

The 340B Drug Pricing Program

ISSUE: When MedPAC testified before the House Energy and Commerce Committee in May 2014, we were asked by several Members to examine issues and trends in the 340B Drug Pricing Program. The 340B program allows certain hospitals and other health care providers (“covered entities”) to obtain discounted prices on outpatient drugs from drug manufacturers. The program is managed by the Health Resources and Services Administration.

KEY POINTS: Under the outpatient prospective payment system, Medicare pays the same rates for Part B drugs to 340B hospitals and non-340B hospitals, even though 340B hospitals are able to purchase outpatient drugs at steep discounts. Covered entities must develop mechanisms to ensure that they provide 340B drugs only to eligible patients. However, the statute and the program rules do not clearly define who is an eligible patient. In addition, the statute allows many types of hospitals and other providers to participate in the program. These factors have contributed to the rapid growth of the 340B program over the last decade.

ACTION: Commissioners should review and comment on the briefing paper. Because the main purpose of the paper is to provide information about the 340B program, no action is required.

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