



ADVOCATES FOR  
COMMUNITY HEALTH  
United for Health and Innovation

## WHITE PAPER

# PROTECTING THE 340B PROGRAM FOR HEALTH CENTERS WITH 340C



Advocates for Community Health (ACH) envisions a 340B program that works exactly as it was designed: to stretch scarce federal resources in support of access to care for underserved patients and their communities. This vital program must be fortified so it can remain a resource for community health centers for years to come.

This is why we created 340C.

**June 2024**



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# Overview

Community health centers (CHCs) are a lifeline for 31.5 million Americans every year, providing health care regardless of employment status, insurance status, or ability to pay. Sophisticated interdisciplinary care teams provide the gold standard of primary care, meeting the complex and evolving needs of their patients in order to help them lead healthy and productive lives and provide opportunities for community transformation.

The current reach of the Community Health Center Program would not be possible without the 340B Drug Discount Program.

Data has shown that health centers' grants and payer reimbursements consistently fail to cover the cost of the comprehensive services provided in the CHC environment. In fact, when Congress created the 340B program in 1992, they recognized this reality – that the 340B drug pricing program would allow safety net providers to “stretch scarce federal resources as far as possible, reaching more eligible patients and providing more comprehensive services.”

By allowing the purchase of drugs at a discounted price, the 340B program enables health centers and other covered entities to funnel the resulting savings into serving more patients with highly complex clinical and social needs than they otherwise could. This capacity is especially important as the nation faces overlapping mental health, substance use, and maternal mortality crises – for which health centers are serving on the front lines. In today's economic environment, health centers depend on the 340B program to meet their mission, putting every dollar received back into the communities they serve.

## Who We Are

Advocates for Community Health (ACH) is a national membership organization focused on visionary policy and advocacy initiatives to effect positive change across the Health Center Program and nation's health care system.

Rooted in community health, our membership comprises of forward-thinking, federally qualified health centers (FQHCs) leading the way in modeling comprehensive, integrated primary care and innovations to help shape a rapidly evolving health care landscape.



**Founded in  
2021**



**36 Members Strong**



**3M+ Patients  
Represented**



**15 States  
Represented Plus  
DC & Puerto Rico**

# The Problem

Unfortunately, health centers' ability to access and leverage the 340B program is being steadily eroded by the actions of state policymakers, pharmaceutical companies, and pharmacy benefit managers (PBMs). These power players are clawing back Medicaid dollars, cutting reimbursements, and instituting illegal restrictions on contract pharmacies.

ACH is calling on Congress to prioritize health centers' unique needs as they consider 340B program reform. Health centers, which represent just 5% of the total number of purchases in the 340B program, are the type of provider for which this program was created. CHCs should receive the full value of the 340B program and invite accountability for the use of their 340B savings, including the maintenance of auditable records to document that they are using their savings as the program intends.

ACH supports reform of the 340B program, but recognizes that full-scale reform might take some time – time that health centers don't have.

We have developed a bridge proposal, 340C, that allows CHCs to continue to use the 340B program to serve their patients and communities.



**Health centers represented just 5.1% of the total purchases made in the 340B program in 2022.**

Source:  
<https://www.hrsa.gov/opa/updates/2022-340b-covered-entity-purchases>



# The Solution: 340C

The 340C proposal balances the need for protections from actions that are eroding the 340B program with the need for transparency and accountability for how program savings are spent. 340C would be “opt-in” and available to all covered entities who participate in the 340B program.

Under 340C, once an entity opts in, any funds generated from 340C program savings must be reinvested into program operations, patient care, and the community that the entity serves. Entities would be subject to audits of records that establish their compliance with this requirement, making sure all savings go to patients and their communities.

Entities that meet accountability standards would then be entitled to:

- Protection against discriminatory network and reimbursement actions by health insurers and PBMs,
- Unlimited use of contract pharmacies, and
- Reimbursement at wholesale acquisition cost (WAC) for all Medicaid drugs.

340C maintains key provisions of the original 340B program, including the prime vendor, certification processes, and a prohibition on the resale of drugs. It provides Health Resources and Services Administration (HRSA) regulatory authority to implement the legislation and authorizes appropriations in such sums as necessary.

## Benefits for All

### For Taxpayers

- The 340B program dramatically expands and improves the country’s safety net without using a single dollar of taxpayer money.
- Eliminating or scaling back 340B would increase taxpayer burden to fund services.



### For FQHCs

- Under 340B, FQHCs invest savings back into their community and patients where they need it most.
- Accountability standards in 340C are in line with the transparency that FQHCs are committed to.



### For Rural Health Providers

- 340C provides guaranteed access to lower-cost medications at pharmacies in patient communities without having to travel long distances.
- Increased infrastructure in rural settings is often funded by 340B savings.



### For Patients

- Expanded hours, additional services, and increased staffing are services that 340B & 340C can support.
- 340B & 340C can ensure access to programs like medication treatment management, specialty drug management and other pharmacy services.
- Drugs consistently available on a sliding scale.





# Frequently Asked Questions

## Why Protect Against Discriminatory PBM and Insurer Reimbursement Actions?

Pharmacy benefit managers (PBMs) and insurance companies have imposed policies that lessen health center savings from the 340B program. For example, they may treat 340B providers differently than other providers in terms of reimbursement, participation in standard or preferred networks or inventory management systems, or they may interfere in a patient's choice to receive drugs from a 340B pharmacy. This reduces health centers' savings from the program and impacts the provision of patient care.

## Why Provide Wholesale Acquisition Cost (WAC) Reimbursement for Medicaid Drugs?

Several states have enacted, or plan to enact, policies that would lessen or eliminate health center savings from the 340B program. For example, California's governor signed an executive order to create a single-purchaser system for prescription drugs in California, which prevented 340B entities from obtaining savings from Medicaid drugs. Changes like this decimate the savings that health centers receive from the 340B program, all of which goes back into the community to support access to care and patient programming.



## Why Allow Unlimited Use of Contract Pharmacies?

340B covered entities are already permitted to dispense 340B drugs to patients through contracting with external pharmacies, as well as in-house pharmacies. This is particularly vital in rural communities, where health centers may be farther apart and access to a local pharmacy is a better way to facilitate patient access to care. Drug manufacturers are increasingly imposing restrictions on the use of contract pharmacies under the 340B drug pricing program, in an effort to narrow the program, hindering access to care for vulnerable populations.

# 340C Breakdown

## 340C

<b>Overview</b>	Voluntary subset to the existing 340B program that offers certain new program elements if entities agree to certain accountability and transparency standards.
<b>Status of Proposal and Source of Information</b>	Legislation drafted, available from ACH
<b>Champions</b>	Advocates for Community Health
<b>Eligibility for Participation</b>	Open to any entity that currently participates in the 340B program on an opt-in basis.
<b>Patient Definition</b>	No changes made.
<b>Contract Pharmacies</b>	Entities can contract with pharmacies as necessary, without limitations.
<b>Protection Against Discrimination by PBMs and Insurers</b>	PBMs/insurers forbidden to discriminate. These entities are subject to civil monetary penalties up to \$5,000 per day.
<b>Reimbursement for 340B Drugs Purchased for Medicaid Beneficiaries</b>	Requires Medicaid to reimburse at wholesale acquisition cost plus adequate and reasonable dispensing fees.
<b>Program Governance</b>	Provides authority to HHS to issue regulations as necessary.
<b>Public Reporting</b>	By request of the Secretary.
<b>Requirements Related to Reinvestment of 340B Savings</b>	Requires that entities reinvest any funds generated from participation into program operations, patient care, and other appropriate and beneficial activities, as determined by the covered entity leadership, to the populations served.

# 340C Breakdown

## 340C

Discounts on  
340B Drugs for  
Patients

On a sliding fee scale as required by statute and regulation.

Audits

A covered entity shall permit the Secretary (acting in accordance with procedures established by the Secretary relating to the number, duration, and scope of audits, which shall be no more frequent than once every three years) to audit at the Secretary's expense the records of the entity that directly pertain to the entity's compliance with the bill's requirements.

## 340C is Member-Driven



**Rashad Collins**  
*Chief Executive Officer*  
Neighborcare Health  
Seattle, WA

Advocates for Community  
Health Member

“

The 340B program is an extremely important program for our organization. It allows us to reinvest critical resources back into the organization to care for our patient population. 340B allows us to take those resources, and by that reinvestment, it allows us to focus on providing resources to more than just our pharmaceutical program. For example, our midwifery program where we have certified nurse midwives that round at a partner hospital in Seattle 24 hours a day, 365 days a year. By understanding challenges that women of color have from giving birth and the infant mortality rate, our midwifery program allows us to provide that support. The outcomes we've been able to generate are phenomenal, and we're able to do that through the resources we generate from 340B.

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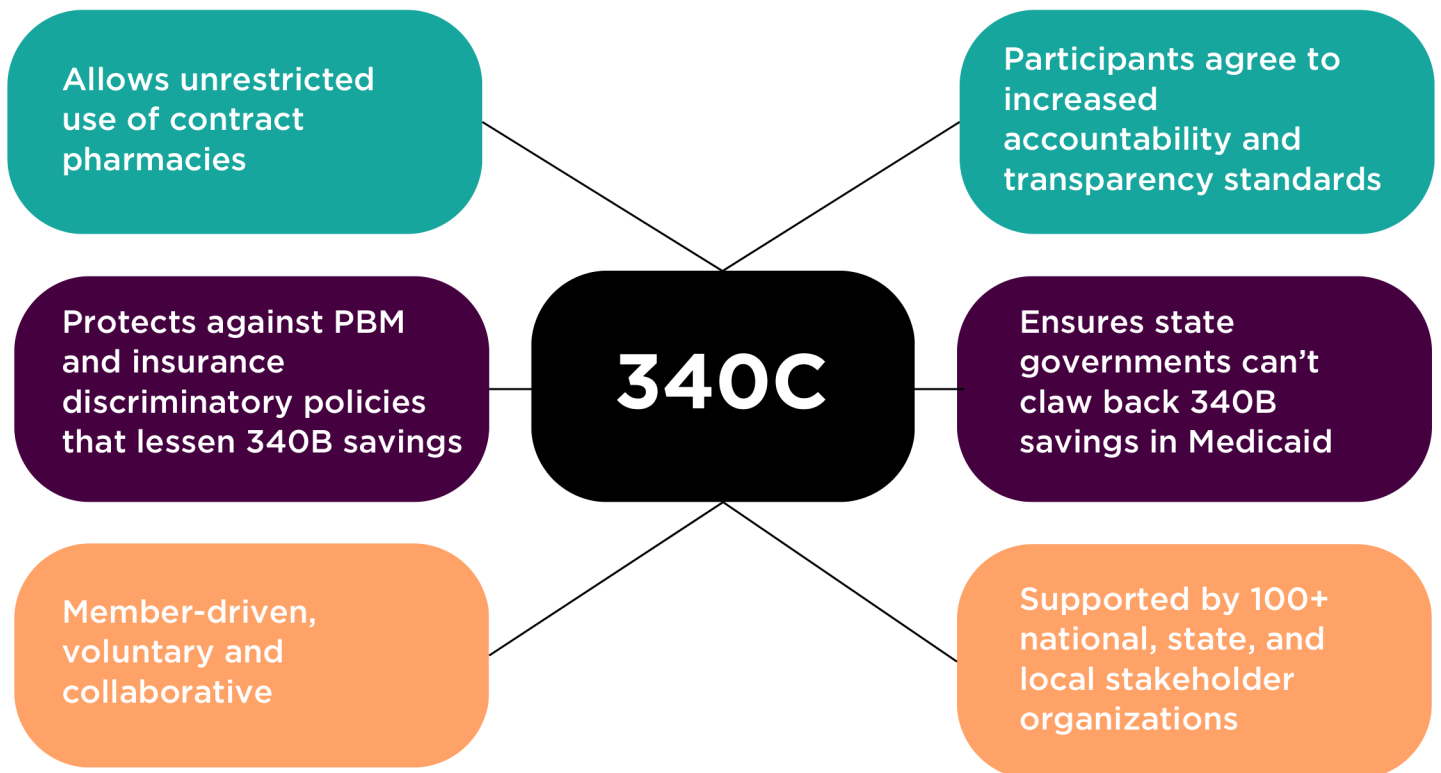


# Conclusion



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We urge Congress to consider the 340C proposal to ensure that the 340B program can continue to serve as a critical resource for health centers for years to come.



**Read more about 340C:**

<https://advocatesforcommunityhealth.org/ach-policy-advocacy/340b/>





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