

Briefing on 340B Drug Purchasing Program



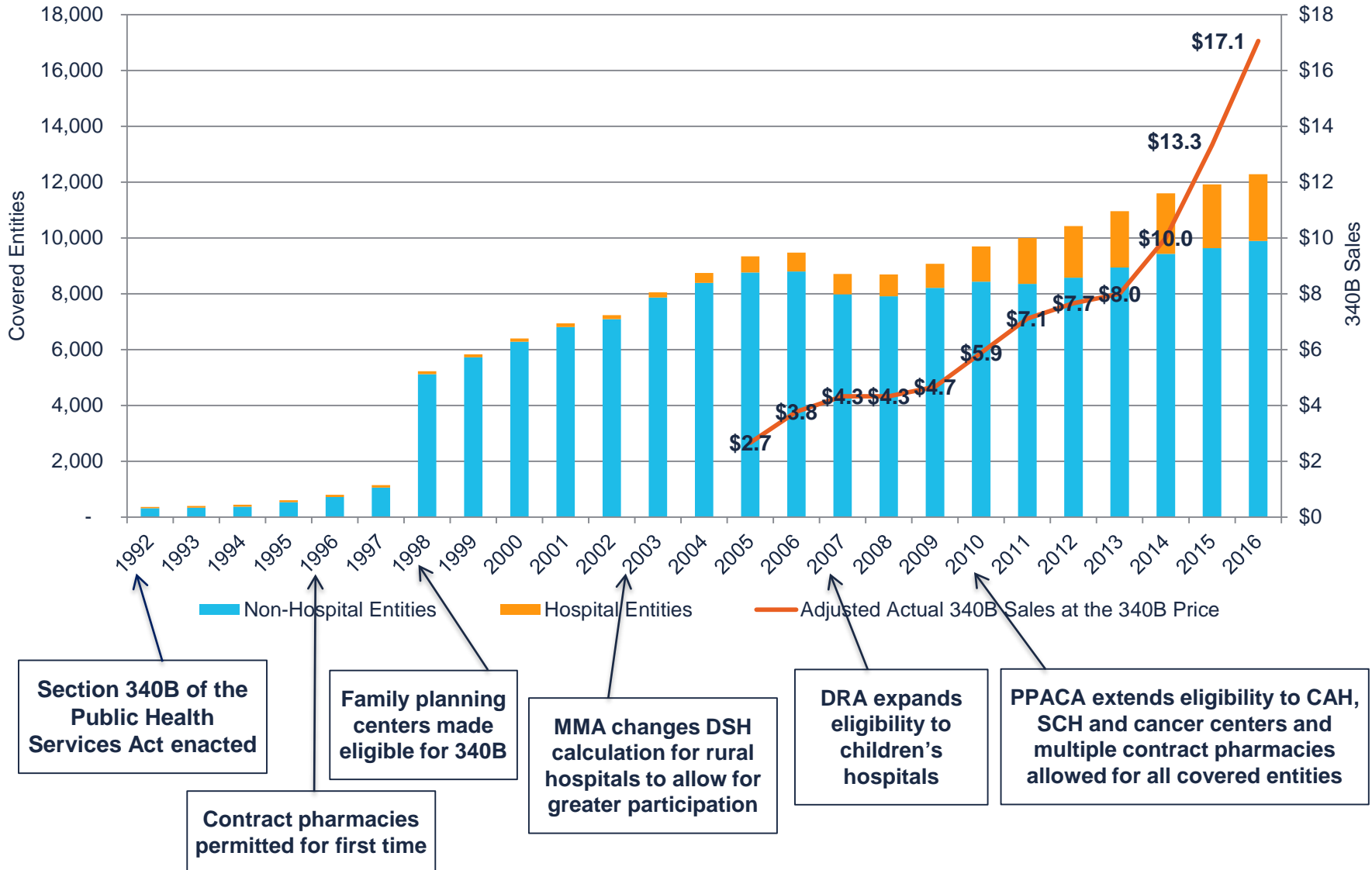
340B Program Overview



- The 340B program is a drug purchasing program originally designed to give discounted pricing on outpatient drugs to providers of “at risk” populations
 - The 340B program was established in 1992 via section 340(B) of the Public Health Services act and is sometimes referred to as the PHS program
 - The program is administered by HRSA and the Office of Pharmacy Affairs (OPA)
- Entities that participate in the program are referred to as Covered Entities
 - There are ~12,000 Covered Entities in the program of which ~2,300 are hospitals
 - Almost 90% of the purchased drugs in the 340B program are through hospitals
- The 340B price is a statutory price equal to AMP - URA
 - The price is typically 30% - 50% lower than the GPO pricing offered to most hospitals
 - Because the URA also includes an inflation factor it is possible to have a negative 340B price which is generally referred to as ‘penny pricing’ because the actual price is \$0.01
- Covered Entities are allowed to contract with pharmacies to dispense 340B drugs – these arrangements are referred to as Contract Pharmacies

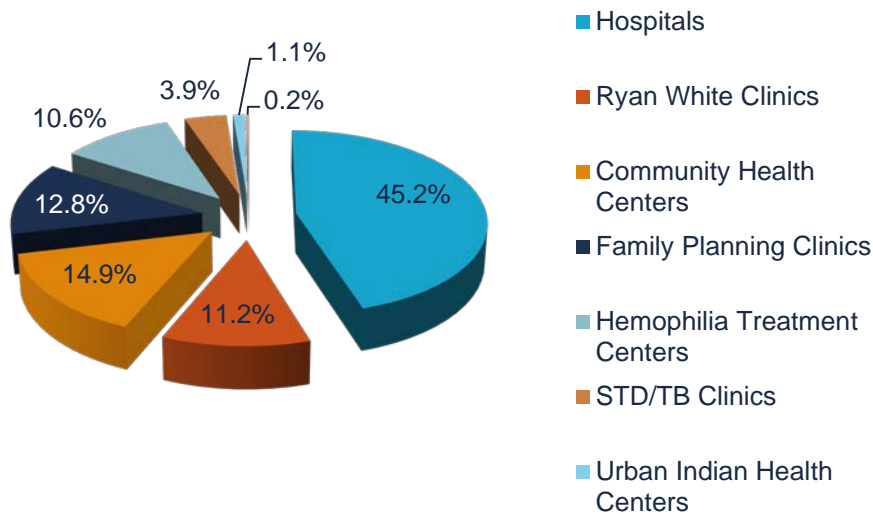
Historical 340B Program Growth

Hospital versus Non-Hospital Enrollment



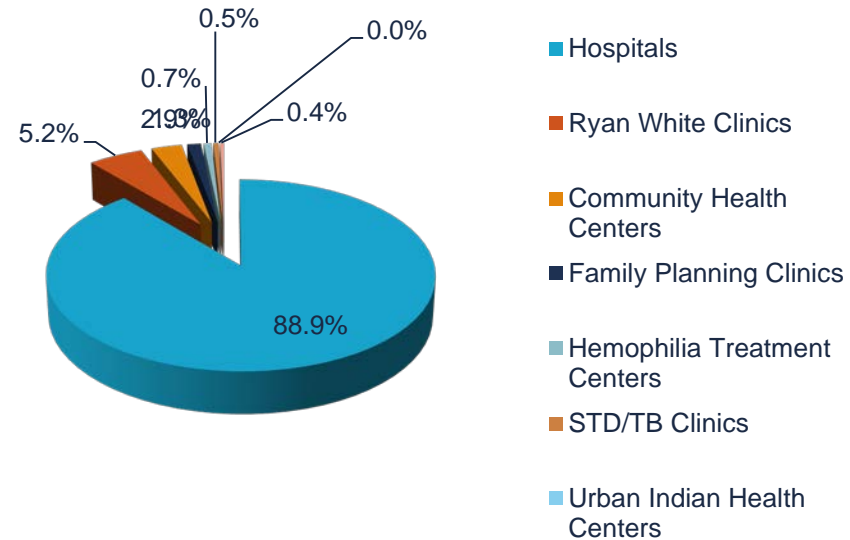
Impact of Program Growth on Distribution of Purchases by Entity Type

340B Purchases by Entity Type (2004)



Source: Mathematica, *The PHS 340B Drug Pricing Program: Results of a Survey of Eligible Entities*, August 2004

340B Purchases by Entity Type (2011 - 2013)

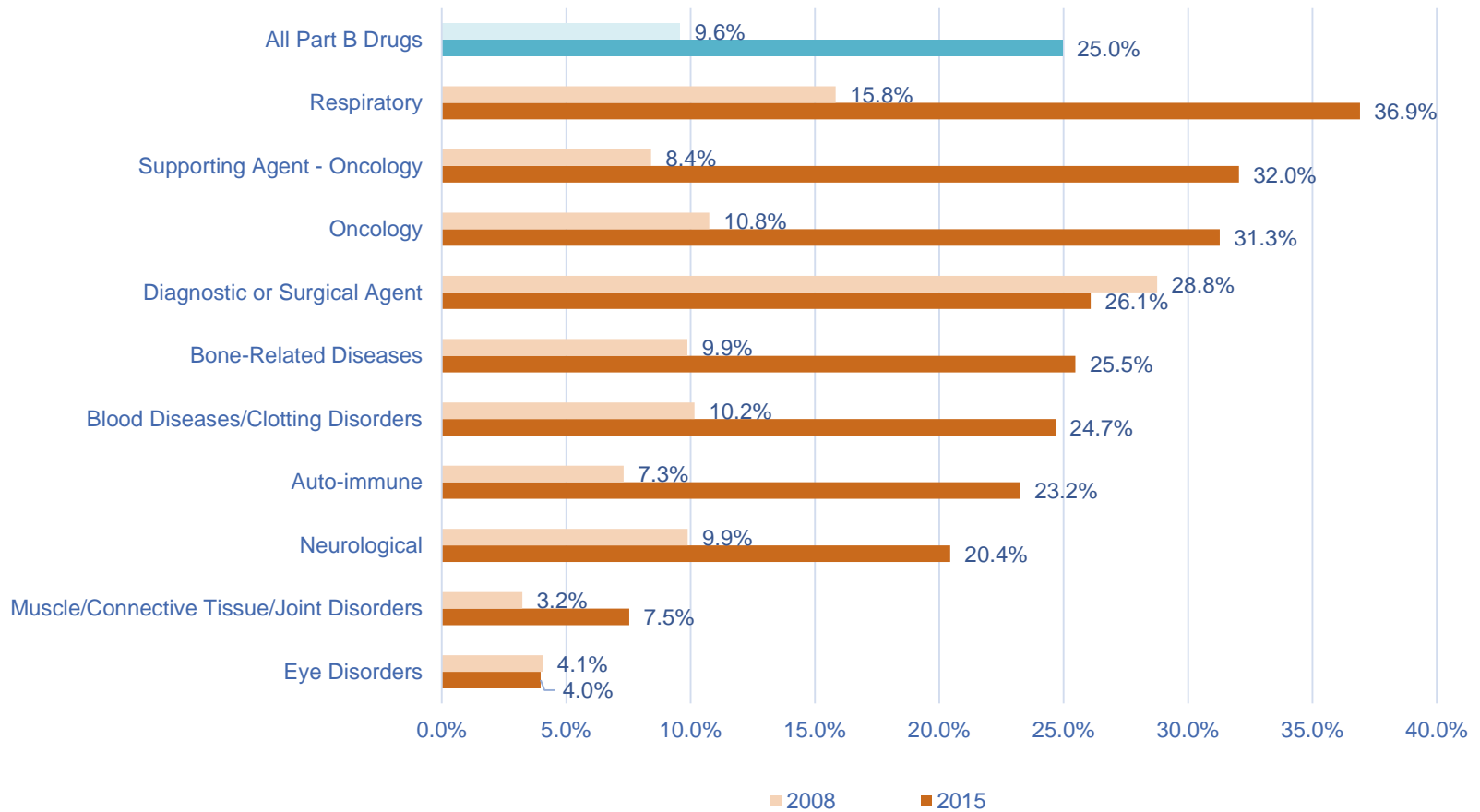


Source: Berkeley Research Group analysis of \$7.1B in manufacturer 340B sales data for the period 2011 to 2013.

340B Growth & Medicare Reimbursement



Percentage of Part B Drug Reimbursement through 340B Hospitals
2008 v. 2015

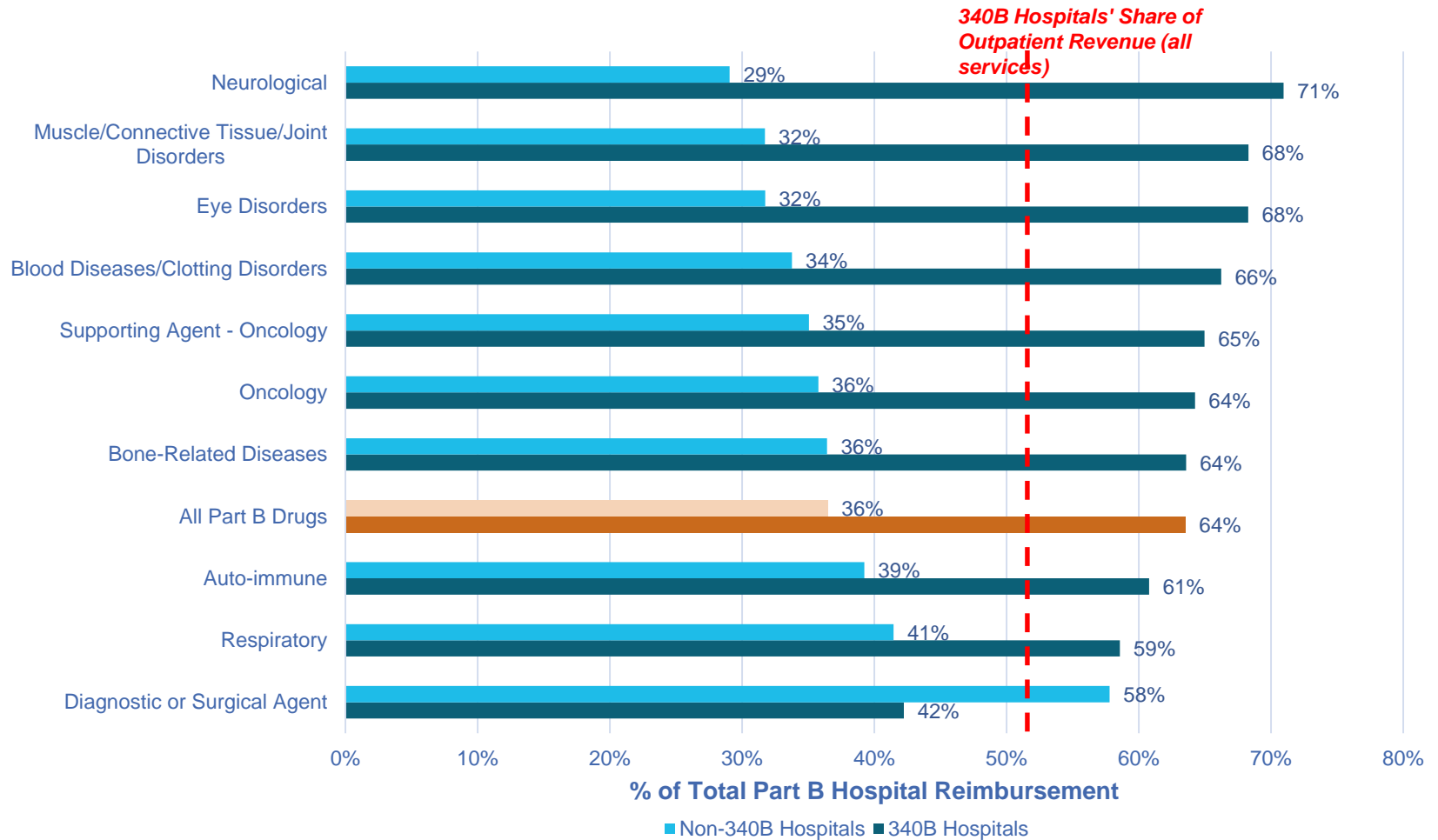


Note: Diagnostic and Surgical Agent figure reflects 2013

340B Growth & Medicare Reimbursement



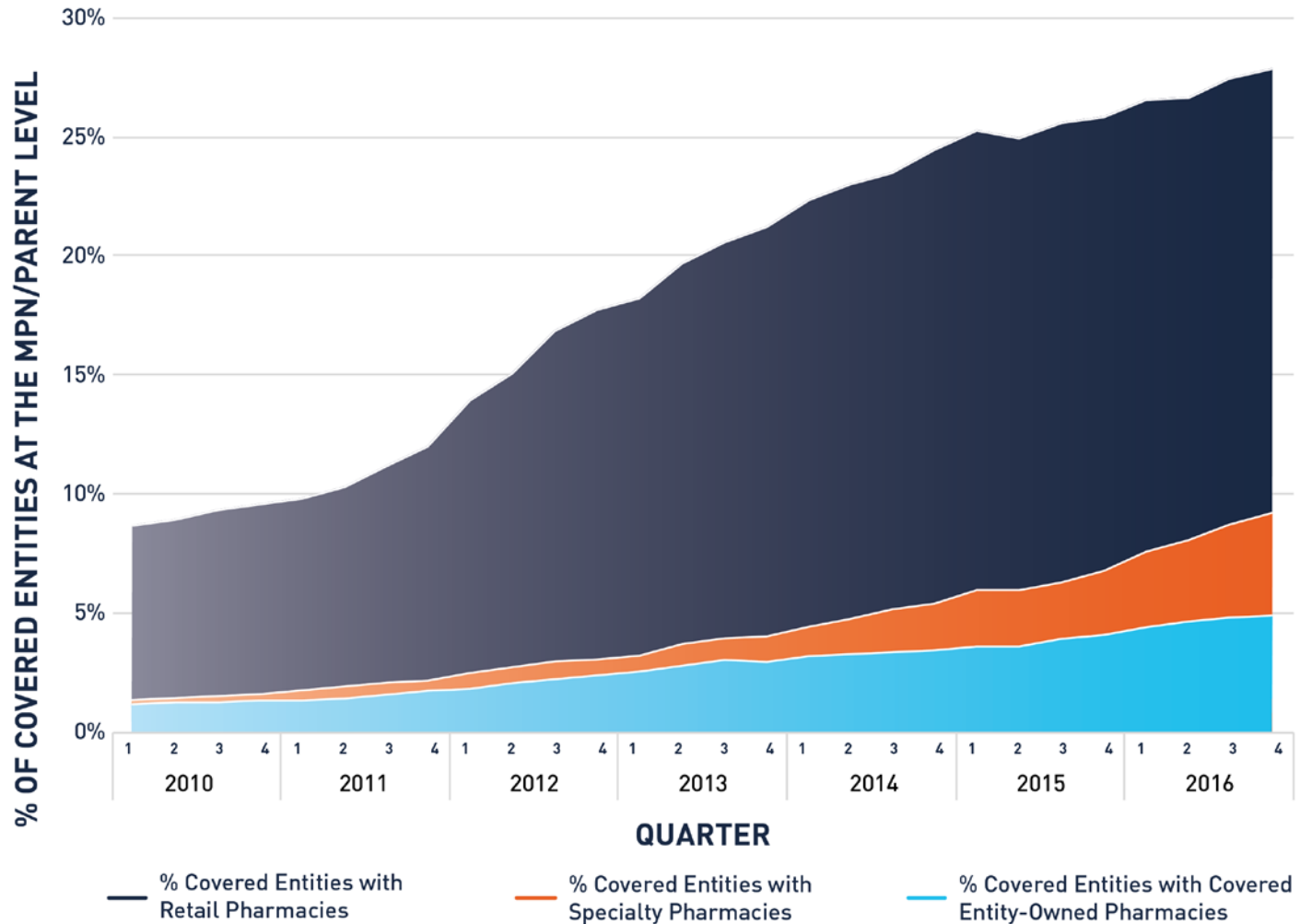
Medicare Part B Reimbursement at 340B vs. Non-340B Hospitals, 2015



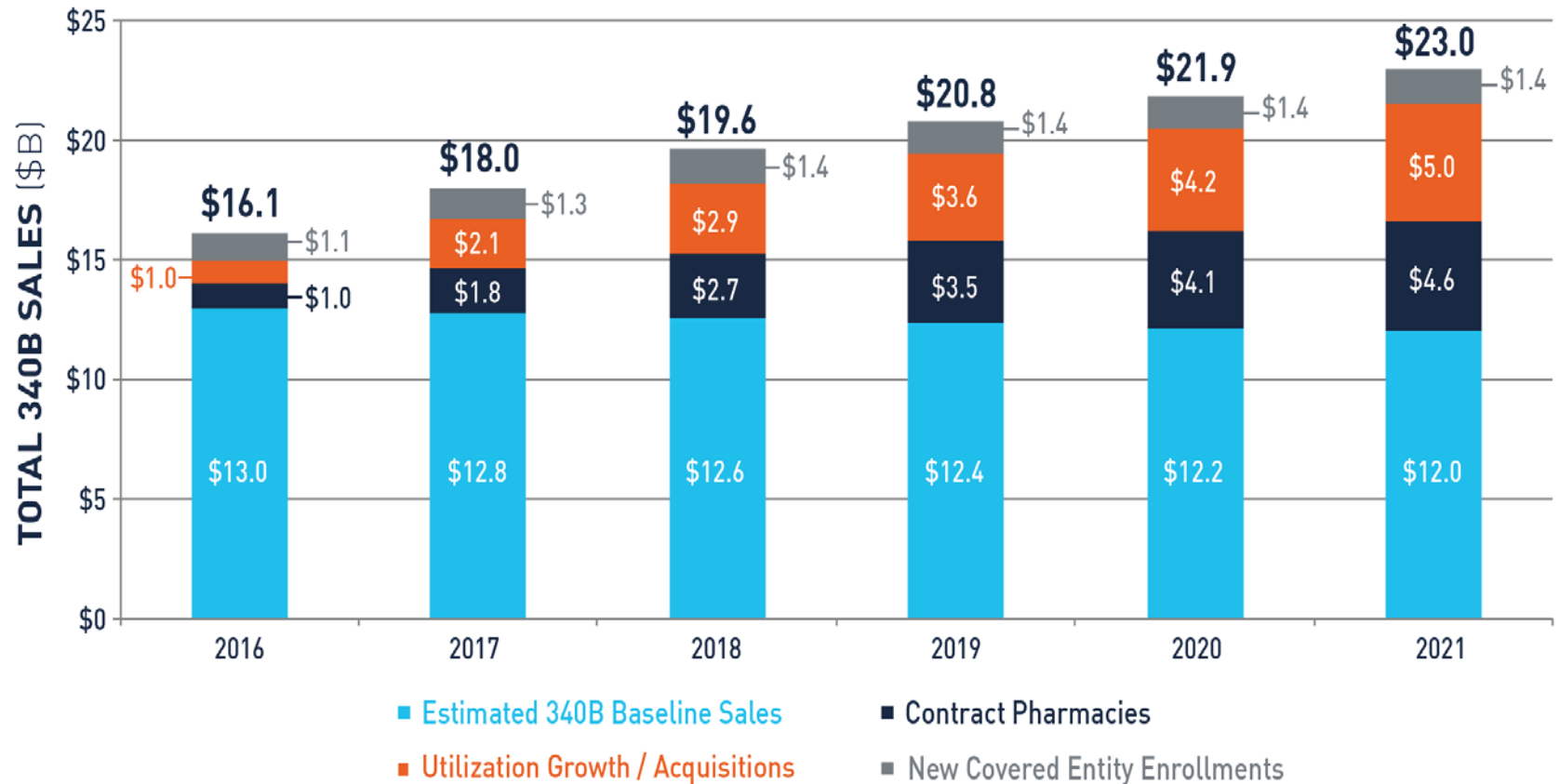
Note: Diagnostic and/or Surgical Agent figure reflects 2013.

340B Contract Pharmacy Growth

Percent of 340B Covered Entities Contracting with Retail, Specialty and Covered Entity Owned Pharmacies

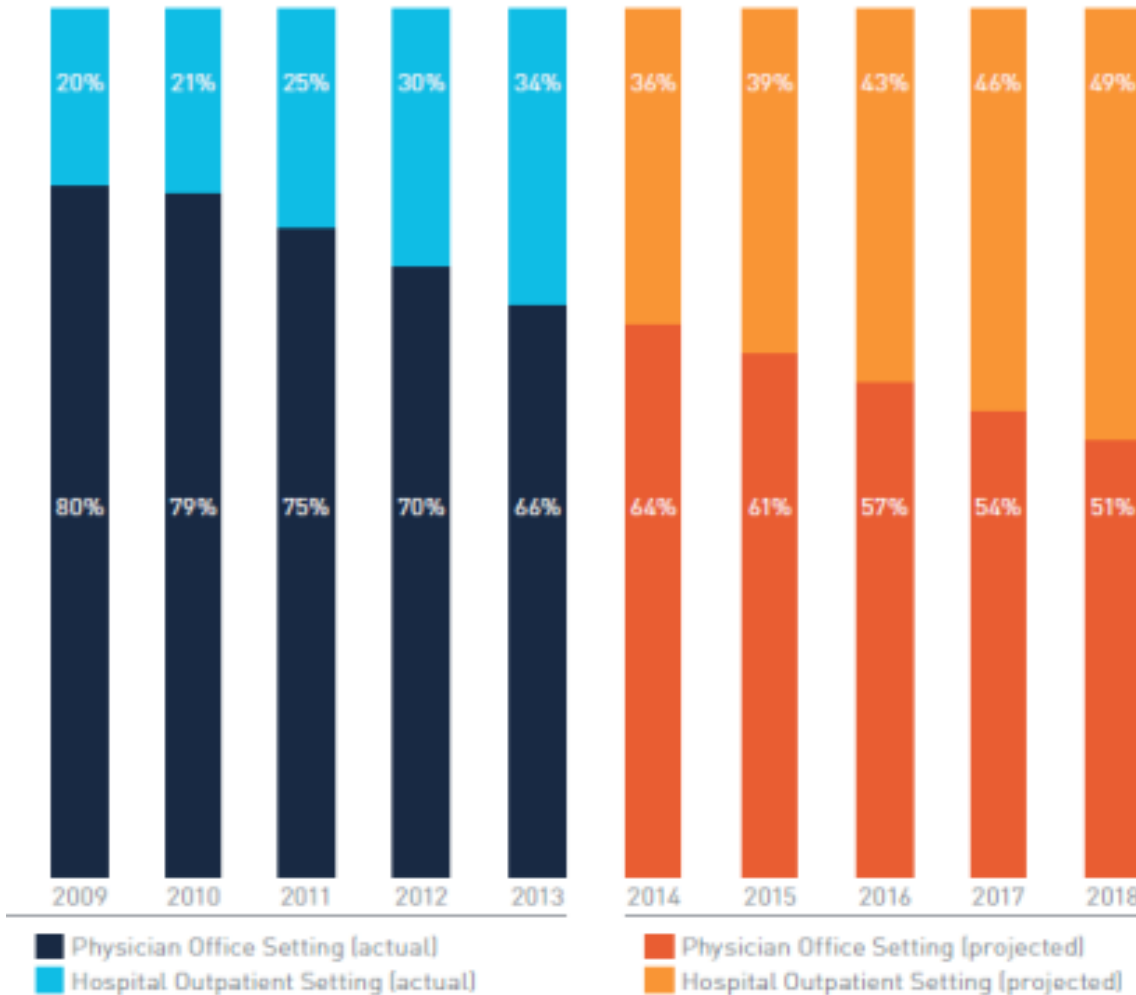


Projections of Future Growth in 340B



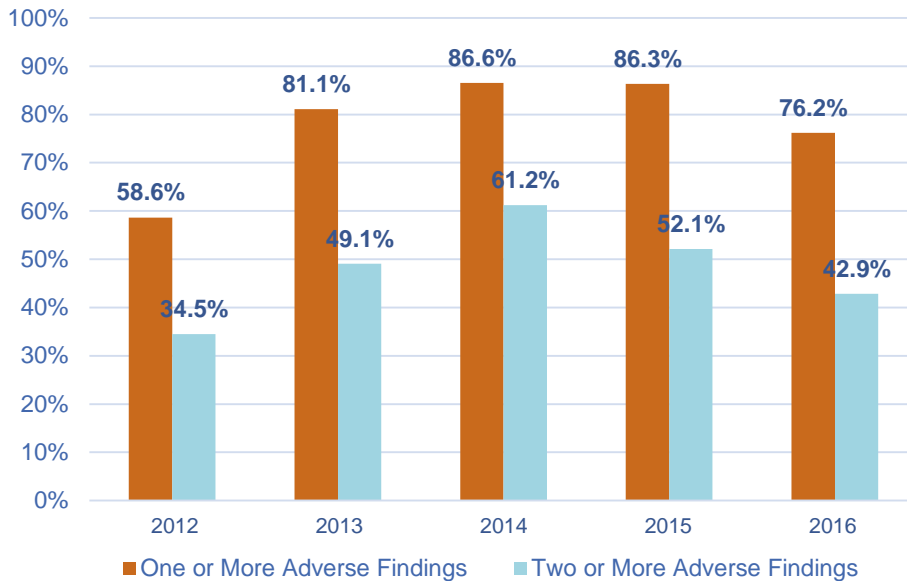
340B has Contributed to Shift in Site of Care

Percentage of Medicare FFS Oncology Claims by Site of Care



340B Hospital Compliance

PERCENT OF HRSA AUDITED DSH COVERED ENTITIES WITH ADVERSE FINDINGS



PERCENT OF HOSPITALS REPORTING COMPLIANCE WITH CHARITY CARE AND DEBT COLLECTION REQUIREMENTS

