...BREAKING NEWS...
JULY 29, 2005

House Bill Calls for 340B Discounts on Inpatient Drugs

A bipartisan group of lawmakers led by Rep. Jo Ann Emerson (R-MO) and Rep. Bobby Rush (D-IL) introduced a bill in the House of Representatives last night calling for an extension of the 340B program to include inpatient drugs purchased by participating hospitals. The introduction of the House bill comes just two days after the Senate Republican leadership introduced a comprehensive health care bill proposing significant reforms to the 340B program.

The “Safety Net Inpatient Drug Affordability Act” (H.R. 3547) is the first bill introduced in Congress this year that would require pharmaceutical manufacturers that choose to have their drugs covered by Medicaid to offer 340B inpatient discounts to the disproportionate share hospitals (DSH) in the program. Currently, the 340B program only guarantees discounted pricing on the outpatient side, though manufacturers are permitted to offer discounted inpatient pricing to 340B hospitals on a voluntary basis (The Monitor, July 2004).

Also included in H.R. 3547 is a mechanism designed to generate new revenue for the Medicaid program. According to the bill, a certain percentage of the inpatient 340B discounts received by hospitals on their Medicaid patients would be passed on to their state Medicaid agency in the form of an annual rebate.

An analysis of the bill performed by the Public Hospital Pharmacy Coalition (PHPC)—an organization that represents more than 275 hospitals participating in the 340B program—estimates that this provision would save Medicaid over $100 million annually.

Aside from the inpatient extension, the bill also proposes that Critical Access Hospitals (CAH) be admitted as “covered entities” under the 340B program. These hospitals are defined as institutions with 25 beds or less that provide emergency care to low-income patients in remote rural locations.

The Senate Republican leadership bill (S. 4), which was introduced on July 27, includes other measures that would, among other things, permit 340B entities to partner with multiple contract pharmacies, strengthen the oversight of the program, and increase pricing transparency (Monitor news update, July 27).

The Monitor will feature a more in-depth look at both bills, as well as other important legislative and regulatory developments, in the newsletter’s August issue.