



MEMORANDUM OF SUPPORT

Repeal the Pharmacy Carve Out

A.9693 (Rosenthal L.)/S.8509A (Cleare)

March 29, 2022

The Community Health Care Association of New York State (CHCANYS) strongly supports A.9693 (Rosenthal L.)/S.8509A (Cleare) which would protect 340B savings that fund critical healthcare and social services programs for New York's medically underserved by repealing the pharmacy benefit carve out.

CHCANYS is the statewide association of New York's 70+ federally qualified health centers (FQHCs), also known as community health centers (CHCs). Located in low-income and medically underserved communities, CHCs provide a full range of primary and preventive health care and enabling services for more than 2.1 million patients at over 800 sites, regardless of insurance, immigration status, or ability to pay. Among CHC patients, 90% are low-income, 68% are people of color (35% Hispanic/Latinx, 26% Black, and 7% other), 13% are uninsured, and 59% are enrolled in Medicaid or Child Health Plus.

Since 1992, the Federal Public Health Service Act 340B drug discount program has allowed safety net health care providers (e.g., CHCs, safety net hospitals and Ryan White clinics) to access pharmaceutical drugs at reduced costs and to reinvest savings to expand access to care. The Human Resources and Services Administration (HRSA) has expressly stated that "[t]he 340B Program enables covered entities to stretch scarce federal resources as far as possible, reaching more eligible patients and providing more comprehensive services."ⁱ Community health centers rely on the savings generated through the 340B program to fund critically needed programs that have no other funding sources, and to expand the type and volume of care they provide.

However, CHCs access to 340B savings is in jeopardy. In 2020, the enacted budget authorized the State to effectively eliminate safety net providers' access to the savings achieved through the federal 340B pharmacy discount program. Specifically, the budget action directed the State to carve the pharmacy benefit out of Medicaid managed care and into fee-for service. Due to advocacy by CHCANYS and other advocates, in 2020 and 2021, the implementation of the pharmacy benefit carveout from the Medicaid Managed Care program was delayed until April 1, 2023.

If this policy change is implemented as planned, New York's CHCs will lose more than \$100M per year due to the inability to access these beneficial 340B discounts. That \$100M+ is a direct investment in low-income communities of color. CHCs and safety net providers use 340B savings to subsidize high-cost drugs for uninsured and underinsured individuals, run successful chronic disease care management programs, conduct street outreach, and so much more. Many CHCs and safety net providers also use 340B savings to partner with community-based organizations to provide crucial social services such as housing support, subsidized transportation, food security support, access to legal services, etc. This \$100M estimate does not include Ryan White clinics, which will be severely compromised in their efforts to end the AIDS epidemic, nor safety net hospitals that are also 340B covered entities.

Without the ability to recoup savings from the 340B program in Medicaid managed care, patients will lose access to life-saving medications and other critical services. These are the same patients who have been most affected by COVID-19. The pharmacy benefit carve out will victimize these communities again by limiting access to care and support provided by CHCs. Moreover, the 340B program is the mechanism



COMMUNITY HEALTH CARE ASSOCIATION of New York State

by which many CHCs are funding their testing and vaccination efforts for individuals most at risk of serious health consequences from COVID-19. Implementing the pharmacy benefit carveout will not only cause unprecedented disruptions for the safety net community but will also threaten the comprehensive public health response to the COVID-19 pandemic.

New York State must repeal the pharmacy benefit carve out. For millions of New Yorkers, especially those who are uninsured and undocumented, CHCs are their safety net and access point for healthcare services. It is with the help of 340B savings that CHCs are able to continue to provide and expand healthcare services to those who need it the most. **Consequently, CHCANYS urges the Legislature to pass A.9693 (Rosenthal L.)/S.8509A (Cleare) to repeal the pharmacy benefit carve out to ensure that CHCs can continue to provide critically needed life-saving services to all New Yorkers.**

For more information, contact Marie Mongeon, Senior Director of Policy, at mmongeon@chcanys.org.

<https://www.hrsa.gov/opa/index.html#:~:text=The%20340B%20Program%20enables%20covered,entities%20at%20significantly%20reduced%20prices.>