

# Proposed APC Payment Reduction for Drugs Purchased under the 340B Drug Pricing Program

Advisory Panel on Hospital Outpatient Payment

Presented by MedStar Health  
on behalf of the American Hospital Association

August 21-22, 2017

# Focus of comments –

- Proposed rule provisions relating to the reduction in APC payment for separately payable, non pass-through drugs (other than vaccines) purchased through the 340B Drug Pricing Program
  - CMS proposes payment at Average Sales Price (ASP) minus 22.5 percent, rather than ASP plus 6 percent, the current payment rate
  - CMS proposes that the payment reduction be implemented in a budget neutral manner within the OPPS (through an increase in the conversion factor or, possibly, through and increase in the payment weights for specific services).

# MedStar Health –

- 10 hospital health care system in the Maryland and Washington, DC region
- Over \$5 billion in annual revenue
- 31,000 plus associates

# 340B Drug Pricing Program –

- Provides financial relief from high prescription costs to certain safety net hospitals
- Requires pharmaceutical manufacturers participating in Medicaid to sell outpatient drugs at discounted prices to healthcare organizations that care for a significant number of uninsured and low-income patients
- Allows hospitals to reduce the price of pharmaceuticals for patients and expand health services to our communities

# MedStar Health and 340B –

- 7 of the 10 MedStar hospitals participate in the 340B Drug Pricing Program
- Generates almost \$60 million in drug cost savings annually

# Examples of benefits to our communities –

- In-home services to more than 3,000 of the District of Columbia's most vulnerable elderly patients, helping avoid emergency department visits and nursing home stays
- An after-hours clinic that provides free healthcare at a Southeast D.C. homeless shelter
- Subsidies for discharge prescriptions and transportation for underserved populations in Southern Maryland
- Placing a hospital–employed nurse at four area elementary/middle schools in Baltimore City
- A no-charge clinic in Baltimore for uninsured patients
- Partnering with Health Care for the Homeless to provide services at the largest Baltimore County shelter for homeless families

# Examples of 340B patient benefits nationally

- Nationwide, 340B hospitals use the savings they receive on the discounted drugs and reinvest them in programs that enhance patient services and access to care, as well as provide free or reduced priced prescription drugs to vulnerable patient populations
- For example, hospitals use the savings to:
  - provide financial assistance to patients unable to afford their prescriptions
  - provide clinical pharmacy services, such as disease management programs or medication therapy management
  - fund other medical services, such as obstetrics, diabetes education, oncology services and other ambulatory services
  - establish additional outpatient clinics to improve access
  - create new community outreach programs
  - offer free vaccinations for vulnerable populations

# Drastic cuts to Part B drug payments in the proposed rule are of significant concern –

- Harms the very hospitals that serve our most vulnerable citizens
- Undermines the purpose of the 340B program
- Misdirects funds intended for indigent care
  - Both a general redistribution of 340B drug savings across all non-drug APCs as well as a more targeted increase in payment weights for specific APCs would misdirect savings intended only for 340B hospitals and their mission to “to stretch scarce Federal resources as far as possible, reaching more eligible patients and providing more comprehensive services.”

# Drastic cuts to Part B drug payments in the proposed rule are of significant concern –

- 340B hospitals are already underpaid under Medicare, with total and outpatient margins of negative 18.4 percent and negative 15.4 percent, respectively; further reductions in payment would be devastating to these hospitals' missions
- Cutting a specific category of hospitals (340B program hospitals) is contrary to the general principle of the OPPS as a prospective payment system where payments are intended to be averages
- Proposal is based on questionable assumptions and studies
- Even MedPAC recognized taking away the entire estimated discount would defeat the purpose of the 340B program

# Conclusion –

- CMS should not finalize its proposal to reduce payments for separately payable, non pass-through drugs purchased through the 340B Drug Pricing Program

# Comments/Questions

Thank you