



## AN "OLDIE BUT GOODIE": THE 340B PROGRAM

Volume 28, Issue 491

May 14, 2007

*Kory Mertz*

An old federal program to help states save money on prescription drugs continues to prove its worth. During their 2007 sessions, nine states introduced legislation aimed at increasing use of the federal program known as 340B.

Established by a 1992 law, the 340B program allows qualifying providers to purchase drugs for outpatient use at significantly reduced rates: approximately 20 percent below the Medicaid price. Eligible providers include federally qualified health centers, "disproportionate share" hospitals, and certain clinics that focus on specific diseases such as AIDS or hemophilia.

340B programs have been established in every state, but many believe they could get more savings if the program were used more extensively. The legislation introduced in 2007 generally focuses on increasing use of the program through educational campaigns, as well as mandated use with an eye toward reducing state drug costs.

In **Alaska**, Representative David Guttenberg introduced [HB 82](#). The bill, now under consideration, would prohibit 340B-eligible providers from purchasing covered outpatient drugs for a price higher than the 340B discounted price. The bill also would require the Commissioner of the Department of Health and Social Services to inform all eligible providers of the availability of the 340B program.

"We just need to make sure that everybody in Alaska takes advantage of every discount program they can, whether it's federal or state or otherwise," said Representative Guttenberg.

In **Vermont**, [SB 115](#) would direct the state to create a plan to inform Vermonters that health services and 340B prescription prices are available through federally qualified health centers.

States can save money through 340B by getting individuals covered under public programs to become patients of entities that can buy outpatient drugs at the discounted 340B price. To be considered a patient of an entity, that entity must have primary responsibility for the patient's care and responsibility for the patient's medical record. Drugs bought through 340B are not subject to any Medicaid rebates; Medicaid can only be charged the acquisition cost plus a reasonable dispensing fee. (For more information on these bills and other Rx legislation, go to: [www.ncsl.org/programs/health/drugbill07.htm](http://www.ncsl.org/programs/health/drugbill07.htm).)

### Significant Savings

Through their innovative approach, **Texas** stands out among the states with 340B programs as having achieved enormous savings. In 2001, the Lone Star State enacted [SB 347](#), which allows the [Texas Department of Criminal Justice \(TDCJ\)](#) to work with a 340B eligible entity to provide health care for inmates.

The University of Texas Medical Branch at Galveston (UTMB) provides around 80 percent of the Texas inmate population's health care and qualifies for 340B. After intensive collaboration, the TDCJ, the university, and others were able to create a system by which the university could provide 340B-priced drugs to all the inmates under their care. For more information on the process see this [presentation](#).

In 2006, Allen Hightower, executive director of Texas' Correctional Managed Health Care Committee, spoke highly of the program before a Texas House committee. "It's one of the more significant cost-containing measures that we have implemented," he said. "We estimate that we are saving the state about \$10 million a year because of drug pricing alone."

The program's widespread success has led to efforts to expand it to other state agencies such as the Texas Youth Commission. The [Texas Health Care Policy Council](#), in a recent [report](#), singled out the innovative partnering of the TDCJ and UTMB as a program that should be evaluated for potential expansion.

Other states are using 340B in programs that target specific diseases. **Utah**, for example, offers 340B-priced drugs to hemophilia patients through a contract with the University of Utah, a 340B covered entity. The university provides case management to the

patients, with monthly in-person visits from a nurse. Since 2003, the program has saved the state \$3 million.

The [Heinz Family Philanthropies](#) has issued a few reports that estimate the savings state treasuries could wring from 340B programs. Their [report on Rhode Island](#) suggests that 340B could produce savings of \$2.7 million in the first year of use. A similar [report on Oregon](#) estimated net savings of \$3.1 million.

The 340B program is run by the federal [Office of Pharmacy Affairs](#), and a list of the qualifying providers is available at <http://pssc.aphanet.org/about/whoiseligible.htm>.

NCSL's pharmaceuticals project receives support from the Office of Pharmacy Affairs and can provide information and technical assistance to states on using 340B. For more information please go to <http://www.ncsl.org/programs/health/drug340B.htm> or contact [Karmen Hanson](#).

© Copyright 2007, *State Health Notes*

---

© 2007 National Conference of State Legislatures, All Rights Reserved

**Denver Office:** Tel: 303-364-7700 | Fax: 303-364-7800 | 7700 East First Place | Denver, CO 80230 | [Map](#)

**Washington Office:** Tel: 202-624-5400 | Fax: 202-737-1069 | 444 North Capitol Street, N.W., Suite 515 | Washington, D.C. 20001