

The Value of the 340B Drug Pricing Program

The Hospitals:

UC San Diego Health is one of five academic medical centers within the University of California system that serves the people of San Diego and surrounding communities. The medical center's service imprint extends over 100 miles into remote El Centro in Imperial County. Our mission is to deliver outstanding patient care through commitment to the community, groundbreaking research, and inspired teaching.

UC San Diego Health, a premier provider of tertiary and quaternary services, has three major inpatient facilities, UC San Diego Medical Center, Jacobs Medical Center and Sulpizio Cardiovascular Center, along with the region's only National Cancer Institute-designated Comprehensive Cancer Center. We have a Level I Trauma Center and a Regional Burn Center, serving San Diego, Imperial and Riverside counties, as well as portions of Arizona. UC San Diego Health also houses two Comprehensive Stroke Centers, multi-organ transplant programs, and California's only advanced certification program for chronic kidney disease care.

UC San Diego Health includes two professional schools, UC San Diego School of Medicine and Skaggs School of Pharmacy and Pharmaceutical Sciences, where about 1,694 faculty educate about 3,021 students, residents, fellows and post-docs. Our faculty advance patient care through their contributions to biomedical research. In fiscal year 2017, UC San Diego Health faculty received \$659 million in faculty research awards, including \$424 million from the National Institutes of Health (NIH). UC San Diego Health has been a formidable leader in innovating the use of precision medicine and initiating discoveries in brain, central nervous system, and cancer research.

The Benefits of the 340B Program:

UC San Diego Health's medical center is eligible for the 340B program because it is a state-owned "disproportionate share hospital" or "DSH" hospital, meaning that it serves a disproportionate share of low-income Medicare and Medicaid (referred to in California as "Medi-Cal") patients, as measured using a complex statutory formula, set out in the Medicare statute. While the minimum DSH adjustment percentage required for eligibility to participate in the 340B program is 11.75 percent, our DSH adjustment percentage is 34.77 percent. The UC San Diego Medical Center in Hillcrest also qualifies as a Medi-Cal DSH hospital under federal and state law, based on the high percentages of Medi-Cal patient days that the hospital provides and Medi-Cal revenue that the hospital receives.

UC San Diego Health is deeply committed to serving patients and communities in San Diego, Riverside, Imperial counties, and beyond. In FY 2017, UC San Diego Health provided nearly \$17 million in charity care and more than \$155 million in uncompensated care, the vast majority of which was provided to Medi-Cal patients. The Affordable Care Act's Medicaid expansion resulted in nearly 3.7 million low-income individuals in California getting health care coverage from the Medi-Cal program. San Diego has no county hospital. That function is

largely served by UC San Diego Health, which treats a significant number of Medi-Cal patients. Currently, nearly 40 percent of the patients that UC San Diego Health’s medical center treats (measured in patient days) have Medi-Cal coverage. It’s important to understand that California has one of the lowest Medicaid provider reimbursement rates in the country and that for many Medi-Cal patients, the costs of providing the specialty services we offer are much higher than the Medi-Cal reimbursement that UC San Diego Health receives for those services. As a result, UC San Diego Health incurs tens of millions of dollars in uncompensated costs for providing care to Medi-Cal patients, including more than ten million dollars in uncompensated costs for cancer care provided in the hospital inpatient setting and several million dollars more in uncompensated costs for cancer care provided in the outpatient setting. UC San Diego Health also serves a significant number of Medicare patients: 34 percent of UC San Diego Health’s patient days are provided to individuals with Medicare coverage.

UC San Diego Health fulfills the intended purpose of the 340B Drug Discount Program by using savings generated from the program to provide a variety of services for the uninsured, low-income uninsured, and other vulnerable patient populations in San Diego, Riverside, and Imperial counties. For example, UC San Diego Health pharmacies provides discounted or free outpatient drugs following a case-by-case evaluation process to patients who meet standard financial need criteria and who are not able to afford their medications. An example of such a patient who benefited from UC San Diego Health’s help affording his drugs was a patient who lost his employer-sponsored healthcare coverage. The 340B drug discount allowed the pharmacy to provide immunosuppressant and anticoagulant medication (Xarelto) at a discounted rate to the patient, so he could afford the drug until he was able to get new insurance. The patient saved \$750 in out-of-pocket costs because of UC San Diego Health’s help supplementing the drug’s cost.

UC San Diego Health also uses its 340B savings to provide other necessary medical services to the underserved. For example, presently, UC San Diego Health invests savings it generates from the 340B program in teams of physicians that make regular trips inland, to Imperial County, to deliver much needed medical care to underserved populations. The Census Bureau records that in 2016, 23.6 percent of Imperial County residents lived in poverty, and Imperial County residents’ median household income was \$42,560.

UC San Diego Health also runs one of the most successful HIV/AIDS clinics in the country. The Owen Clinic is a contracted provider for the Ryan White HIV/AIDS Program and takes a whole-person care approach to treating patients with HIV or AIDS, offering a broad array of primary care and specialty care services, including addiction counseling, nutrition counseling, and mental health care. Since the beginning of this year, the San Diego County Ryan White program changed its coverage of ambulatory health care services and stopped covering medications provided as part of medical, dental or psychiatric services. UC San Diego Health has continued to provide free or discounted medications to some patients, following an evaluation of their financial circumstances on a case-by-case basis.

Moreover, UC San Diego Health uses resources generated through its eligibility for the 340B discount to provide staff who can counsel patients at their bedsides before being discharged – i.e., a “meds to beds” program—on how to appropriately take their medications and improve their health outcomes. UC San Diego Health uses its 340B drug discount savings to invest in addressing patients’ medical needs early, rather than waiting until a

patient experiences heightened medical complications and necessitates a costly inpatient stay. A great benefit of the 340B program is that the Health Resources and Services Administration's (HRSA) program rules give UC San Diego Health the flexibility to decide how best to use the savings to serve the unique needs of its underserved patient populations.

Impact If Program Was Scaled Back:

At UC San Diego Medical Center, we are deeply committed to our mission. Our mission is central to everything we do. In the face of declining reimbursements over the past years, UC San Diego Medical Center has resisted reducing mission-critical services and has instead utilized funding from the 340B program to expand these services. **Scaling back the 340B program would threaten UC San Diego Health's capacity to offer all the services described above to our patients**