



340B Facilities and Charity Care

AIR_x340B
Alliance for **x** Integrity and Reform

Contents

- Objective
- Task 1: How is the number of 340B hospitals/sites growing?
- Task 2: How has the level of charity care changed?
- Takeaways
- Methodology

DSH Hospital Charity Care Analysis Objective

Project Overview

- Analyze the level of charity care provided by DSH facilities upon their participation in the 340B program or expansion of enrolled outpatient sites (i.e., child sites) while in the program

Approach

- Task 1: Analyze enrollment data from the OPA 340B database to determine how many DSH facilities 1) entered the 340B program in 2015 and did not participate in the program for the full year prior or 2) expanded by adding a substantial number of new child sites in 2015
- Task 2: Compare selected hospitals' levels of charity care before and after joining the 340B program or before and after adding a substantial number of new child sites

DSH: Disproportionate Share Hospitals; OPA: Office of Pharmacy Affairs

Avalere Analysis based on data from 340B Database and FY2013-FY2015 Medicare Cost Reports.



Task 1: How is the number of 340B hospitals/sites growing?

New 340B DSH Hospital Entrants in 2015



70

**Number of New
Entrants in 2015**



357

**Number of Sites in
2015 Among New
Entrants**

There were 13 new DSH entrants in 2015 with terminated participation as of September 2017.

Expanded 340B DSH Hospital Outpatient Sites

92

**Number of Hospitals
Expanding Sites in
2015**

2,014

**Number of New
Sites Added in 2015**

There were 2 DSH facilities expanding sites in 2015 with terminated participation as of September 2017.

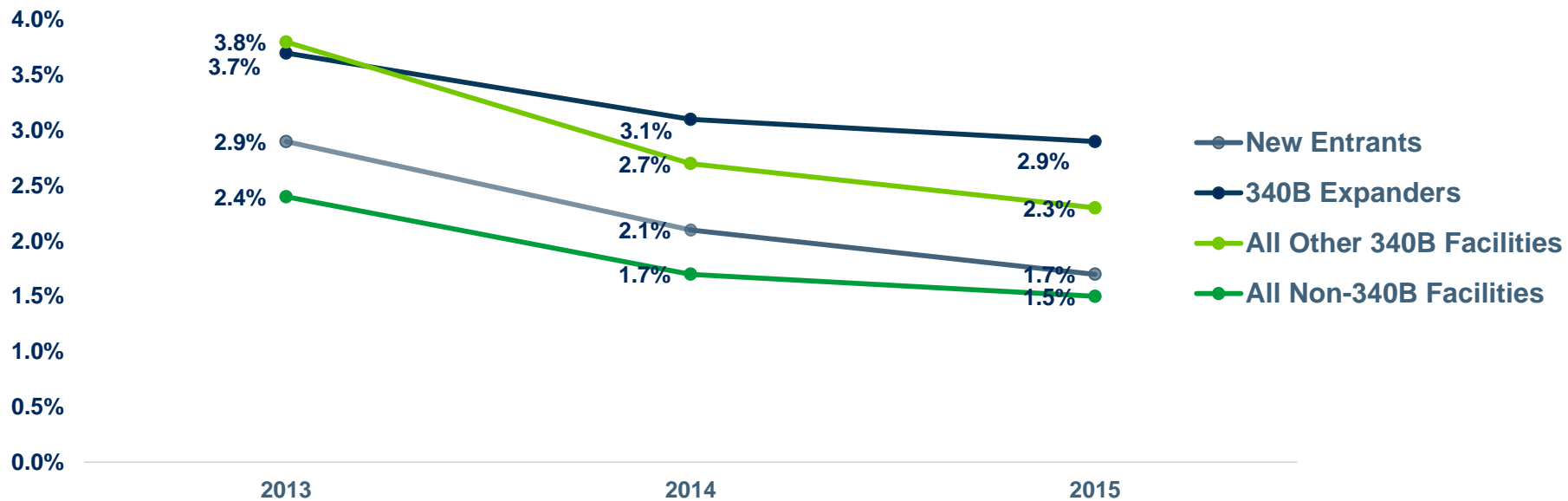


Task 2: How has the level of charity care changed?

Average Charity Care Declined for All Analyzed Hospital Groups from 2013 to 2015

Average change in charity care level (2013 – 2015)

Percentage of charity care costs to total patient costs



The reduction in charity care level for new DSH entrants (-1.2%) was larger than that for all non-340B DSH facilities (-0.9%) between 2013 and 2015.

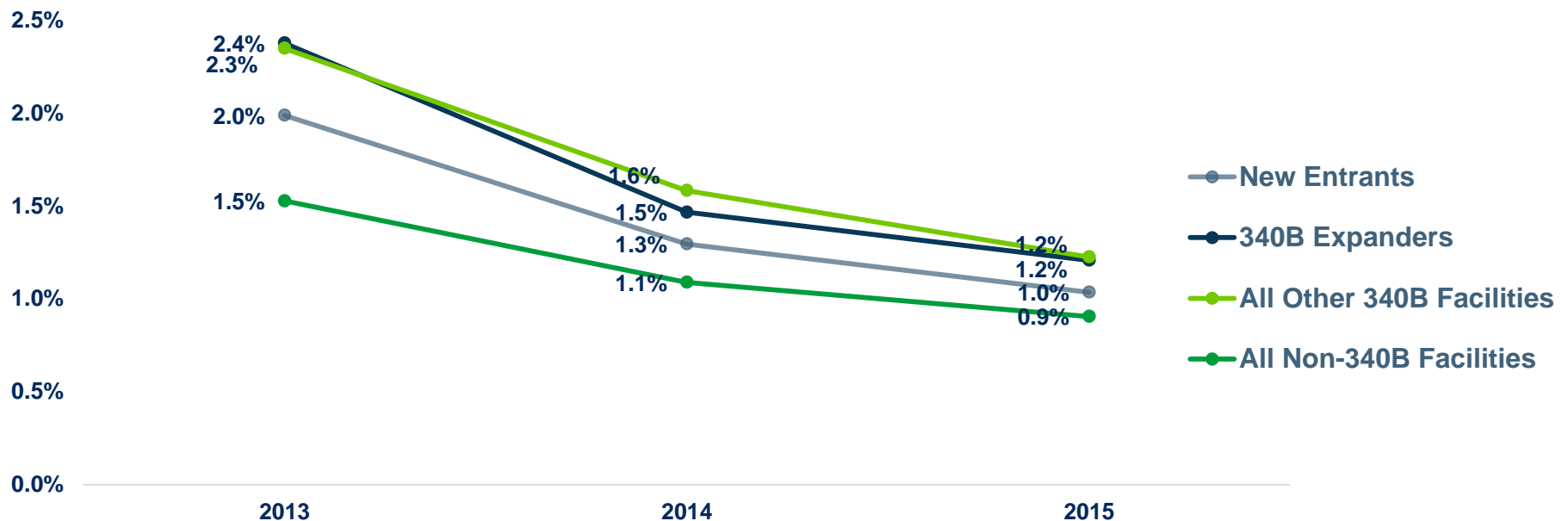
Avalere Analysis based on data from Medicare cost reports

Note: Charity care level metric analyzed is defined as percentage of charity care costs to total patient costs at the hospital.

340B Expanders Saw Twice the Decline in Median Charity Care Levels Compared to All Non-340B DSH Hospitals

Median change in charity care level (2013 – 2015)

Percentage of charity care costs to total patient costs



The reduction in charity care level for new DSH entrants (-1.2%) was larger than that for all non-340B DSH facilities (-0.9%) between 2013 and 2015.

Avalere Analysis based on data from Medicare cost reports

Note: Charity care level metric analyzed is defined as percentage of charity care costs to total patient costs at the hospital.

Charity Levels Pre- and Post- Entering the 340B Program

Percentage of facilities with change in charity care levels before and after joining the 340B program



76%

2015 Charity Care
Level Lower than
2014

83%

2015 Charity Care
Level Lower than
2013

69%

2015 Charity Care
Level Lower than
Both 2014 & 2013

The majority of new DSH entrants had lower levels of charity care in 2015 than in prior years.

Charity Levels Pre- and Post- Site Expansion

Percentage of facilities with change in charity care levels before and after expanding



68%

2015 Charity Care
Level Lower than
2014

83%

2015 Charity Care
Level Lower than
2013

61%

2015 Charity Care
Level Lower than in
Both 2014 & 2013

The majority of DSH facilities that expanded their 340B sites in 2015 had lower levels of charity care than in prior years.



Takeaways

AIR_x340B
Alliance for **x** Integrity and Reform

Additional Guidance is Needed to Ensure 340B Facilities Pass 340B-Generated Savings to Vulnerable Populations

- Many participating 340B facilities claim they use 340B price spread to cross-subsidize other necessary and underfunded services such as charity care to indigent patients
- However, currently, the 340B program does not have any specific requirements on how 340B savings should be used, nor does the program track how entities spend the money
- The analysis shows the decreasing trend in charity care levels between 2013 and 2015 at all hospitals, both 340B and non-340B, which is indicative of insurance market trends, namely the reduction in uninsured population
- The charity care levels at the new and expanding 340B DSH facilities reflect the trend among all 340B DSH community

Between 2013 and 2015, 340B DSH facilities decreased charity care levels more substantially than non-340B DSH hospitals



Methodology

AIR_x340B
Alliance for **x** Integrity and Reform

Methodology Task 1: Identifying Facilities for Analysis

Avalere used enrollment data from the Office of Pharmacy Affairs' (OPA) 340B database to determine how many DSH facilities:

- Entered the 340B program in 2015 and did not participate in the program for the full year prior
- Expanded by adding a substantial number of new child sites in 2015
 - Avalere included only those facilities that added more than the median number of sites and for which the percentage change in the number of sites was also above the median for facilities adding sites

Avalere refined the analysis to exclude DSH hospitals that:

- Have participated in the 340B program before 2015 under a different entity type e.g. SCH
- Had insufficient data available in Medicare cost reports

Methodology Task 2: Charity Care Analysis

Avalere used Medicare cost reports from FY2013-FY2015 to analyze trends in charity care level defined at percentage of charity care costs to total patient costs

For DSH facilities identified in task 1, Avalere compared charity care levels pre- and post- entering the program for 70 facilities; and pre- and post- site expansion for 92 facilities

In addition, Avalere compared average and mean charity care levels over 2013-2015 time period between the following hospital groups:

- 70 new entrants flagged in task 1
- 92 expanding facilities flagged in task 1
- 728 remaining DSH facilities in 340B but not flagged in task 1
- 177 DSH facilities that have never participated in 340B between 2013-2015