



Pharmacy Service Line

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Representative Susan R. Donovan
Chair
House Health and Human Services Committee
82 Smith Street
Providence, RI 02903

RE: H.5634- An Act Relating to Businesses and Professions – Defending
Affordable Prescription Drug Costs Act

Dear Chair Donovan:

I write to express the strong support of Brown University Health for H.5634 which prohibits any health insurer, pharmacy benefit manager, or other third-party payor from discriminating against any 340B covered entity.

For 25 years, a highly effective program created by Congress—the 340B Drug Pricing Program—has allowed safety-net hospitals like ours to help provide care to the most financially disadvantaged in our state at no cost to taxpayers. How? In the 340B program, qualifying safety-net hospitals like ours are allowed to purchase many drugs at a discount from drug manufacturers. In turn, we are required to use these savings to provide and expand programs that benefit all our patients, particularly the most needy and vulnerable. Examples are the healthy weight and nutrition programs, cardiac health, adult psychiatry, diabetes, early intervention for children and health education programs, and free naloxone for opioid overdose management. The greater the savings Brown University Health receives from programs like 340B, the more we can continue to provide, expand and innovate for our patients and community. Importantly, no part of the 340B program is funded with any taxpayer dollars.

340B is a relatively small program – representing less than 3 percent of the total \$457 billion in total U.S. drug sales – but the benefits to safety-net hospitals and our patients are crucial. And even with providing the 340B discounts, drug companies are still achieving profit margins higher than most other industries. No one would contest the important role of pharmaceutical companies in patient care, but the profit contrast is stark in that our margins are razor thin. A recent GAO report shows that annual profit margins of the largest 25 pharmaceutical companies have increased between 15-20 percent since 2006.

Unfortunately, the success of the 340B program is being threatened. For-profit pharmacy benefit managers (PBMs) are implementing discriminatory practices against 340B Covered Entities in the form of reduced reimbursements, contract pharmacy use restrictions, DIR fee clawbacks, and requiring prescriptions be filled at preferred pharmacies (often vertically integrated with the PBM), which diverts 340B benefit away from health system pharmacies and the services they offer. It also drives revenue out of the state.

Thirty-nine (39) pharmaceutical manufacturers have imposed unlawful restrictions in the contract pharmacy space by denying 340B pricing to wholesaler accounts. These actions have caused increased financial losses to a degree that safety-net providers are simply not positioned to continue absorbing without risking negative impacts on patient care and services. Current restrictions result in approximately an immediate \$20 million loss annually to Brown University Health and as has been reported over the last year in the media, more impactful losses to our state's health centers. All of these losses result in direct adverse impacts to patient care.

To combat such discrimination, twenty-nine (29) states have enacted legislation protecting 340B providers by preventing price discrimination, and twelve (12) have enacted legislation protecting the use of contract pharmacies with federal courts upholding those statutes with more legislative bodies considering similar legislation.

At a time when safety net hospitals and health centers need financial relief, the passage of this legislation can provide that much-needed relief at no cost to the Rhode Island taxpayer.

Sincerely,

A handwritten signature in black ink, appearing to read 'Christine Collins', written in a cursive style.

Christine Collins
SVP, Pharmacy and PeriOp Services
Brown University Health