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## How to Maximize the 340B Drug Program for Indigent Patients

By Scott Summers and William Hisey

Most hospitals that treat significant portions of indigent patient populations operate under financial burdens that come from not being able to receive adequate reimbursement for the care provided. The government has set up programs to help these facilities, designated disproportionate share hospitals (DSH), but not all hospitals are doing everything they can to take advantage of the opportunities, especially in the area of purchasing pharmaceuticals.

DSHs could save 30 percent to 50 percent in outpatient drug expense by fully implementing the Federal 340B Drug Pricing Program. This program allows eligible hospitals and community health centers (“covered entities”) to purchase federally discounted drugs to treat patients in outpatient settings.

Unfortunately, because of staffing and compliance challenges, many eligible healthcare facilities find it difficult to maximize their potential benefits. Others are participating but struggling with compliance and are, therefore, exposed to significant auditing risks.

The good news is that by learning more about the Federal 340B Drug Pricing Program, using available technology, and implementing 340B best practices, eligi-

ble hospitals can drive significant pharmacy savings, maintain compliance, and improve the health care provided to local underserved populations.

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### The 340B Program

Through the Federal 340B Drug Pricing program, Medicare DSHs and grantees of the Public Health Service (such as federally qualified health centers and Aids Drug Assistance Programs) can obtain discounted medications at prices well below the “best prices” typically offered to Medicaid agencies.

In addition to cost savings, many participating hospitals also report they’ve been able to expand drug formularies, increase the number of indigent patients treated and expand other services for patients.

Despite the cost savings and other benefits that the 340B Program offers, only a fraction of the more than 12,600 eligible entities fully participate. The reasons are simple: compliance and staffing challenges.

### Important Regulations

To understand the challenges, it is important to understand the rules that covered entities are required to follow to participate in the 340B Program:

- > Only patients of covered entities can receive 340B medications.
- > 340B medications can only be prescribed to patients when treated on an *outpatient* basis.
- > Recipients of 340B medications must meet the definition of a patient—meaning the covered entity must maintain a medical record for the patient, and the treating physician must be an employee or contractor of the covered entity.
- > The covered entity must fully implement the program across *all* areas, including mixed use areas such as the emergency department, rather than departments that strictly serve outpatients such as an outpatient clinic.
- > Participating DSHs must purchase *all* outpatient drugs at 340B or at nondiscounted (WAC) prices.
- > The covered entity must also establish and maintain policies and procedures regarding its use of the 340B Program.

Hospitals tend to experience their greatest 340B challenges in mixed use settings, as patients move between out-

patient and inpatient status.

### Automation a Big Help

Without automated systems to enhance 340B operations, most hospitals only partially implement the 340B Program—in easily identifiable outpatient areas, such as an oncology clinic. Not only does this approach leave significant drug savings on the table, but it also exposes the entity to compliance risks. Under the law, participating DSHs must implement the program in *all* areas of the hospital and they must purchase *all* outpatient drugs at 340B or at nondiscounted (WAC) prices.

Without comprehensive, automated systems to identify and track eligible transactions, many covered entities resort to hiring staff to maintain manual tracking and reporting systems. However, with changing regulatory guidelines, even covered entities that can afford additional employees risk compliance errors because of inherent complexities related to 340B.

### A Solution

To maximize the benefits of full 340B participation while minimizing staffing challenges and compliance risks, eligible hospitals should consider implementing 340B-friendly technology and best practices.

First, when seeking 340B technology solutions, look for a comprehensive solution that will help address the major 340B challenges.

### *Don't leave 340B dispensations on the table.*

Seek technology solutions that accomplish the following:

- > Capture preadmission dispensations to eligible outpatients in mixed use settings, such as the ED.
- > Combine all available technical data to build a complete, coherent picture of how patients are treated and move throughout an episode of care.
- > Track drug purchases across multiple departments and locations.
- > Secure optimum order quantities and maximize 340B discounts.
- > Identify temporarily out-of-stock and discontinued items and bank them for future 340B replenishment.
- > Identify missed 340B dispensations and replenishment opportunities.

*Minimize the workload.* You can reduce the amount of time your staff spends implementing the 340B program by seeking technologies that accomplish the following:

- > Provide full visibility to drug purchasing and dispensing activity. To do this, 340B technologies must interface with your wholesaler's electronic drug ordering systems and provide standard electronic data interchange connections to pharmacy management and billing systems.
- > Ensure that the hospital's chargemaster billing codes are consistently matched to the national drug codes maintained by the U.S. Food and Drug Administration.

## 340B Best Practices

### Focus on inventory replenishment.

Rather than purchase 340B-priced inventory up front, replenish eligible dispensations *after* they're dispensed to avoid inventory tracking hassles and potential diversion to ineligible patients. To do this correctly, you need a strong virtual inventory tracking and purchasing system.

### Determine eligibility up front.

To avoid missed savings opportunities and unnecessary investment in non-340B purchases, you need to determine eligibility early on. This requires real-time data feeds and access to enhanced technology systems.

### Capture complete patient and medication data.

This will allow you to secure all available discounts for drugs dispensed in mixed use areas. To do this, you'll want to make sure your 340B technology solution interfaces with medication stations and hospital data networks.

### Interface necessary systems.

Ensure that your 340B technology interfaces directly with your wholesaler ordering system to ensure that mixed-use orders are placed and tracked efficiently.

### Audit and analyze.

Ensure access to complete and up-to-date audit trails of your 340B activity. These data are invaluable when you need to audit or analyze your use of the 340B program.

- > Ensure that 340B drug replenishment orders match the national drug codes of the medications that were dispensed.
- > Use a software-as-a-service model, which interacts with hospital systems on a real-time basis and provides the benefits of commercially licensed, internally operated software without the associated complexity and high initial cost.

**Reduce your compliance risks.** Secure a technology solution that helps you with the following:

- > Creates an integrated (and easy to audit) record of the “building blocks” of 340B eligibility: patients, dispensations, pre-

- scribing healthcare providers, health records, purchases, and invoices.
- > Provides alerts and notifications of new guidelines and legislative updates.
- > Uses a dynamic, rules-based engine that is designed to comply and evolve with changing 340B rules and regulations, and with your 340B policies and procedures.

### **Savings Worth Seeking**

By using a comprehensive 340B technology that provides this level of functionality, eligible hospitals could implement a fully compliant 340B program that identifies all 340B savings opportunities

while also reducing 340B labor requirements, providing the ability to redeploy resources to other pharmacy duties.

In an environment where most hospitals and health centers are increasingly pressured to reduce cost while improving quality of care, the 340B Drug Pricing Program provides financial savings and additional benefits that most eligible facilities can't afford to pass up. <sup>20</sup>

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