New York’s Community Health Centers Depend on the 340B Drug Discount Program

The FY 2021 New York State Budget directs the Department of Health to remove the Medicaid pharmacy benefit from managed care, requiring the State to provide the pharmacy benefit under the fee for service program starting April 1, 2021. Transitioning the pharmacy benefit out of managed care will eliminate savings that community health centers (CHCs) and other safety net providers receive from the 340B program in Medicaid managed care. In June 2020, the Community Health Care Association of New York State (CHCANYS) asked all CHCs to report what would be at stake if 340B savings are lost.

What is 340B?

Since 1992, the Federal Public Health Service Act 340B drug discount program has allowed safety-net health care providers to access pharmaceutical drugs at reduced costs, and to reinvest savings in order to expand access to care. The Human Resources and Services Administration (HSRA) has expressly stated that “[t]he 340B Program enables covered entities to stretch scarce federal resources as far as possible, reaching more eligible patients and providing more comprehensive services.”ii State dollars spent in the 340B program in Medicaid managed care receive a Federal match. All CHCs are eligible to participate in the 340B program. The 340B program allows health centers to expand the type and volume of care they provide to these vulnerable populations. Some CHCs have pharmacies located on site, offering access and one stop convenience for their patients. Patients benefit from the ability to obtain filled prescriptions at a medical visit, making it much more likely for them to adhere to their medication therapy.

How do health centers use 340B savings?

CHCs use 340B savings to improve population health for culturally diverse communities; expand services for the uninsured and underinsured; and to cover essential services that, but for 340B funds, would otherwise go unfunded. For example:

- Providing low cost or free medications for low-income patients, ensuring medication adherence
- Subsidizing costs of care for racially and ethnically diverse, and documented, uninsured and underinsured individuals
- Enhancing care coordination for those who are chronically ill avoiding unnecessary ER visits and/or hospitalizations
- Offering STI prevention services and medications (i.e. PrEP and PEP)
- Implementing unique nutrition and diabetes self-management education programs
- Coordinating access to social determinants of health through partnerships with community-based providers
- Subsidizing transportation so patients can access specialty services
- Providing food security support
- Providing on-site legal assistance

Why is 340B more critical now than ever?

COVID-19 exposed something that CHCs have known for decades: racially diverse underserved communities are the most vulnerable, especially in a healthcare crisis. CHCs have a documented history of providing high quality and effective primary care to anyone who requires services, regardless of insurance status, immigration status, or ability to pay. Health centers are a critical resource for comprehensive, whole person primary care in the most underserved communities across the State. They provide mental health services and also work to address social needs by connecting patients to housing or other social services. CHCs serve the same distressed communities that have been most adversely impacted by the COVID-19 pandemic. Yet, CHCs are experiencing immense financial strain due to COVID-19. CHCs need access to every possible sources of revenue to continue serving 2.4 million New Yorkers. The elimination of 340B savings would be devastating and would compromise the ability of CHCs to serve the most distressed communities in New York.

The pharmacy benefit carve out will limit access to health care for the very populations that most need to be served – the poor, the vulnerable, and communities of color.
If 340B savings are lost, underserved communities will lose access to $100M in services annually.

Without 340B, health centers will have to eliminate or scale back services for the underserved

Loss of 340B savings will reduce access to care

- 44% of health centers will reduce their number of care delivery sites or available hours. Among them:
  - The aggregate number of sites would decrease by 17%
  - 32 CHC sites would close
  - The aggregate number of hours would decrease by 23%
- Among health centers with in-house pharmacies, 33% will reduce their number of pharmacies or operating hours

Health centers will be forced to lay off staff

- 79% of health centers would dismiss or lay off staff
- At least 707 staff would be dismissed or laid off
  - 204 Clinical
  - 43 Dental
  - 63 Behavioral Health
  - 111 Community Outreach
  - 9 Pharmacists
  - 17 Pharmacy Technicians
  - 111 Front Desk
  - 149 Administrative Staff

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1 Among 74 CHCs surveyed, 53 responded (response rate = 72%) as of June 29, 2020. 51 of those 53 (96%) respondents currently participate in 340B.

2 https://www.hrsa.gov/opa/index.html#:~:text=The%20340B%20Program%20enables%20covered,entities%20at%20significantly%20reduced%20prices.