ADVOCACY ISSUE BRIEF

Protect 340B Drug Pricing Program

Support Access to Psychiatric Pharmacist Services

Frequently Asked Questions About The 340B Drug Pricing Program

What is the 340B Drug Pricing Program?

Section 340B of the Public Health Service Act requires pharmaceutical manufacturers that participate in Medicare Part B and Medicaid to sell outpatient drugs at discounted prices to safety net providers who care for underserved and low-income patients. The 340B Program is administered by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs.[1,2]

FACT: 340B was created in 1992 to allow safety-net providers to "stretch scarce federal resources as far as possible, reaching more eligible patients and providing more comprehensive services."[3]

Who is eligible for 340B drug discounts?

Eligible health care providers–known as "covered entities"[4]–include specific types of health centers, hospitals, specialized clinics, and Ryan White HIV/AIDS Program grantees.

How does the 340B Program work?

Pharmaceutical manufacturers provide front-end discounts to safety-net providers on covered outpatient drugs at the following statutorily obligated discounted rates:[5]

- 23.1% for most brand-name drugs (17.1% for certain pediatric drugs[6]
- 13% for generic drugs[6]
- In some cases, manufacturers are obligated to provide higher discounts for drugs if they raise a drug's price more quickly than the rate of inflation. This is known as the "inflationary penalty."[7]

How does 340B help patients?

The 340B program enables safety net providers to stretch scarce federal resources to provide health care and other services to underserved patients.[8] Covered Entities (CE) generate savings by purchasing 340B outpatient drugs at a discounted rate while receiving the full reimbursement from the insurer. This increased margin enables covered entities to provide comprehensive health care including free or discounted services or medications to uninsured, underinsured, or other at risk patient populations.

340B Increases Patient and Provider Access to Psychiatric Pharmacist Services

Through 340B savings, participating health care organizations have the means to provide more cost-effective, comprehensive health care and treatments to the most vulnerable patients including those with mental health and substance use disorders. For example, health systems can reinvest 340B savings to:

Develop innovative, team-based care models which include specialized psychiatric clinical pharmacy services.

Support graduate medical education including expansion of psychiatric pharmacy residency training programs.

Psychiatric pharmacists are highly trained, advanced practice pharmacists who provide care to complex patients with both medical and mental health needs. As medication experts, psychiatric pharmacists are valued members of interprofessional care teams across various health care settings. Psychiatric pharmacists increase access to specialized care and improve patient and health system outcomes by providing patient-centered services including comprehensive medication management. There are over 1,400 board certified psychiatric pharmacists in the US and more are needed to meet the growing mental health needs in our country. Leveraging 340B savings is critical to sustain and expand psychiatric pharmacy services and training programs as we face a shortage of mental health providers.

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HOW 340B WORKS



1

Drug manufacturer sells deeply discounted drugs to 340B eligible Covered Entities (CEs)



2

Only health care providers that serve high volumes of low-income patients, specialized patient populations, or those in remote or rural areas qualify for 340B



3

CE provider prescribes a 340B eligible drug to an eligible patient which is then filled by an entity-owned or contract pharmacy



4

Low-income and uninsured patients receive drugs at free or reduced cost

Insured patients pay their normal copay. Insurer of patient reimburses their normal payment thus generating savings for the CE.

5

Example of 340B Savings

$100	reimbursement for drug from commercial insurer
–$60	340B purchase price for drug from manufacturer
+$10	copay received from patient
$50	profit for 340B entity



6

340B eligible clinics and hospitals use savings to help low-income patients

- Provide drugs for the treatment of mental health and substance use disorders free or at no cost to uninsured and vulnerable patients
- Train health care workforce including advanced practice psychiatric pharmacists needed to care for complex patients
- Provide clinical pharmacy services through innovative models of care to improve patient outcomes and reduce overall health costs
- Provide uncompensated or charity care

Pharmaceutical manufacturers have restricted 340B savings for drugs filled by contract pharmacies. This has significant financial ramifications for Covered Entities (CEs) who provide needed care to underserved patient populations.

The American Association of Psychiatric Pharmacists (AAPP) is a professional association representing psychiatric pharmacists nationwide. Our members integrate into teams of health care professionals, making a difference in overall costs, treatment efficiencies, patient recovery, and quality of life.

References available at: https://aapp.org/advocacy/340b

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