



AMERICA'S ESSENTIAL HOSPITALS

March 4, 2016

The Honorable Ron Wyden
Ranking Member
Committee on Finance
United States Senate
Washington, DC 20510

The Honorable Charles Grassley
Committee on Finance
United States Senate
Washington, DC 20510

Ref: The Rising Costs of Prescription Drugs and Their Impact on the U.S. Health Care System

Dear Ranking Member Wyden and Senator Grassley:

America's Essential Hospitals welcomes the opportunity to join the conversation on the impact of rising drug costs on patient access. We thank you for your report investigating the drug pricing strategy of a major pharmaceutical company and the impact this has had on payers, such as Medicaid, as well as the direct costs to patients in need of lifesaving drugs. Rising drug costs are unsustainable for patients, hospitals, and taxpayers and underscore the urgent need for programs that expand patients' access to lifesaving drugs and treatment. Essential hospitals are committed to expanding access to affordable, high-quality care for their patients. As the committee moves to address the issue of costly prescription drugs, we encourage you to consider existing government programs that have a strong history of enabling patient access and allowing essential hospitals to continue to fulfill their missions to treat vulnerable patients in underserved communities.

Background

America's Essential Hospitals is the leading association and champion for hospitals and health systems dedicated to high-quality care for all, including the most vulnerable. Our more than 275 member hospitals provide access to high-quality health care for their patients, predominantly serving patients covered by public programs and the uninsured.¹ Of the outpatient services provided by our members, 21 percent are to Medicare beneficiaries, another 27 percent are to Medicaid recipients, and 24 percent are to uninsured patients. Our members provide this care while operating on margins substantially lower than the rest of the hospital field—

¹Reid K, Roberson B, Landry, C, Laycox S, Linson M. *Essential Hospitals Vital Data: Results of America's Essential Hospitals Annual Characteristics Survey, FY 2013*. America's Essential Hospitals. March 2015. <http://essentialhospitals.org/wp-content/uploads/2015/03/Essential-Hospitals-Vital-Data-2015.pdf>. Accessed February 18, 2016.

an aggregate operating margin of *negative* 3.2 percent, compared with positive 5.7 percent for all hospitals nationwide.²

Essential hospitals play a vital role in providing ambulatory care to their communities. Our members offer more comprehensive ambulatory care than many other providers and create medical homes for community residents through networks of provider-based ambulatory health clinics. A critical part of our commitment is the ability to provide affordable outpatient drugs to patients seeking treatment in these ambulatory clinics and ensuring they adhere to their medication regimens.

Ensuring Vulnerable Patients' Access to Prescription Drugs

In your letter to stakeholders, you listed five questions pertaining to rising drug costs. Our feedback is focused primarily on the fifth question:

- What tools exist, or should exist, to address the impact of high cost drugs and corresponding access restrictions, particularly on low-income populations and state Medicaid programs?

This issue is of particular importance to essential hospitals, which treat a disproportionate number of low-income patients. In fact, as noted above, more than half of patients at essential hospitals are uninsured or Medicaid beneficiaries. Essential hospitals play a key role in ensuring these patients receive the timely treatment they need.

The 340B Drug Pricing Program, established by Congress in 1992 and codified in the Public Health Service Act, is one example of a government program that has helped hospitals expand access to as many patients as possible. In creating the 340B program, Congress envisioned that the program would allow providers that fill a safety net role to “stretch scarce Federal resources as far as possible, reaching more eligible patients and providing more comprehensive services.”³ The 340B program is structured to provide hospitals treating a disproportionate share of low-income patients with discounts for covered outpatient drugs provided to patients of the entity. By purchasing discounted drugs, hospitals are able to realize savings they can then pass on to vulnerable patients in the form of no-cost or heavily discounted drugs and expanded access to other services, such as non-emergency transportation, nutrition counseling, and interpretation services.

The 340B program does not cost taxpayers money and actually reduces federal, state, and local health care spending. The committee’s report illustrates the strain that high-cost drugs put on state budgets. The 340B program is a critical tool to counter rising drug costs and ensure patient access to needed therapeutics.

Many essential hospitals qualify for the 340B program due to the high percentage of low-income patients they serve. For these hospitals, which provide care to the most

²Ibid.

³H.R. REP. No. 102-384, pt. 2 (1992).

vulnerable Americans, the program has been critical to ensuring that needy patients have access to affordable health care and prescription drugs. Through their integrated health systems, essential hospitals offer the full range of primary through quaternary care, including trauma care, public health services, mental health services, substance abuse services, and wraparound services critical to vulnerable patients. Many of the specialized inpatient and emergency services they provide are not available elsewhere in their communities. Essential hospitals are able to use savings from the 340B program to reach more patients—many of whom are uninsured and low-income—and continue to offer these vital services. 340B savings get reinvested by essential hospitals into programs targeting care coordination and improved outcomes, including initiatives aimed at reducing readmissions, ensuring medication adherence, and identifying high-risk patients in need of ancillary services.

Protecting Access by Preserving the 340B Program

While the 340B program has been immensely beneficial to low-income patients, there are looming threats to the program that would significantly undermine the ability of providers to continue participating in the program. The Health Resources and Services Administration (HRSA), the federal agency that oversees the program, issued far-reaching subregulatory guidance in August 2015. The provisions of the proposed guidance represent an unprecedented narrowing of the program Congress enacted more than two decades ago. If implemented, the proposed reductions in the scope of patient eligibility and the drugs for which such discounts apply will restrict patients' access to critical drugs and undermine quality of care. Specifically, the proposed guidance threatens 340B providers' ability to continue to offer needed services to vulnerable patients by potentially restricting the definition of a patient, adding requirements for hospital outpatient facility eligibility, and narrowing the interpretation of which medications qualify as covered outpatient drugs. If finalized, these revisions ultimately will restrict patient access to lifesaving drugs.

In addition to program changes proposed by HRSA, the Medicare Payment Advisory Commission (MedPAC) recently recommended additional changes to the program that would reduce Medicare Part B reimbursement to 340B hospitals. This recommendation inequitably proposes to single out 340B hospitals for reduced Medicare reimbursement while not addressing the larger issue of rising drug costs, such as high spending in the Medicare Part D program.

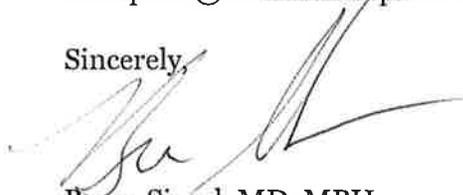
These recently proposed changes to the 340B program do very little to save taxpayers, the government, or beneficiaries money. In reality, they will restrict patient access to needed therapeutics and cost taxpayers more over time. To ensure patient access to high-cost drugs, we urge Congress to protect the 340B program from all policy proposals that would undermine the program.

We are encouraged that you have identified the high cost of drugs as a barrier to patient access. For example, the number of patients who received lifesaving hepatitis C drugs was limited when the high cost of such medication fell on payers, such as state Medicaid programs with limited budgets.

The 340B program enables providers to purchase discounted drugs and provide them at little or no cost to low-income beneficiaries. Because this is precisely the type of program that addresses many of the concerns about the high cost of drugs and the corresponding effects on access highlighted in your report, protecting the 340B program should be a priority of the Senate Committee on Finance.

America's Essential Hospitals appreciates the opportunity to submit these comments, and we look forward to collaborating with the committee on policies that will protect patient access to lifesaving drugs. If you have questions, please contact Beth Feldpush, DrPH, senior vice president of policy and advocacy, at bfeldpush@essentialhospitals.org or 202-585-0111.

Sincerely,

A handwritten signature in black ink, appearing to read 'Bruce Siegel', written over a light blue horizontal line.

Bruce Siegel, MD, MPH
President and CEO

cc: The Honorable Orrin G. Hatch, Chairman, Senate Committee on Finance
The Honorable Lamar Alexander, Chairman, Senate Committee on Health,
Education, Labor and Pensions
The Honorable Patty Murray, Ranking Member, Senate Committee on
Health, Education, Labor and Pensions