participation status in the appropriate year to divide these hospitals into two groups: (1) those participating in the 340B program and (2) all other IPPS acute care hospitals.

To identify 340B discount-eligible drugs, which are billed and paid outside of Medicare's outpatient prospective payment system's (OPPS) bundled payments (referred to here as "separately-payable Part B drugs"), L&M Policy Research selected HCPCS codes from outpatient Medicare claims for 2019 with a revenue status code of "G" (drug/biological pass-through) or "K" (non-pass-through drug/biological, radiopharmaceutical agent, certain brachytherapy sources).

L&M Policy Research identified the population of Medicare beneficiaries with claims for any separately-payable Part B drugs any point in calendar year 2019. They identified the setting where these patients received their drugs, and anyone who received Part B drugs in more than one type of location was omitted from their population (approximately 3% of study patients nationally).

Finally, L&M Policy Research used the Medicare Beneficiary Summary Files (MBSF) to connect the identified patient populations with relevant demographic and enrollment information, such as reason for Medicare entitlement, dual-eligibility status, and race/ethnicity.

Using Medicare hospital cost reports for FY 2018, Dobson|DaVanzo obtained Medicaid revenue as a percent of hospital operating revenue and the percentage of all Medicaid hospital care provided by 340B hospitals measured as net Medicaid revenue for 340B hospitals divided by total Medicaid revenue for all hospitals in the state.

Results

In 2019, relative to non-340B hospitals, 340B DSH hospitals in Minnesota delivered a higher proportion of their services to Medicare patients who are experiencing low income and/or were originally eligible for Medicare because of a disability. They also delivered a higher proportion of care to those identifying as Black/African American. In FY 2018, Medicaid made up a greater share of operating revenue for 340B hospitals than non-340B hospitals. In fact, 340B hospitals provide 88% of all Medicaid hospital care in Minnesota. Comparative values for 340B DSH and non-340B hospitals are shown in Table 1.

Table 1:
Summary of Findings for Minnesota

Metric	340B DSH Hospitals	Non-340B Hospitals
Dually Eligible as a Percent of Total Patients (2019)	20.1%	10%
Disability Insurance Recipients as a Percent of Total Patients (2019)	30.3%	18.3%
Black/African American as a Percent of Total Patients (2019)	3.9%	1.2%
Medicaid Revenue as a Percent of Hospital Operating Revenue (FY 2018)	10.6%	6.3%

Discussion

The results of these analyses show that in Minnesota relative to non-340B hospitals, 340B DSH hospitals serve a higher percentage of patients who are experiencing low incomes and/or are eligible for Medicare because of a disability. They also serve a higher proportion of those identifying as Black/African American than do non-340B hospitals. 340B hospitals also provide the majority of hospital care to Medicaid patients. As with national data, the data for Minnesota indicate that the 340B program is appropriately targeted and inherently recognizes the special challenges that 340B hospitals face in providing care to these populations. 340B is critical to the continued operations of many eligible entities.

National results for the L&M[10] and Dobson|DaVanzo[11] studies can be found at 340BHealth.org.

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[11] Dobson | DaVanzo. The Role of 340B DSH Hospitals in Serving Medicaid and Low-income Medicare Patients. 2020.