



The Ohio Senate
Senate Finance Committee
Senator Matt Dolan, Chair

SENATE BILL 263
PROPONENT WRITTEN TESTIMONY

Chair Dolan, Vice Chair Burke, Ranking Member Sykes and members of the Senate Finance Committee, thank you for the opportunity to provide written testimony in support of Senate Bill 263, which prohibits a pharmacy benefit manager from engaging in discriminatory contracting practices with 340B covered entities that would deprive them of the financial relief they are entitled to by virtue of participation in the federal 340B Drug Pricing Program (340B program).

University Hospitals is a Cleveland-based super-regional health system that serves more than 1.2 million patients in 15 Northeast Ohio counties. The hub of our 18-hospital system is University Hospitals Cleveland Medical Center, a 1,032-bed academic medical center of which Rainbow Babies & Children's Hospital (UH Rainbow) is a significant part. UH Rainbow is one of 51 freestanding children's hospitals in the country currently enrolled in the federal 340B program. UH Rainbow is a 244-bed, full-service children's hospital and academic medical center. A trusted leader in pediatric health care for more than 125 years, UH Rainbow consistently ranks among the top children's hospitals in the nation. Since 2009, when children's hospitals became eligible, UH Rainbow has participated in the program. Well over half of the patients seen at UH Rainbow are covered under Medicaid. UH also serves patients in rural areas through our two critical access hospitals, both of which rely on the 340B program. As a result of the savings associated with the 340B Drug Pricing Program, our 340B hospitals have been able to better meet the growing health needs of underserved and vulnerable adults and children in Northeast Ohio.

The 340B program supports safety net providers, like those at University Hospitals Health System, in our shared mission to serve low-income, uninsured and under-insured patients without a cost to taxpayers. The program is narrowly tailored to reach only hospitals that provide a high level of services to low-income individuals or that serve rural communities. Savings from the 340B program help hospitals meet the healthcare needs of underserved patients across the state. At UH and among many other 340B covered entities across the state, we are focused on addressing the social determinants of health such as housing instability, food insecurity, and educational resources for children and adults. While these care strategies are not typically reimbursed by Medicaid, we know this focus is critical in order to improve health outcomes and best serve Ohioans.

Generally, when patients leave the hospital there is a 40% chance they will not pick up their prescription or take their medications properly. We are providing a system that hand delivers the prescriptions to the patients in their beds before they are discharged. A pharmacist counsels them on their medications at the bedside. This leads to a 20% decrease in readmissions, and an incalculable increase in peace of mind to the

family. Filling these prescriptions and providing this service is very costly. We use 340B cost savings to subsidize this important service for patients.

There are additional contracting challenges beyond the scope of this bill that 340B covered entities must regularly confront. Thus, this bill provides a critical first step to leveling the playing field and protecting 340B covered entities along with the vulnerable patients they serve across Ohio. In addition to the contract protections offered under this legislation, 340B covered entities are often being excluded from pharmacy networks. This means that pharmacy benefit managers (PBMs) are prohibiting our pharmacies from dispensing lifesaving prescriptions to our own patients. Additionally, 340B covered entities are often being required to use PBM-owned third-party administrators (TPAs) for 340B contract pharmacy relationships. This is a newer trend that allows a PBM pharmacy to increase its profits by 7-10%. It is one more example of how PBMs work to tip the scales in their favor.

According to a 2018 study¹, 340B disproportionate share hospitals (DSH) provide 60% of all unreimbursed and uncompensated care in the U.S., yet make up only 38% of all acute care hospitals. They also treat significantly more low-income patients than non-340B hospitals (42% of patient load vs. 27%). At UH, we provide many services that are critical for low-income patients, including substance abuse services, trauma care and care for patients with HIV/AIDS.

According to data provided by the Health Resources and Services Administration (HRSA) in 2017, 340B covered entities spent approximately \$12 billion on the total purchases of 340B drugs under the 340B program, which represents only 2.6% of the overall prescription drug market. Those savings, which represent an even smaller fraction, provide resources that are vital to our Ohio communities and the patients in Northeast Ohio we serve. We urge you to support Senate Bill 263 and protect the 340B program as a critical part of the healthcare safety net that does not rely on taxpayer dollars.

Thank you Chairman Dolan, Vice Chair Burke, Ranking Member Sykes and the members of the Senate Finance Committee for this opportunity to provide feedback on this important legislation.

Henry C. Burgess, PharmD, MBA

Chief Pharmacy Officer
University Hospitals
4510 Richmond Road
Warrensville Hts., OH 44128

Tod J. Grimm, RPh, MBA

Director, Ambulatory & Retail Pharmacy Services
University Hospitals
11100 Euclid Ave.
Cleveland, Ohio 44106

¹ Researchers at L&M Policy Research used the fiscal year 2015 Medicare cost reports, 2016 IPPS Impact file and the 2015 American Hospital Association Annual Survey to identify a universe of 955 active 340B DSHs and 1,505 non-340B ACHs eligible for the study. The analysis compared 340B DSHs to non-340B acute care hospitals.