

# How to leverage 340B to care for the uninsured

Q&A with Harry Norsworthy, associate principal, advisory solutions



Harry Norsworthy, associate principal, Vizient Advisory Solutions, has been a licensed pharmacist for more than 30 years. He has extensive expertise on the 340B drug pricing program, administered by the Health Resources and Services Administration (HRSA), and policed by the Office of Pharmacy Affairs (OPA).

Here are his insights on important rules hospitals and health systems need to know so their 340B program delivers the most for their health system and patients.

## Q: Will you provide a brief explanation of 340B?

A: In simple terms, 340B is a federal drug discount program that enables select qualifying hospitals to take advantage of special subceiling pricing, which is much lower than the best group purchasing organization (GPO) pricing for all eligible outpatient dispensations. The higher the percentage of eligible outpatient business that an organization does, the greater the financial advantage they stand to gain through the 340B program. Savings typically result in a 25 to 40 percent reduction in hospital drug expenditures.

## Q: Are there hurdles for participation we should prepare for?

A: Compliance is key. Because 340B is a federal program, it has a lot of moving parts from a compliance perspective. Covered entities are expected to follow the rules and regulations set forth by HRSA, which can be quite confusing and interpretive as they relate to the patient definition and physician relationship.

The rules are: keep the 340B database information accurate, recertify eligibility, prevent duplicate discounts, prevent diversion to eligible patients and prepare for program audits.

Only nonprofit health care organizations that have certain federal designations or receive funding from specific federal programs are eligible organizations (covered entities) that can register, be enrolled and purchase discounted drugs through the 340B program. These include federally qualified health centers, Ryan White HIV/AIDS Program grantees, and certain types of hospitals and specialized clinics. Education of 340B stakeholders, including finance, ethics, administration and pharmacy, is key in meeting the 340B program standards.

## Q: What is required at registration?

A: The 340B Drug Pricing program application can be completed online and typically take 45 minutes to an hour if you have all of the documentation available at registration.

It's important to keep the following in mind:

- Know your eligibility
- Be aware of the latest registration dates and deadlines
- Identify your authorizing and government officials
- Prepare to complete your registration in one session
- Collect the required information prior to beginning the application process
- Submit required documentation immediately upon completing your registration

The Vizient 340B integrity program guides hospitals through the complexities of patient definition, department eligibility, registration and compliance.

## Q: Can outpatients qualify?

A: Yes, as long as the outpatient meets the HRSA definition of an eligible patient. Eligibility occurs when an individual is a patient of a 340B covered entity (with the exception of state-operated or funded AIDS drug-purchasing assistance programs) and only when:

- The covered entity has established a relationship with the individual, such that the covered entity maintains records of the individual's health care.
- The individual receives health care services from a health care professional who is either employed by the covered entity or provides health care under contractual or other arrangements (e.g. referral for consultation) such that responsibility for the care provided remains with the covered entity.
- The individual receives a health care service or range of services from the covered entity which is consistent with the service or range of services for which grant funding or federally qualified health center look-alike status has been provided to the entity. Disproportionate share hospitals are exempt from this requirement.

## Q: How does 340B help hospitals from a pharmaceutical supply standpoint?

A: 340B provides hospitals the opportunity to significantly reduce their total pharmaceutical expenditure, improve profitability and bridge financial loss when providing free pharmaceutical care to patients. The program also provides a new source of revenue through contract pharmacy agreements.

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## Q: What type of reporting on savings are hospitals required to make?

A: The intent of the 340B program passed by Congress was not simply to provide access to drugs to underserved populations, but rather to allow safety net hospitals and other qualified 340B providers to use their discounts to support and expand their resources to needy patients, thus making them less dependent on taxpayer dollars. Under current rules, hospitals are encouraged to list the benefits the program provides to their organization. This can include services, programs, products or resources to improve patient care. Ultimately, the program makes it possible for hospitals to provide value back to vulnerable patients who cannot afford their medications or are financially compromised. Through the 340B program, organizations are able to provide value at the point of service when patients are filling their prescriptions by providing discounts that offset or fully cover vulnerable patients' medications at no cost and minimize financial loss to the hospital.

## Q: What type of feedback are you receiving from participating organizations?

A: I'm often overwhelmed by the positive feedback I receive from excited clients once we implement the 340B program or simply optimize missed opportunities through assessment. Participating organizations express to us that in many cases, their covered entities have always supported patient care by providing free medications to facilitate hospital discharges and reduce admissions for financially challenged patients. They work with patients who often struggle because they cannot afford to pay for their vital prescriptions. And through their 340B program they improve that outreach for patients and for their bottom line.

I hear from hospital administrators who point out that the opportunity to reduce their lost pharmaceutical costs is huge and can allow them to provide more services to the larger uncompensated population. They find this generally sets off a chain reaction of financial performance improvements for their hospitals. It's at this moment, I believe, administrators gain more confidence in the survival of their facilities and health care services—all through the advantages of a successful 340B program.

As the nation's largest member-owned health care services company, Vizient provides network-powered insights in the critical areas of clinical, operational, and supply chain performance and empowers members to deliver exceptional, cost-effective care.