Minnesota Hospital Association

161 Rondo Ave., Ste. 915
Saint Paul, MN 55103-3454
www.mnhospitals.org

January 21, 2025 *Submitted Electronically*

Chair Wiklund, Chair Utke, and members of the Senate Health and Human Services Committee,

We are writing to you today on behalf of the Minnesota Hospital Association (MHA) regarding the Minnesota Department of Health's new report on the Federal 340B Drug Pricing Program (340B). The report offers a limited glimpse into a critical safety net program that is quite literally keeping the lights on and doors open at Minnesota hospitals at a time of unprecedented financial challenges.

MDH's report lacks critical context on the purpose and impact of 340B and its 30+ year status as an essential safety net support program. By adopting big pharma's industry-preferred definitions and metrics, the report presents an incomplete and potentially misleading view of a program that exists solely to support safety net providers and protect health care access for Minnesota's most vulnerable patients.

340B Program Benefits and Safety Net Providers. Created by Congress in 1992, 340B requires pharmaceutical manufacturers participating in Medicaid to sell outpatient drugs at significantly discounted prices to a limited number of safety net health care providers that serve many uninsured and low-income patients. Such providers referred to as 340B covered entities include disproportionate share and children's hospitals, critical access hospitals, federally qualified health centers, Ryan White HIV clinics, family planning clinics, and other critical safety-net providers across Minnesota and the United States.

Minnesota's hospitals and other covered entities use 340B savings as Congress intended – to stretch scarce federal resources to provide more comprehensive services to more patients. The program is flexible to allow covered entities to use the savings where there is the most patient need, such as providing necessary services for which no reimbursement is available. Some examples of how Minnesota's hospitals use 340B savings to benefit their patients and communities include but are *not* limited to:

- Addressing social determinants of health by connecting patients to social service resources and legal assistance,
- Providing free medications to uninsured patients,
- Maintaining rural emergency departments,
- Funding labor and delivery care,
- Supporting specialty care for children with cancer,
- Funding patient outreach programs that bring medical providers into the community to provide specialty care that supports the management of chronic diseases, and
- Offering critical support services like patient transportation and supporting the essential health care workforce serving Minnesota patients.

MDH Report Leaves Out Necessary Context on 340B. While the MDH report provides another look at 340B, it misses critical context about the program's role in sustaining essential health care services across the state – and Minnesota's health care safety net hangs in the balance.

Patient Impact Missing. MDH's report makes no mention of how Minnesota patients benefit from the support that 340B provides to hospitals and other safety net providers across our state. Rather, in public testimony before the City Council of Minneapolis, city staff claimed that MDH did not seek this key information because hospitals would simply provide information that served their own interests.

Revenue vs. Savings. MDH's report claims that 340B generated hundreds of millions of revenue in Minnesota. This simply is not true and represents a well-rehearsed talking point of big pharma. Rather, 340B provided hundreds of millions in savings to safety net providers on outpatient medications, without which many critical services would face reduction or elimination.

Drug Purchasing and Costs Context Missing. MDH's report does not include any information key to understanding 340B within the total market for drug purchasing and its associated costs. The ability for hospitals to generate savings by dispensing drugs to patients is not unique to the 340B program. The report's methodology adopts pharmaceutical industry flawed framing and creates a distorted picture of 340B program benefits without noting the ability of hospitals to otherwise generate savings by purchasing drugs through Group Purchasing Organizations (GPO).

Further, the report erroneously makes the case that due to administrative costs, 340B is diverting resources to middlemen and not to patient services and access. This is also an attack on 340B used by the pharmaceutical industry and relies on the notion that if 340B were taken away there would be no administrative costs associated with delivering drugs to patients. On the contrary, there are real and unavoidable administrative costs associated with all aspects of health care delivery.

Program Structure and Funding. MDH's report presents a lot of information on 340B without including information on the basic funding mechanism, leading readers to believe that 340B costs the health care system hundreds of millions of dollars with nothing to show for it. Unlike many health care programs, 340B operates without government funding. As Congress intended, this vital pillar of support does not rely on taxpayer dollars, but instead, it draws from the substantial profits of pharmaceutical companies - profits that continue to break records year after year while hospitals struggle to maintain basic services for their patients and communities.

For perspective, without the 340B program, savings would flow instead to pharmaceutical manufacturers - the same companies whose top 10 players alone reported $95 billion in profits in just the first three quarters of 2024. Yet these same companies continue to attack the

program and by default safety net providers and their patients. And even with 340B support, two-thirds of Minnesota hospitals operated at a financial loss in 2023, leading to a wave of service line closures in 2024.

The Bottom Line. Support from 340B is more vital than ever as Minnesota hospitals struggle with inadequate reimbursements from public programs, which typically pay less than 68 cents on the dollar for the actual cost of care. With more than half of Minnesota hospital patients now covered by public programs (Medicare and Medical Assistance), and a third of Minnesota births covered by Medical Assistance, the 340B program helps offset the staggering $2.4 billion in uncompensated care provided by Minnesota hospitals.

To conclude, 340B is an established and successful federal program that Minnesotans and their safety net providers have relied on for 30 years to support access to comprehensive health care services. MDH's report offers more insight on the program but must be seriously balanced with additional context and understanding to adequately appreciate 340B and its vital role across Minnesota and the nation in sustaining access to patient care.

Sincerely,

Mary Krinkie
Vice President of Government Relations
mkrinkie@mnhospitals.org

Danny Ackert
Director of State Government Relations
dackert@mnhospitals.org