

## Background

Congress created the 340B Drug Pricing Program in 1992 for two primary reasons — to reduce the persistent problem of high drug prices and to expand access to care for more Americans. The program works by requiring drug companies to offer discounted pricing for certain outpatient drugs so that hospitals and certain other providers that care for large numbers of underserved patients can purchase these drugs at a discount. As a result, hospitals are able to generate cost savings and use it to stretch scarce resources and reinvest in expanding access to care for more vulnerable patients in the communities they serve. For over 30 years, hospitals have used their 340B savings to expand access to critical patient programs like behavioral health, medication therapy management, and the provision of free or discounted drugs to patients across the country, including the millions of Americans that live in rural areas.

To further enable improved access to care and medicines, the Health Resources and Services Administration (HRSA), which oversees the 340B program, has recognized the need for hospitals to partner with community and specialty pharmacies. Known as “contract pharmacies,” these arrangements between hospitals and community and specialty pharmacies address common barriers to accessing critical medications.

Despite the demonstrated benefits to patients, these arrangements have been criticized by drug companies. Recently, several drug companies, including many of the largest and most profitable drug companies in the world, have targeted 340B arrangements with community and specialty pharmacies by denying the discounted 340B pricing for outpatient drugs dispensed through these arrangements.<sup>1</sup> These actions are only the latest in a series of efforts by drug companies since the program’s inception to curtail it, even though the program is very small relative to their revenues and have resulted in patients in these communities losing access to care and medications.

These actions to deny 340B pricing to community and specialty pharmacies were deemed unlawful by the Department of Health and Human Services (HHS), and the HHS Office of Inspector General (OIG) has attempted to impose civil monetary penalties prompting some drug companies to file lawsuits.<sup>2</sup> Two federal courts of appeals, however, have bared HHS from punishing drug companies for imposing these harmful contract pharmacy restrictions. Meanwhile, as 340B hospitals and their patients continue to face significant challenges accessing drugs because of the actions of drug companies, some states have introduced or passed legislation that would prohibit drug companies from denying 340B discounts through contract pharmacy arrangements. These state-level actions have prompted a flood of drug company lawsuits that remain before the courts. Meanwhile, patients in these communities continue to face barriers accessing medications, as well as vital programs and services that can improve their health and well-being.

## Purpose of 340B Arrangements with Community and Specialty Pharmacies

Hospitals enrolled in the 340B program provide essential services to historically disadvantaged communities. Thus, their partnerships with community and specialty pharmacies are critical to providing high-quality, affordable access to care for these populations. These partnerships not only help 340B hospitals achieve these goals, but they also ensure that:

- Patients unable to travel to the main hospital to get their prescribed drug treatments can access their drugs at their local pharmacy, and hospitals can better ensure that patients receive the drug and provide follow-up care as needed;

- Patients of hospitals that do operate their own in-house pharmacies can access drugs that the hospital is unable to keep in stock and/or are in limited distribution; and
- Hospitals that do not operate their own in-house pharmacies, such as many rural hospitals and those in certain states where the operation of in-house pharmacies is prohibited, can realize 340B savings to reinvest in improving access to care for patients.

In practice, these arrangements serve as an extension of the 340B hospital and allow patients access to their prescribed drug treatments in the convenience of their local community pharmacy or through local and mail-order specialty pharmacies. Initially, HRSA allowed hospitals to contract with a single pharmacy only, but the agency soon recognized the need to expand access to more pharmacies. Several factors led HRSA to expand access to 340B drugs through these arrangements:

- Patients increasingly live in disparate areas far from the main hospital;
- Patients are increasingly more disease-burdened, as evidenced by increases in patient acuity, which requires multiple medications and more extensive follow-up care that can only be accessed through certain channels;
- Retail and specialty pharmacies are expanding operations across the country with certain medications only available through limited distribution channels;
- Specialty drugs are increasingly being distributed through channels like mail-order pharmacies; and
- Reliance on community and specialty pharmacies also grew during the COVID-19 pandemic as some patients avoided hospital pharmacies out of an abundance of caution.

**Most importantly, hospitals' arrangements with community and specialty pharmacies benefit patients.**

The accessibility of community pharmacies presents a convenient, familiar, and dependable source of care. This is especially true for those living in rural communities or who lack easy access to transportation. Nearly half of all Americans live within one mile of a pharmacy, while 73% live within two miles and 89% live within five miles.<sup>3</sup> In comparison, 42% of Americans live more than 5 miles away from a hospital. Rural Americans are the most likely to say access to hospitals is a major problem and live, on average, 10.5 miles away from the nearest hospital.<sup>4</sup> In fact, patients visit their community pharmacies almost twice as often as they visit their physician or other qualified healthcare professionals.<sup>5</sup> As a result, these arrangements between 340B hospitals and local pharmacies increase access points for patients to receive care and ultimately benefit underserved communities.

## **Value of 340B Pharmacies for Rural Communities**

Rural communities often encounter barriers to health care, including inadequate supply of services and access to transportation. While 340B arrangements with community and specialty pharmacies has grown, this growth has been particularly important for access to care in rural communities. The 340B program and community pharmacy arrangements are particularly important for rural hospitals, which frequently do not have in-house pharmacies. In the absence of an in-house pharmacy, patients in rural areas can rely on a network of contracted community and specialty pharmacies to access much-needed medications.

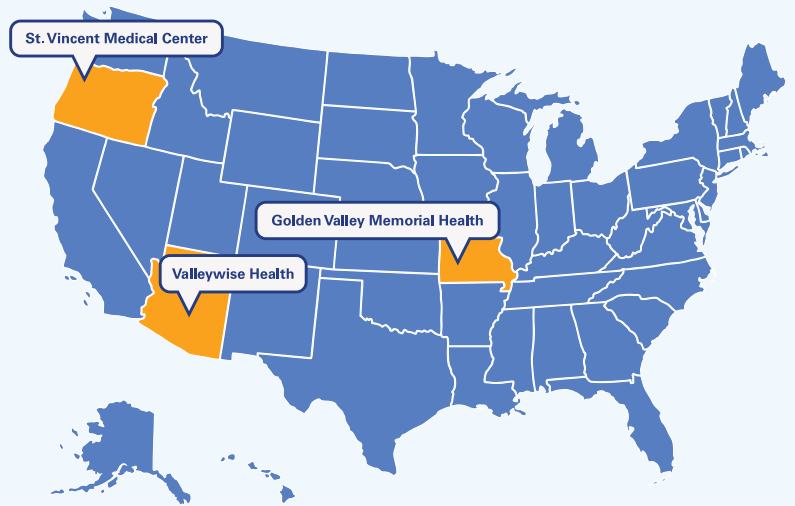
Rural populations are more likely to be older and to be burdened with multiple chronic conditions, making easy access to drugs even more important. For these reasons, contract pharmacies are used by more than 80% of rural 340B hospitals to ensure patients have access to outpatient drugs.

## Reinvesting 340B Savings to Expand Access to Care

There are numerous examples of the benefits of the 340B program to communities. For example, the 340B program allows St. Vincent Medical Center, a disproportionate share hospital in Oregon, to serve the most vulnerable members of their community by partnering with local community organizations to offer free resources and care to those who are experiencing homelessness or at risk of being homeless.<sup>6</sup> Similarly, the savings from the 340B program at Valleywise Health, a safety-net health system in Arizona, are used to support innovative nutrition programs that directly benefit community health.<sup>7</sup>

Also, 340B savings have been used to provide numerous patients with affordable medications that would otherwise be financially inaccessible.

Savings derived from the 340B program enable St. Vincent Medical Center, Valleywise Health and other 340B hospitals to provide free or discounted medications to many of their patients. Arrangements with locally-owned pharmacies allows Golden Valley Memorial Healthcare, which serves a rural population in Missouri, to ensure that its patients get access to discounted drugs closer to where they live.<sup>8</sup> More examples of how eligible hospitals use 340B savings to benefit their patients and communities can be found [HERE](#).



## 340B Pharmacies and Underserved Communities

The value that 340B hospitals' arrangements with pharmacies bring to patients and communities are illustrated in the examples above; however, the current threats to these arrangements highlight the importance of further documenting the evidence. This report strengthens the evidence on the value of contract pharmacies by examining the extent to which contract pharmacies are located in and serving vulnerable communities.

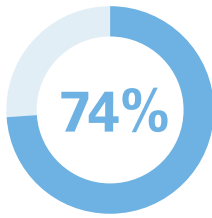
We examined communities that are served by contract pharmacies with 340B hospital arrangements using three data sources: calendar year (CY) 2020-2022 location data of 340B contract pharmacies from HRSA's Office of Pharmacy Affairs Information System (OPAIS) Contract Pharmacy database; Census data on the demographic and socioeconomic characteristics of counties; and the County Health Rankings and Roadmaps developed by the University of Wisconsin Population Health Institute.

### ECONOMIC STATUS

An individual's health status is greatly affected by both their individual and the broader community's economic standing. Individuals who lack economic resources are more likely to experience social disadvantages such as lack of adequate housing and food or residence in unsafe neighborhoods. Areas of economic disadvantage also often lack adequate access points to care.<sup>9</sup> The combination of these poor environmental conditions and lack of access to care contribute to increasing the risk of health problems developing or worsening over time.<sup>10</sup> Thus, access to a local pharmacy that has an established relationship with a hospital via a 340B arrangement is especially important for the health of individuals living in areas of economic disadvantage. 340B hospitals have arrangements with pharmacies in the vast majority of the poorest and most underserved counties in the U.S. based on a variety of metrics of economic status.

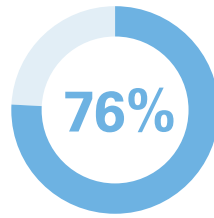
## Counties with 340B Contract Pharmacy Agreements

### Uninsured



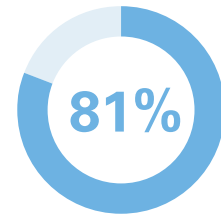
In 2020, 8.6% of people did not have health insurance at any point in the year. 340B hospitals have arrangements with pharmacies in 74% of counties in which 20% or more of the adult population is uninsured.

### ≤ 200% FPL



340B hospitals have arrangements with pharmacies in 76% of counties with a median household income of 200% federal poverty level (FPL) or below for a family of three.

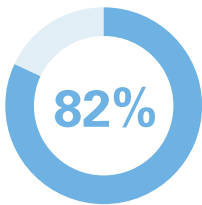
### High unemployment



Pharmacies with 340B arrangements also are in 81% of counties with higher unemployment rates than the U.S. historical unemployment average of 5.7%.

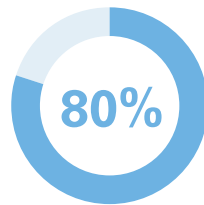
## Counties with 340B Contract Pharmacy Agreements

### Food insecurity



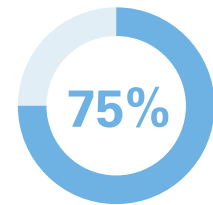
In 2020, 10.5% (13.8 million) of households were food insecure<sup>11</sup> in the U.S. 340B hospitals have arrangements with pharmacies in 82% of counties in which a greater portion of households reported food insecurity than the national average.

### Severe housing problems



340B hospitals have arrangements with pharmacies in 80% counties where the proportion of households that reported severe housing problems<sup>12</sup> are higher than the national average (13.1%).

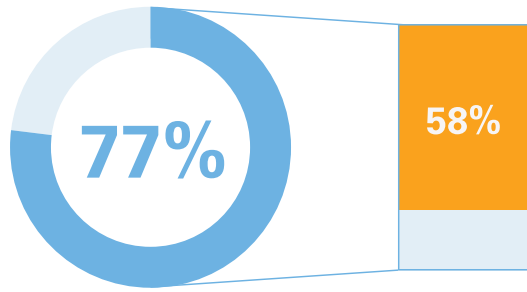
### Children living in poverty



Contract pharmacies are in 75% of counties in which one-third or more of children live in poverty.

## RACIAL AND ETHNIC MINORITIES

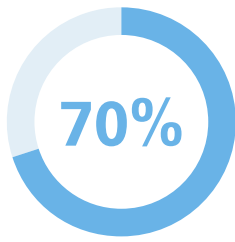
It is well known that racial and ethnic minority populations face barriers in access to medical care as well as disparities in health outcomes.<sup>13</sup> Expanding access to health services is an essential step toward reducing health disparities. For most racial and ethnic minorities, access to contract pharmacies is similar to or above the national average, with 73% of the Black population, 73% of the Asian population, and 66% of the Hispanic population living in zip codes with at least one 340B contract pharmacy.



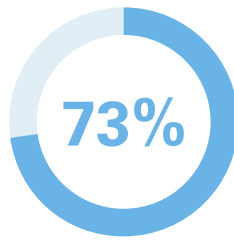
At least one 340B contract pharmacy is in 77% of counties where a third or more of the population is non-white. Of those, 58% are majority-minority counties, where 50% or more of the county's population is non-white.

## HEALTH STATUS AND HEALTH OUTCOMES

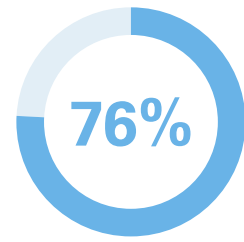
Limited access to health services can increase the risk of poor health outcomes.<sup>14</sup> Prior research has demonstrated that where people live affect their access to care, and in turn can lead to a wide range of adverse health outcomes.<sup>15</sup> Thus, the convenience of a nearby pharmacy can reduce barriers for underserved populations who may not be able to travel to the hospital and can benefit populations who are more likely to have poorer health outcomes.



340B hospitals have arrangements with pharmacies in 70% of counties in which one-fourth or more of the population self-report fair or poor health.



340B contract pharmacies are in 73% of counties in the top 90th percentile (13.3%) of diabetes prevalence.



340B contract pharmacies are in 76% of counties in the top 90th percentile of low birthweight.

## Conclusion

The data in this report underscores the extent to which 340B arrangements with community and specialty pharmacies are serving underserved and historically marginalized populations. Importantly, these arrangements allow hospitals to better fulfill their 340B mission — to stretch scarce resources and expand access to care for more patients. These facts are a large reason why 340B hospitals provided **\$84.4 billion in community benefits in 2020 alone** — a 25% increase from the prior year. Therefore, the data unequivocally demonstrate that the 340B program, including arrangements with community and specialty pharmacies, are vital both to maintain and to expand access to care for Americans nationwide.

Collectively these data demonstrate the need for Congress to continue its strong bipartisan support of the program and reject efforts by big drug companies to undermine the program and the innumerable benefits it affords patients across the country.

## End Notes:

- 1 [proxsysrx.com/2023/05/01/manufacturers-accelerate-pace-and-severity-of-340b-drug-pricing-restrictions](https://proxsysrx.com/2023/05/01/manufacturers-accelerate-pace-and-severity-of-340b-drug-pricing-restrictions)
- 2 [hrsa.gov/opa/program-integrity](https://hrsa.gov/opa/program-integrity)
- 3 Berenbrok LA, Tang S, Gabriel N, et al. Access to community pharmacies: A nationwide geographic information systems cross-sectional analysis. *J Am Pharm Assoc* (2003). 2022;62(6):1816-1822.e2. doi:10.1016/j.japh.2022.07.003
- 4 Pew Research Center. How far Americans live from the closest hospital differs by community. [pewresearch.org/short-reads/2018/12/12/how-far-americans-live-from-the-closest-hospital-differs-by-community-type](https://pewresearch.org/short-reads/2018/12/12/how-far-americans-live-from-the-closest-hospital-differs-by-community-type)
- 5 Valliant SN, Burbage SC, Pathak S, Urick BY. Pharmacists as accessible health care providers: quantifying the opportunity. *J Manag Care Spec Pharm*. 2022 Jan;28(1):85-90.
- 6 American Hospital Association. The Value of the 340B Program Program Case Study: Providence St. Vincent Medical Center | Oregon. [aha.org/case-studies/2023-10-05-providence-st-vincent-medical-center-oregon](https://aha.org/case-studies/2023-10-05-providence-st-vincent-medical-center-oregon)
- 7 American Hospital Association. The Value of the 340B Program Program Case Study: Valleywise Health | Arizona. [aha.org/case-studies/2023-07-31-valleywise-health-arizona](https://aha.org/case-studies/2023-07-31-valleywise-health-arizona)
- 8 American Hospital Association. The Value of the 340B Program Case Study: Golden Valley Memorial Healthcare | Missouri. [aha.org/case-studies/2023-07-25-golden-valley-memorial-healthcare-missouri](https://aha.org/case-studies/2023-07-25-golden-valley-memorial-healthcare-missouri)
- 9 Peter J. Cunningham, "Why Even Healthy Low-Income People Have Greater Health Risks Than Higher-Income People," *To the Point* (blog), Commonwealth Fund, Sept. 26, 2018.
- 10 Braveman PA, Cubbin C, Egerter S, Williams DR, Pamuk E. Socioeconomic disparities in health in the United States: What the patterns tell us. *Am J Public Health*. 2010;100(Suppl 1):S186–96. doi:10.2105/AJPH.2009.166082
- 11 Food insecurity is defined as lack of adequate access to food.
- 12 These households have at least one of the following four housing problems: overcrowding, high housing costs, lack of kitchen facilities or lack of plumbing facilities.
- 13 Institute of Medicine (U.S.) Committee on Understanding and Eliminating Racial and Ethnic Disparities in Health Care (2003). *Unequal treatment: Confronting racial and ethnic disparities in health care* (B. D. Smedley, A. Y. Stith, & A. R. Nelson, Eds.). National Academies Press.
- 14 U.S. Department of Health and Human Services. Healthy People 2030, Access to Health Services. [health.gov/healthypeople/priority-areas/social-determinants-health/literature-summaries/access-health-services](https://health.gov/healthypeople/priority-areas/social-determinants-health/literature-summaries/access-health-services)
- 15 U.S. Department of Health and Human Services. Healthy People 2030, Social Determinants of Health. [health.gov/healthypeople/objectives-and-data/social-determinants-health](https://health.gov/healthypeople/objectives-and-data/social-determinants-health)