Washington State Hospital Association

September 11, 2017

Seema Verma
Administrator
Centers for Medicare & Medicaid Services
Hubert H. Humphrey Building
200 Independence Avenue, S.W., Room 445-G
Washington, DC 20201

Re: CMS–1678–P, Medicare Program: Hospital Outpatient Prospective Payment and Ambulatory Surgical Center Payment Systems and Quality Reporting Programs;
Proposed Rule (Vol. 82, No. 138), July 20, 2017.

Dear Ms. Verma:

On behalf of the Washington State Hospital Association and its 106 member hospitals, we appreciate the opportunity to comment on the Centers for Medicare & Medicaid Services' (CMS) hospital outpatient prospective payment system (OPPS) proposed rule for calendar year (CY) 2018. Our comments address the Medicare Part B proposal for 340B hospitals.

WSHA strongly opposes CMS's proposal to reduce Medicare Part B payments for drugs acquired through the 340B Drug Pricing Program. We support the comments made by the American Hospital Association and urge the agency to withdraw its proposal for the following reasons:

- We believe the proposal exceeds CMS's statutory authority to adjust payment rates. The proposal is a dramatic payment reduction that effectively eliminates the benefits of the 340B program.
- Medicare payment cuts of this magnitude would greatly undermine 340B hospitals' ability to continue programs designed to improve access to services – which is the very goal of the 340B program that Congress intended. The second page of this letter provides examples from two of our hospitals of what services would be put in jeopardy by the proposal.
- We do not believe CMS should make changes based on unproven assertions by the entities that are fundamentally opposed to the mandated discounts under the program. CMS should only make changes based on clear and specific instruction by Congress. We understand Congress is reviewing the efficacy of the 340B program. CMS should not make changes in advance of the completion of that process.
- Rather than addressing the real issue of the skyrocketing cost of pharmaceuticals, this proposal punitively targets 340B hospitals serving vulnerable patients, including those in rural areas.

We urge CMS to abandon the 340B drug payment proposal and redirect its efforts toward direct action to halt the unchecked, unsustainable increases in the cost of drugs.

Sincerely,

Andrew Busz, FAHM
Policy Director, Finance
Washington State Hospital Association
(206) 216-2533
andrewb@wsha.org

Chris Bandoli
Senior Vice President, Government Affairs
Washington State Hospital Association
999 Third Avenue, Suite 1400
Seattle, WA 98104
Office: (206) 216-2506
Mobile: (206) 369-2299
Email: Chrisb@wsha.org

Examples of Impact to Washington State 340B Hospitals

Among hospitals in Washington State, 65 of 106 WSHA member hospitals currently participate in the 340B program. This total number includes two children's hospitals, 30 disproportionate share hospitals, two sole community hospitals, and 31 critical access hospitals. These hospitals are often the main, and sometimes the sole provider of care in their community. The number of 340B entities has increased in recent years, as Congress intended, by expanding the program to include critical access hospitals and as additional hospitals qualify by meeting disproportionate share hospital or other criteria. Since hospitals must meet stringent criteria to qualify for the program, the increase in 340B participation and utilization reflects increased need rather than abuse. The program's financial benefit to hospitals is being used, as Congress intended, to expand needed access and services to patients in their communities. Below are statements from two 340B hospitals in our state.

From a rural critical access hospital:

Although there is no direct community benefit reporting on how we use 340B savings, I would indicate that these important dollars go to help fund population health management (PHM) initiatives, such as our care management in-house team, PHM IT infrastructure including software to support disease registries, quality measure reporting, data warehouse and care management. In addition, we have recently added a 1.0 FTE Pharmacist to one of our larger primary care clinics to help with medication management. In the past two years, we have added 3.0 FTE Licensed Independent Social Workers and contract with psychiatric ARNP for tele-behavioral health services. With a significant Medicaid and Medicare payer mix, we believe the 340B program has benefited this population and will continue to allow us to improve care in our community.

Thanks for the opportunity to share our story.

From an urban safety net hospital:

We write to you regarding our serious concerns over the Center for Medicare and Medicaid Services (CMS) recent rule proposal that would drastically penalize safety net hospital systems that utilize the 340B Drug Pricing Program to care for Medicare and Medicaid patients. The proposed significant reduction in drug payments for 340B eligible hospitals would result in at least $3.5 to 4 million in lost

savings for UW Medicine. That loss will result in less care for low-income uninsured, underserved and low income patients who are in the most need.

At UW Medicine, we have a single mission: improve the health of the public. UW Medicine's four hospitals – Harborview Medical Center, Northwest Hospital & Medical Center, University of Washington Medical Center and Valley Medical Center – admit more than 63,000 patients each year. UW Medicine provides outpatient care for more than 1.3 million patients each year at its 12 UW Neighborhood Clinics and its many other primary and specialty care clinics. In these settings, UW Medicine provides more safety net care for uninsured, underserved and low income patients than any other healthcare system in Washington State and the surrounding four state region. Without this access to needed care, these individuals would not only suffer unnecessarily, but they would also enter the care system after preventable and addressable problems have become severe, thus increasing the total cost of their care.

UW Medicine is able to provide these necessary safety net services in part through savings achieved under the 340B Drug Pricing Program. Congress created the 340B Program in 1992 to allow certain safety net hospitals and other covered entities to purchase outpatient drugs at a discount from drug manufacturers "to stretch scarce Federal resources as far as possible, reaching more eligible patients and providing more comprehensive services."

At UW Medicine, the 340B drug pricing program allows us to reinvest theses savings in our pharmacy services so that we can serve low-income, uninsured and underserved patients by providing them with the appropriate pharmaceutical treatment. This reinvestment in UW Medicine's patients has been put in serious jeopardy by CMS's recently announced (CMS) Outpatient Prospective Payment System (OPPS) 2018 proposed rule. Because UW Medicine is 340B eligible and treats a significant Medicare and Medicaid population, the rule change will result in approximately $3.5 to $4 million in lost savings under the proposed rule change. This loss will prohibit UW Medicine from serving the safety net population that is at the heart of its mission.

The rationale for CMS's proposed rule is unknown and somewhat baffling. 340B drug sales are less than three percent of the total U.S. drug market. Given how small the 340B Program is relative to the estimated $457 billion in prescription drug spending in the United States in 2015, the 340B Program is not a significant driver of drug spending. Yet safety net hospitals use the savings generated from the program to provide vital healthcare to the less fortunate, including prescription drug care. And, as mentioned, when patients have more timely access to needed care, their total health spending is reduced. CMS's proposed change will therefore actually cost taxpayers money.

As you may know, the House Energy and Commerce Oversight and Investigations Subcommittee recently held a hearing reviewing the 340B Drug Pricing Program entitled, "Examining HRSA's Oversight on the 340B Drug Pricing Program." After the hearing, several House members commented on the need for subsequent hearings to explore the application and value of the 340B program across our healthcare system. We at UW Medicine are more than willing to participate in future hearings. We are eager to tell the story of how impactful the 340B program has been in meeting our mission to improve the health of the public.

In conclusion, we urge you to oppose CMS' harmful reduction in savings generated by the long standing 340B Drug Pricing Program. UW Medicine provides care every day to patients who cannot otherwise receive the care they need. A significant reduction in 340B savings will keep people from receiving the care that they need.