

Trump administration proposes more cuts to drug discount program for safety net hospitals

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The Trump administration proposes to expand its cuts to a drug discount program that benefits some hospitals that serve indigent people, elderly and the poor. Last year, the administration slashed by nearly a third the rate it pays for drugs used in hospital outpatient settings, resulting a \$1.5 billion loss to many hospitals in the program.

The administration's latest proposal centers on the so-called 340B program, which requires drug makers to give some safety net and nonprofit hospitals discounts on nearly all drugs. Federal programs reimburse these hospitals for the same medicines at a higher rate. Hospitals contend that they use the balance after reimbursement to pay for charity care and other services.

The Trump administration is proposing to expand the cuts in 340B to other off-campus departments, such as separate clinics owned by participating hospitals. Earlier this month, a federal judge denied a bid by a collection of hospital groups to roll back the cuts. There are currently more than 12,000 hospitals and facilities in the program.

Centers for Medicare and Medicaid Services (CMS) Administrator Seema Verma claims that the cuts will help patients at these facilities. "This will ensure that seniors at these locations get access to these savings," she said in a call with reporters.

The Trump administration contends that because Medicare beneficiaries' coinsurance payments are a percentage of what Medicare pays, a lower reimbursement rate will mean lower out-of-pocket costs for patients.

The administration claims that beneficiaries will save \$320 million in 2018 because of its initial cut to 340B

rates and that the change proposed Wednesday could save an additional \$10 million in 2019.

Drug makers have been calling on Congress to "clarify the intent" of 340B in an effort to limit the number of hospitals seeking the discounts and to limit how they use those discounts. Meanwhile, hospitals have pushed for changes that would ensure the pharmaceuticals don't break the rules and overcharge them.

The pharmaceutical industry, including its major lobbying group Pharmaceutical Research and Manufacturers of America, has been vigorously lobbying for an end to the drug discounts altogether, which it claims cuts into funding for drug research and development. They also contend there is not adequate oversight over hospitals' use of the excess reimbursement funds. In reality, they have fought the 340B program because they oppose any measures that would impinge on their profits.

There is undoubtedly corruption in how hospitals make use of excess federal funds, by diverting some of them to other hospital costs. However, it is clear that the Trump administration and pharmaceuticals' opposition to the 340B program is based on boosting the profits of the drug companies and clawing back any government regulations on them.

Verma told reporters that beneficiaries will save \$320 million in 2018 because of last year's cut to 340B rates and an additional \$10 million in 2019. However, hospitals say the proposal would affect clinics and other centers that help people access lifesaving treatments such as infusion therapy, which is often expensive.

340B Health, a group representing hospitals, said in a

statement, “Today’s proposal would threaten access to care for millions of patients who live with low incomes or in rural communities.” Clearly, the losers in the cutback of the program are the patients, especially seniors and the poor, who have benefited from 340B and many of whom will now not have access to care.

Both Democrats and Republicans in the Senate have called for ramped-up oversight of the 340B program.

At a hearing in May, Senator Lamar Alexander of Tennessee and other Republicans expressed concern over how hospitals are using the program. “There is a lack of agreement on how much of the savings hospitals and clinics receive from discounted drug prices are used to reduce the price of drugs and treatments for patients—and how much is spent on other activities,” Alexander said.

Top Senate Democrats have criticized the Trump administration for delaying the implementation of rules that could enable federal watchdogs to audit drug companies that might be acting illegally. In early 2017, the Trump administration withdrew a Health Resources and Services Administration rule that would have authorized more oversight tools and has several times delayed another rule related to ceiling prices for drug used in the program.

“When it comes to these drug companies, if no one can check their work, they can cheat, charge more, and no one could catch them,” said Senator Elizabeth Warren of Massachusetts. “If the president is truly worried about the connection between high drug prices and the 340B program, he could start by implementing the law that Congress wrote to actually stop drug companies from cheating on their discounts.”

While posturing as an opponent of Big Pharma’s “cheating,” Warren—like all those lawmakers calling for curbs on the drug companies and accountability for the hospitals receiving 340B funds—does not challenge the profit motive of the drug makers.

The pharmaceutical companies bemoaning the drain on their profits from the 340B program have raked in record profits in the decade since the 2008 financial crisis. According to IgeaHub, which describes itself as a “hub” for pharmaceutical professionals, researchers, policymakers and patient advocates, six US drug makers rank among the top 10 global pharmaceuticals based on factors including revenue, revenue growth and total income per employee.

The six companies—Pfizer, AbbVie, Johnson & Johnson, Merck & Co., Gilead Sciences and Amgen—brought in more than \$200 billion in revenue from their pharmaceutical segments in 2017.



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