

340B and the 340*Better* Pharmacy Purchasing Program

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Outline

- History of CHC pharmacy purchasing.
- Background on 340B pricing.
- Components of CHC pharmacy costs.
- Conditions of 340B pricing.
- Where to begin.
- Overview of the 340*Better* pharmacy program.

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History of CHC's Pharmacy Purchasing (1986)

- Centers not able to use wholesalers because of small volume or large wholesaler fees.
- Ordered directly from manufacturers.
- A lot of administration time used in ordering and inventory.
- Small limited formulary.
- Discounts from manufacturers were small because of small volume.

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History of 340B/PHS Pricing

- 1991-Congress passed Medicaid-Best-Price
- Medicaid Best Price had effect of raising costs to all entities, including CHC's.
- 1992-Congress provided relief in the form of PHS pricing=§340B.
 - Establish formula for calculating 340B/PHS price on a quarterly basis.
- TACHC had exemption placed in law to allow for contracts below 340B for eligible entities without an impact on manufacturer's best price.

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Elements of Pharmacy Costs

- Product Cost
- Wholesaler Cost
- Dispensing Cost

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Product Cost (1)

- Governed by Statute
 - Calculated
 - 340B
 - Approximately 40% below retail cost
 - Negotiated
 - Below 340B
 - Volume/market share (varies from 3-60% below 340B).
- Not governed by statute
 - Accessible to both eligible and non-eligible entities.

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Product Cost (cont.)

- Vast majority of health problems can be treated with a carefully selected number of drugs.
- Most providers routinely use fewer than 200 drugs.
- Recognizing this, TACHC has concentrated on high volume/high cost products for contract pricing BELOW 340B.

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340B/PHS Pricing

- Not many eligible entities using pricing.
- As a result HRSA has added statements to Notice of Grant Awards encouraging the use of 340B pricing – **THIS IS NOT A MANDATE TO USE HRSA's Prime Vendor.**

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Notice of Grant Award

- “Encouraging those grantees not participating in the 340B Program to determine whether their drug purchasing practices meet Federal requirements regarding reasonable and cost effective purchasing.”
Federal Register/Vol. 65, No. 27

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Reasonable Cost Effective Purchasing

- “Cost is reasonable if in its nature or amount it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the costs.”
Cost Principles for Non-Profit Organizations, Circular A-122

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Wholesalers (2)

- A wholesaler is a centralized firm (ordering, invoicing, deliveries, etc.) that distributes drugs via warehouses from drug manufacturers under contract for a percentage of cost.
- Examples:
 - Cardinal Health
 - McKesson
 - AmeriSourceBergen

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Evaluating A Wholesaler

- 340B price is a federally determined cost, the same across the county, so not an issue.
- Examine the cost-plus/distribution fee/mark-up percentage.
- Minimum order requirements or extra fees.
- Value added services:
 - Method of ordering
 - Reports
- Payment terms.

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Wholesaler Costs

- Not governed by statute
- Determined on cost of product plus mark-up (cost-plus)
- Determining factors in cost-plus:
 - Volume (smaller volume=larger cost-plus)
 - Payment terms (prepayment=smaller mark-up and 30 days from invoice=larger mark-up)
 - Delivery costs (fewer deliveries=lower cost)
- Ranges in cost-plus (+7.0% to -2.5%)

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Group Purchasing Organizations

- GPOs are organizations that have buying power.
- A fee associated with to access program.
- Examples:
 - Novations
 - HPPI
 - Amerinet

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Dispensing Costs (3)

- Not covered by statute
- Administrative cost
 - Ordering and inventory management
- Claims processing
- Dispensing charges (off set against costs)
- Equipment
- Overhead costs
- Regulatory costs

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Center Marketing Tool

- Pharmacy services with lower costs attract paying patients.
- Texas has seen a higher retention rate of Medicaid patients.
- Savings is passed to patient to help them be compliant.

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Who Is Eligible for 340B Pricing?

- Federally Qualified Health Centers (FQHCs)
- FQHC Look-A-Likes
- Migrant Health Centers (MHCs)
- Ryan White and HIV
- Public Housing Primary Care Clinics
- Homeless Clinics
- And more, full listing on OPA website

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Who At a CHC Is Eligible For 340B?

- A patient of the eligible entity is eligible for 340B pricing.
 - The CHC maintains records of the patient's health care.
 - The patient receives health care services from the CHC.
 - Medicaid, Medicare, Un/Under-Insured, Commercial, etc. are all eligible.
- The patient is NOT eligible for 340B if they are only receiving service for the dispensing of a drug.

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What Drugs Are Covered at 340B?

- Covered out-patient drugs may be purchased through the 340B drug pricing program.
- This includes both prescription and over-the-counter drugs prescribed by a physician.
- No double-discounts from manufacturer (no Medicaid rebate **and** 340B).

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Where To Begin?

- Complete registration form for Office of Pharmacy Affairs (OPA) to be placed in database (original signature needed):
 - www.hrsa.gov/opa/
 - www.tachc.org/340Better
- Choose GPO to utilize (optional, but recommended).

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Where To Begin? (cont.)

- Contract with retail facility ("bill to/ship to"):
 - Negotiate contract with retail pharmacy
 - Complete Self-Certification Form for OPA

or

- In-house arrangement:
 - State Board of Pharmacy license
 - DEA License (phone: (800) 882-9539)
 - Hire Pharmacist-in-Charge
 - Policies and Procedures

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Where To Begin? (cont.)

- Develop formulary
- Wholesaler agreement
- Claims processor contract (in-house)
- Switch contract (in-house)
- Determine your pharmacy costs (product cost + wholesaler cost + dispensing fee)

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History of 340*Better* Program

- TACHC started program in 1987.
- TACHC participated in development of 340B federal legislation.
- Became national program in 1999: 340*Better*.
- Program is currently at \$80+ Million in annual sales.
- 390+ centers in 37+ states using program.
- Full-service program.

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340*Better* GPO

- TACHC's 340*Better* pharmacy program *serves* as a GPO.
- Healthcare Purchasing Partners International (HPPI) is a GPO.
- HPPI is HRSA's prime vendor program.
- A health center must choose **ONE** GPO, cannot utilize multiple GPOs.

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340Better Full-Service Program Options

- Bulk purchasing (traditional)
- "Physician Dispensing" (clinic permit)
- Bill to/ship to (contracting with retail pharmacy arrangement)
- Re-packaging (unit-of-use sizes)
- INVantage (virtual inventory with retail)
- Community Care Rx (Medicare drug discount card)
- Guaranteed Returns (reverse wholesaler)

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Lower Product Costs

- 340B pricing automatically and continually.
- TACHC has contracts **BELOW** 340B with several manufacturers for *high volume/high cost products* from January to December that will not increase during the contract year.
- Contract products are targeted by participating centers (P&T Committee).
- www.cardinal.com for ordering and reports.

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Lower Wholesaler Costs

- Same cost-plus for ALL centers.
- Very low cost-plus for ALL products (340B or 340Better contracts).
- 2 delivery schedules for optimum convenience.
- Cost-plus based on GROUP volume:
 - Cost-plus not based on individual's center volume.
 - Large or small or urban or rural; ALL are equal.
- Centralized ordering and invoicing via Cardinal.
- Inventory management.
- No GPO fees (annual, monthly, etc.) or rebates
(all discounts are up-front!)

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Pricing Schedule

Annual Sales To <u>ALL Member Entities:</u>	<u>Alter. A</u>	<u>Alter. B</u>
• \$10 Million or less	+0.25%	-1.00%
• >\$10 Million<\$25 Million	+0.25%	-1.10%
• >\$25 Million<\$45 Million	+0.25%	-1.20%
• >\$45 Million<\$80 Million	+0.25%	-1.30%
• >\$80 Million<\$130 Million	+0.00%	-1.40%
• >\$130 Million<\$180 Million	-0.10%	-1.50%

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Lower Drug Costs

- TACHC has contracts **BELOW** 340B with 7 manufacturers for high volume/high cost products from January to December that will not increase during contract year.
- TACHC has contracts with a total of 13 manufacturers for contract pricing.
- Contract products are targeted by participating centers (P&T Committee).

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Contract Pricing BELOW 340B

- Bristol-Myers Squibb
- Eli Lilly
- Ferndale Lab.
- Geritrex Corp.
- National Vitamin Company
- Novartis
- Ortho McNeil
- Pfizer
- Stratus
- Teva/Sicor
- Ther-Rx
- Warner-Lambert

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Contract Pricing

- Apothecary Products
- Apothecus
- Becton Dickinson
- FEI Women's Health
- GlaxoSmithKline
- Kerr Group
- Owens-Brockway
- Respirationics
- Roche Diagnostics

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Re-Packaging

- Unit-of-use medications are ready to pull from inventory for dispensing.
- Received with drug-specific information and then patient-specific information is added at time of dispensing.
- Small or large pharmacies able to utilize.
- Increased patient safety.
- Drug pedigree is ensured.

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INVantage-340B

- “Virtual inventory” when contracting with retail pharmacy.
- Inventory is maintained by Cardinal.
- Assists entity when negotiating contracts with retail pharmacies.

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Community Care Rx

- TACHC and MemberHealth have negotiated the only Medicare approved drug discount card using 340B, expires 12/31/05.
- \$600 transitional assistance and 5% and 10% co-pays use 340B, not traditional retail discount.
- Will not effect patients who qualify for PAPs.

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Medicare Part D

- New program in effect January 1, 2006.
- TACHC is attempting to negotiate contracts with PDPs.
- Look to TACHC's website: "Quick Links" and/or the 340*Better* website for updates.
- TACHC hosted webcasts, archived on TACHC website.

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Reverse Wholesaler

- Guaranteed Returns
- ALL centers access high quality service.
- On-site and self-serve service available.
- 8.5% processing fee based on ACTUAL credit received, not typical projected credit.

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Capable And Experienced

- TACHC has had a pharmacy purchasing program since 1987.
- Cardinal's districts able to service every state and city in the U.S. equally.
- Cardinal is flexible and will consider requests from TACHC.
- **BY COMMUNITY HEALTH CENTERS - FOR COMMUNITY HEALTH CENTERS!**

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Contact TACHC Office

- TACHC is able to answer questions and verify eligibility.
- Assistance with analysis of pharmacy purchasing program.
- Updated website:
www.tachc.org/340Better.

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For More Information:



- Contact Lynn Ford at the TACHC Office
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