

# Fulfilling a Social Responsibility: Comparing 340B and Non-340B Hospitals' Contributions to Their Communities

The purpose of the 340B Drug Discount Program is to provide discounted medicines to certain non-profit hospitals and federally funded clinics (known as covered entities) for treating low income and vulnerable patients.<sup>1</sup> Manufacturers provide outpatient drugs to 340B covered entities who can then bill insurers or uninsured patients for the drugs at standard negotiated rates and keep the difference between that rate and the discounted 340B price. The 340B program does not require covered entities to pass the discount along to patients.

As the program has grown, questions have surfaced about the societal benefit of the 340B program and whether the 340B discounts, which amount to tens of billions of dollars per year, are translating into appropriate levels of community investment.<sup>2</sup>

One way to assess the 340B program is to compare the relative societal benefit provided by 340B hospitals to that provided by non-340B hospitals. As 340B hospitals benefit from significant discounts on prescription drugs by participating in the program, one would expect these providers to offer more services in their communities, particularly to uninsured and low-income populations, compared to non-340B hospitals.

The Lown Institute Hospital Index ("Lown Index") measures hospital social responsibility and community investment for more than 3,000 US hospitals.<sup>3</sup> The Lown Index is based on 54 metrics that measure hospital performance on outcomes, value, and equity.<sup>4</sup> By comparing the performance of 340B and non-340B hospitals on the Lown Index, AIR340B sought to add to the discussion about whether the 340B program impacts how hospitals perform across these metrics.

## Key Finding

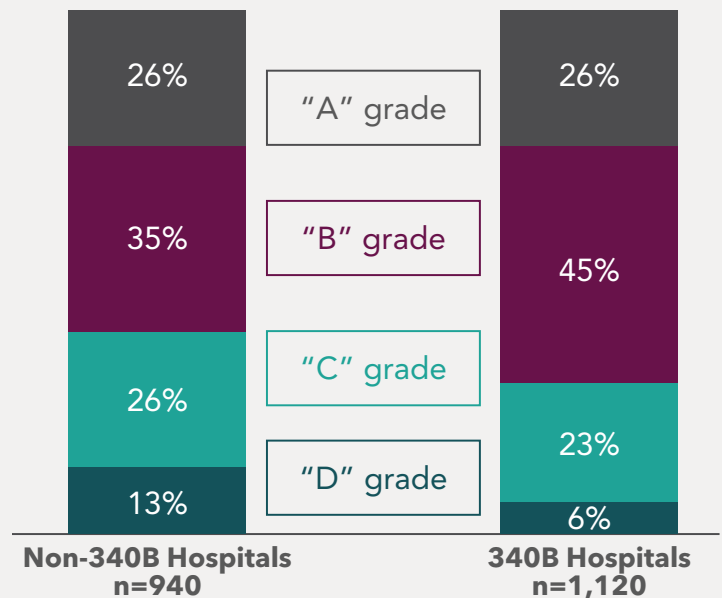
Overall, Xcenda's analysis found that there were **no significant differences between 340B and non-340B hospitals' performance in the Lown Index** in terms of community benefit and inclusivity metrics.

## Results

### Community Benefit

The community benefit metric assesses hospital spending on charity care and community health. An identical share of 340B and non-340B hospitals (26%) received an "A" grade on the overall metric (**Figure 1**).

**Figure 1. Overall Community Benefit**

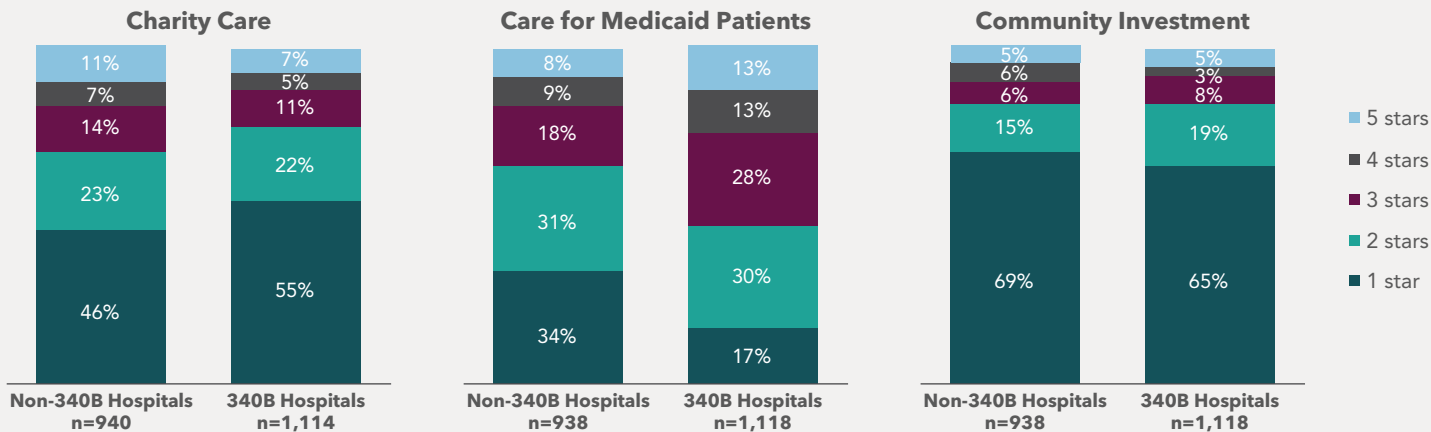


The community benefit metric includes 3 specific factors:

- (1) **Charity care**, which measures free or discounted care provided to low-income patients,
- (2) **Care for Medicaid patients**, determined by calculating Medicaid patient revenue as a proportion of total patient revenue, and
- (3) **Community investment**, including spending on hospital programs meant to improve public health such as subsidized health services (e.g., free clinics), health improvement activities (e.g., immunization clinics), and capacity-building activities to increase awareness of factors that impact health (e.g., education related to nutrition).

The distribution of hospital ratings related to these 3 factors was similar for 340B and non-340B hospitals (**Figure 2**). This suggests 340B hospitals did not provide higher levels of community benefit than their non-340B counterparts.

**Figure 2. Hospitals' Performance on Low Index Community Benefit Metrics, by 340B Status (5 stars performing best)**

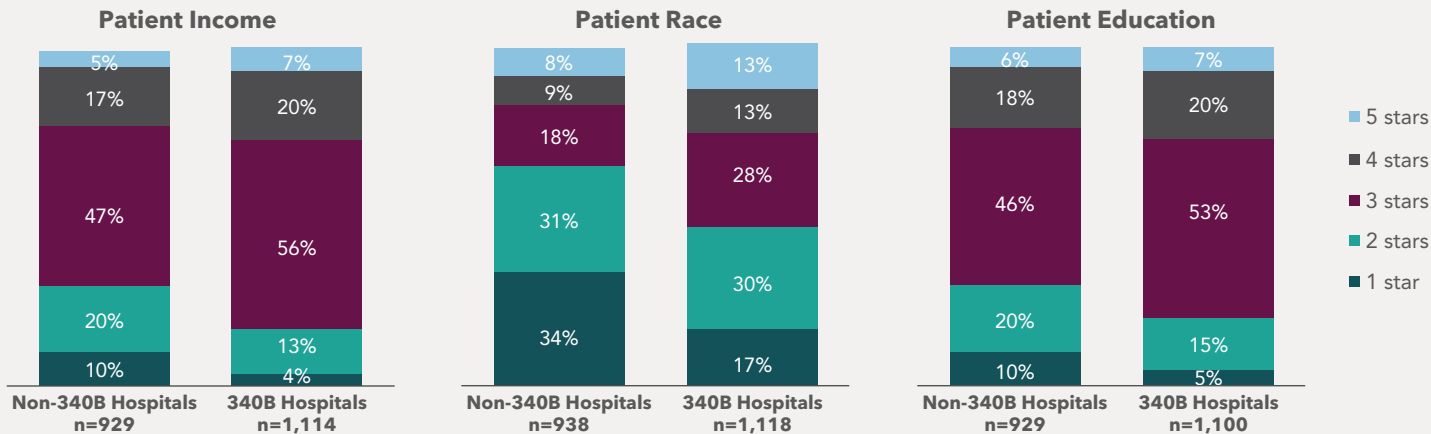


Note: Percentages may not add to 100 due to rounding.

## Inclusivity

The Low Index also measures inclusivity, or the hospital's success in providing services to a diverse patient population, including those from low-income communities, communities with lower levels of education, and communities of color.<sup>a</sup> One criterion of 340B qualification is that the hospital serves an outsized share of inpatients with Medicaid coverage, a population that is disproportionately low income and from underserved communities. Therefore, one would expect 340B hospitals to perform significantly better across inclusivity metrics than non-340B hospitals. However, while the distribution of ratings varies by metric, there was very little difference between 340B and non-340B hospitals' ratings (**Figure 3**).

**Figure 3. Hospitals' Performance on Low Index Inclusivity Metrics, by 340B Status (5 stars performing best)**



Note: Percentages may not add to 100 due to rounding.

<sup>a</sup> According to the Low Index Institute, each hospital's racial inclusivity score reflects how well the demographics of the hospital's community area compare to the demographics of the patient population. Low Index did not assign a ranking for racial inclusivity to hospitals located in racially homogenous community areas.

## Conclusion

The 340B law does not place any requirements on how providers use the profits they generate from the program. The analysis shows 340B and non-340B hospitals score roughly the same along measures designed to demonstrate social responsibility. This equivalence implies that 340B hospitals may have room for improvement in terms of fulfilling the program's mission.

To ensure funds are directed toward where they are most needed, policymakers should encourage changes that would improve accountability and transparency in the 340B program.

## Methodology

The Lown Institute is a nonpartisan think tank that “conduct[s] research, convene[s] experts, and spark[s] public debate to bridge the gap between existing public policy solutions and the care that Americans want and need.”<sup>5</sup> The Institute produces the Lown Index, which measures hospital social responsibility for more than 3,000 hospitals using 54 metrics that measure hospital performance on health outcomes, value, and equity.

To compare 340B and non-340B performance, Xcenda added facilities' 340B status to the Lown Index data through name and address matching using the Health Resources and Services Administration Office of Pharmacy Affairs (340B OPAIS) database. Xcenda matched names and addresses for hospitals with 100 or more beds and compared how the two cohorts (340B and non-340B hospitals) performed in terms of community benefit and inclusivity on the Lown Index.

The Lown Index measured service of patients with diverse sociodemographic backgrounds (i.e., low-income, lower levels of education, communities of color) through a geographical approach. First, the community areas for each hospital were defined using zip codes of Medicare fee-for-service patients with an inpatient stay. The zip codes were matched to zip code tabulation areas (ZCTAs) to create community areas for the hospital. Next, demographic scores for people in the community-area ZCTAs were estimated using the US Census Bureau's American Community Survey (ACS) data for people over the age of 65 on race, income, and education levels. Hospital scores were calculated using the ACS ZCTA demographic data of the patients' ZCTAs. Lastly, the community and hospital scores were compared to measure inclusivity.

**Details for the 2022 Lown Index methodology and limitations can be found [here](#).**

**References:** **1.** American Hospital Association. Fact sheet: the 340b drug pricing program. March 2021. Accessed August 18, 2022. <https://www.aha.org/system/files/media/file/2019/03/fact-sheet-340b-drug-pricing-program-0119.pdf> **2.** Community Oncology Alliance. How abuse of the 340b program is hurting patients. September 2017. Accessed August 18, 2022. [https://communityoncology.org/wp-content/uploads/2018/06/COA\\_340B-PatientStories\\_FINAL.pdf](https://communityoncology.org/wp-content/uploads/2018/06/COA_340B-PatientStories_FINAL.pdf) **3.** Lown Institute. The most socially responsible hospitals in the U.S. June 28, 2022. Accessed August 18, 2022. <https://lownhospitalsindex.org/> **4.** Lown Institute. Our methodology. Accessed August 18, 2022. <https://lownhospitalsindex.org/rankings/our-methodology/> **5.** Lown Institute. About the Lown Index. Accessed August 18, 2022. <https://lownhospitalsindex.org/about/>