

Benefits to Becoming a Contract Pharmacy

Answering the pharmacist's questions regarding 340B Contract Pharmacy

What is the 340B program?

The 340B program is a federal drug discount program authorized under section 340B of the Public Health Service Act and established by Congress under the Veterans Health Care Act of 1992 as part of Public Law 102-585. The 340B program requires drug manufacturers to enter into pharmaceutical pricing agreements (PPAs) with the Secretary of HHS as a condition of Medicaid and/or the Medicare Part B program covering and paying for the manufacturer's covered outpatient drugs. The PPAs specify, among other things, that manufacturers may not sell covered outpatient drugs above 340B ceiling prices to covered entities. The law is codified at 42 U.S.C. § 256b 42 6A Subchapter II Part D Subpart vii.

Who benefits from the 340B program?

The direct beneficiaries of the discounted drugs provided by the program are particular hospitals and clinics who serve patients that might not otherwise receive care. These include "disproportionate share" hospitals who serve a high percentage of indigent patients, critical access hospitals, and cancer clinics.

What are the benefits of the 340B program to eligible hospitals?

An eligible covered entity is allowed to purchase drugs at typical discounts of 40% off their normal price for all drugs that are provided to outpatients of the entity, whether or not those particular patients are able to afford their medications.

Are 340B savings passed on to patients?

The purpose of the program is to "enable [covered] entities to stretch scarce federal resources, reaching more eligible patients and providing more comprehensive services." The covered entities are allowed to use the benefit of these substantial savings in any way they choose. There is no requirement to pass the savings on to patients directly.

What is 340B Contract Pharmacy?

In order for an eligible entity to purchase a drug at a 340B discount, it must dispense that drug to the patient. A large number of outpatients fill their prescriptions at independent and chain pharmacies that are unaffiliated with the hospital. The 340B regulations also allow a covered entity to contract with a pharmacy to distribute the covered entity's drugs on the hospital's behalf. This allows the hospital to increase the percentage of patients for whom it can capture 340B savings.

Can my retail pharmacy make money by participating?

Yes. Covered entities have a huge opportunity to increase their participation in the program by establishing a contract with one or more pharmacies, and they typically offer a per-prescription dispense fee to induce retail pharmacies to participate.

Will the dispense fee be more than I'm making in my current markup?

Yes. The Talyst AutoSplit Contract Pharmacy solution allows the pharmacy to run business as usual. The negotiated dispense fee from the hospital will be in addition to your normal profit margin.

Will the pharmacy pay any fees?

No. The hospital makes money through the savings on its drug purchases, and the hospital pays all the fees associated with the management of the program.

How does this work?

Your pharmacy processes prescriptions just as it does without the 340B program. Talyst captures data on your pharmacy's prescription dispenses and matches them with the covered entity's lists of patients and doctors. When your pharmacy has dispensed an orderable quantity of a drug, the hospital will provide you a replacement of that drug at your normal acquisition price, less the negotiated dispense fee for each prescription you filled of that drug.

Do I have to keep a separate physical inventory for 340B drugs?

No, you are not required to keep a separate physical inventory. Talyst AutoSplit Contract Pharmacy does the work of managing how many drugs have been dispensed on behalf of the hospital.

How do I get drugs from the hospital? Will I have to get a new wholesaler?

The covered entity will create a new account for themselves at your current wholesaler. Talyst will order drugs on this account to be delivered directly to you, along with your normal delivery.

How does this affect my inventory management?

The one change to your inventory management is that you will be receiving drugs from the wholesaler that you didn't order yourself. Talyst provides regular reports that tell you how many dispenses you've made that are 340B-eligible on behalf of your contracted covered entity. This report provides you information regarding how soon you can expect an order of replacement drugs. You may delay your normal purchase of that drug, do nothing and carry an extra unit of that drug until you've dispensed it, or return the bottle from the hospital to your regular wholesaler account per your wholesaler's policies.

What size bottles will I receive?

If you use the 11-digit NDC when entering a dispense into your pharmacy information system, you will receive the same size bottle from which you dispensed.

How does this affect my cash flow?

Talyst's AutoSplit Contract Pharmacy solution doesn't generate any invoices until an entire orderable unit has been dispensed on behalf of the covered entity. That means that you will never owe on pharmaceuticals for which you haven't already collected patient copays and received authorizations for third-party reimbursements. At the end of each monthly or semi-monthly period, the covered entity will generate a net-30 invoice to you for the drugs they've had delivered to you, less your negotiated fees.

How does this affect the rebates I receive from my wholesaler?

Any rebates you are currently getting from your wholesaler will not apply to drugs ordered on the hospital's account. The reimbursement price you pay to the hospital for drugs dispensed as 340B will be your base price with your wholesaler, not your net price after rebates. Be assured that the dispense fee that you negotiate with the covered entity is more than enough to cover the rebate you would have received. Talyst's AutoSplit Contract Pharmacy solution will not process transactions that aren't profitable for the hospital, which means that many rebates you are receiving on inexpensive generics will still be purchased on your regular account, and you will continue to receive your rebates on those drugs.

Can I participate in 340B myself?

No. The key requirement for participation in the 340B program is to be a qualified covered entity. There are no categories of eligibility under which a pharmacy can participate.