



November 26, 2019

Chairman Richard Neal
2309 Rayburn House Office Building
Washington, D.C. 20515

Ranking Member Kevin Brady
1011 Longworth House Office Building
Washington, D.C. 20515

Dear Chairman Neal and Ranking Member Kevin Brady,

On behalf of the Alliance for Integrity and Reform of 340B (AIR340B), thank you for the opportunity to share our perspective with the U.S. House Committee on Ways and Means' Rural and Underserved Communities Health Task Force (Task Force) on steps Congress can take to improve health care outcomes within underserved communities.

The AIR340B Coalition is comprised of patient advocacy groups, clinical care providers, biopharmaceutical innovators, and other interested parties who are concerned that the 340B Drug Discount Program has transformed in ways that move it farther from its original purpose, which is to be a program primarily focused on care for America's vulnerable or uninsured patients by true safety-net providers. Instead, as several economists and other experts have raised, the 340B program is distorting markets and driving up costs for all Americans, without contributing to its safety-net mission.¹

As the Task Force looks to address health care inequities in rural and underserved areas, we urge you to consider improvements to the 340B program to mitigate challenges experienced in these communities. Specifically, we recommend policy changes that curb incentives for hospital consolidation and encourage greater transparency into how disproportionate share hospitals (DSH) are using the 340B program to improve care for uninsured or vulnerable Americans.

Given their close relevance to AIR340B's policy priorities for improving the 340B Drug Discount Program for patients, we focused our responses on Question One and Question Ten from the Task Force's Request for Information. Our full recommendations are outlined below.

¹ R. Conti, P. Bach. "The 340B Drug Discount Program: Hospitals Generate Profits by Expanding to Reach More Affluent Communities." Health Affairs 33, no. 10 (2014): 1786-1792



Question #1: What are the main healthcare-related factors that influence patient outcomes in rural and/or urban underserved areas? Are there additional systems or factors outside of the healthcare industry that influence health outcomes within these communities?

Consolidation increases the costs for all patients, but the burden is acutely felt by underserved communities, who often struggle to afford care. Rural hospitals have been subject to closures, mergers, and acquisitions by larger hospitals at record rates, leaving one in five rural counties without a hospital.^{2,3} Consolidation of community-based providers is also pervasive. These actions have been shown to drive up prices without improving care—and in fact, they lead to decreased access and more expensive, less personalized care.⁴

Outdated guidance and lack of transparency on how 340B discounts are used have resulted in the 340B program creating incentives that shift care to more expensive settings and accelerate provider consolidation.⁵ Many hospitals have expanded their ability to generate revenue from 340B through these perverse incentives. One might assume 340B hospitals would reinvest their savings back into the communities they serve, given the safety-net purpose of the 340B program. However, as hospital participation in 340B program grows exponentially, rates of charity care for vulnerable or uninsured communities continues to decline.⁶

Question #10: Are there two or three institutional, policy, or programmatic efforts needed to further strengthen patient safety and care quality in health systems that provide care to rural and underserved populations?

Fixing the 340B drug discount program is necessary to ensure the safety and quality of health care provided to rural and underserved populations. The program was established to help vulnerable or uninsured patients by providing discounts on outpatient drugs to covered entities like DSH hospitals, Federally Qualified Health Centers (FQHCs), and other safety-net clinics.

One policy change needed is increased transparency into how 340B hospitals are using 340B discounts. The 340B program's value is more apparent in the way it is used by most federal grantees, such as FQHCs and Ryan White AIDS/HIV centers, which are required under their

² Gee, Emily and Gurwitz, Ethan. "[Provider Consolidation Drives Up Health Care Costs](#)." *Center for American Progress*, Dec. 2018.

³ Howard, Hilda A., BS; Pink, George H., PhD; Thomas, Sharita R., MPP; Williams Jr., Dunc, MHA, MTS; "[Rural Hospital Mergers from 2005 through 2016](#)." *North Carolina Rural Health Research Program*, Aug. 2018.

⁴Center for American Progress "[Provider Consolidation Drives Up Health Care Costs](#)." Dec. 2018

⁵ Rena M. Conti and Peter B. Bach, "Cost Consequences of the 340B Drug Discount Program," *Journal of the American Medical Association* 309 (19) (2013): 1995–1996.

⁶ AIR340B Coalition. "[An Analysis of Charity Care Provided By Hospitals Enrolled in the 340B Discount Program](#)." Nov. 2019

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grants to report how they use funds generated through 340B to support patients. Yet, 340B hospitals face no reporting requirements. The Health Resources and Services Administration (HRSA) has no line of sight into how these hospitals are using revenue generated through 340B program and has no way to ensure patients are benefiting. In addition, updates to an old and vague definition of which patients covered entities can obtain 340B discounts for is needed to stop program abuses and violations that push 340B further away from its original intent to support vulnerable patients.

For 340B to work for the patients it was intended to help, like rural Americans and other underserved populations, we recommend Congress advance policies that create greater accountability for covered entities. Better defining a 340B eligible patient and increasing transparency for DSH hospitals are critical changes that must be made to ensure 340B works for rural and underserved Americans.

Thank you for the opportunity to provide comments on these important issues. Should you have any questions or need more information, please contact Bob Dold at bdold@forbes-tate.com or 202-638-0125.



Sincerely,
Bob Dold
Chairman, AIR340B

CC: Representatives Danny Davis, Terri Sewell, Brad Wenstrup, and Jodey Arrington