

The Power of 340B

Last week I sat in the office of a rural hospital administrator who had been electrocuted in a farming accident. His doctors gave him a one in three million chance of surviving. But like the phoenix he survived and now has the job of reviving a small rural hospital. Sadly, the odds of surviving electrocution seem higher than keeping a small, rural hospital operating in the current environment. To survive in today's environment, hospital administrators need powerful tools. One of those tools is the 340B program for hospitals with provider-based clinics. That day we called Dr. LeeAnn Scheer PharmD, MBA-HCA, 340B-ACE from Elite 340B Solutions (<https://elite340bsolutions.com/>) and received a primer on the 340B program. Here is an outline of the 340B program as presented to us by Dr. Scheer.

The 340B program is becoming an increasingly common topic in today's healthcare landscape. The federal program is based on the idea of stretching scarce resource dollars as far as possible, by allowing eligible entities access to reduced drug prices (a discount of 30% to over 50%). Eligible hospital types include certain disproportionate share hospitals (DSH); children's hospitals; rural hospitals, including critical access hospitals (CAHs), rural referral centers (RRCs) and sole community hospitals (SCHs); and free-standing cancer hospitals. If your facility falls into one of these categories, you then have two more requirements to meet. The first requirement is that the facility is owned/operated by a unit of state or local government (ensuring non-profit status). The second is a mandated DSH percentage of above 11.75% on the hospitals latest cost report (SCHs and RRCs have to show a DSH percentage of above 8%, and CAH are exempt from this requirement all together). Once you have been able to get your hospital qualified and registered for the program, you can begin adding on the child sites of the hospital. Rural health clinics fall into the child site designation, being seen as an extension of the hospital in the eyes of the 340B program. When adding on these child sites, it is required that these sites are showing up as reimbursable cost centers on your latest Medicare cost report BEFORE you register them.

The next step that can be taken to expand your 340B program is to partner with contract pharmacies. This partnership allows the 340B discount prices to be utilized at these contract pharmacies for the hospital's patients, when the prescriptions are written by one of the hospitals providers, off a visit at the hospital or one of its registered child sites. Covered entities (CEs) can often realize more than half the savings off their program from these contract pharmacy relationships. The question becomes, how can the 340B program help strengthen your Rural Health Clinic? RHCs, registered as hospital child sites, and in contract pharmacy agreements, have the potential to greatly increase the savings for their hospitals. In 2017, the average increased savings seen off a family practice APRN, seeing 15 patients per day in an RHC setting, was over \$245,000! The additional savings does not require any additional work on the clinic staff, they simply continue to give the excellent patient care that they give every day.

The 340B program continues to grow year after year (growing from 583 covered entities in 2005 to 2,217 in 2017). The annual 340B savings have also continued to climb, with the average for 2018 being \$11.8 million dollars per hospital. It almost sounds too good to be true doesn't it, so what's the catch? As the program has continued to expand, oversight has also intensified. HRSA conducts random audits of covered entities every year to ensure program compliance. In 2018, HRSA audited 199 CEs and reported 197 areas of non-compliance. Non-compliance is taken very seriously by HRSA and can lead to mandated monetary repayments to manufacturers, loss of contract pharmacies, loss of child sites, and potentially the loss of an entire 340B program. Building out and monitoring compliance of a robust 340B program is a large and complicated endeavor but has the potential to make a great impact on a facility and its patients. In 2018, hospitals reported an average use of 2.8 FTEs to manage their programs, with an average annual cost of \$167,400. Unfortunately, more than 75% of these programs did not have certified 340B experts on these teams, often leading to less than ideal results. More and more facilities have decided to contract with experts in the 340B space to fully manage their programs, showing to have a lower annual cost for the facility, higher annual savings for facility, as well as increased compliance with the program.

As the healthcare realm continues to face more and more financial hurdles, the 340B program has been a great resource for the country. It allows CEs to save money on medication costs, therefore allowing these savings to be used to provide better care for its patient base. Rural health clinics are an increasingly strong pillar of the program, allowing CEs to continue their 340B growth and maximize care in their communities. Three million to one! 340B can improve the odds.

Mark R. Lynn
Healthcare Business Specialists
www.ruralhealthclinic.com