



A Tradition of Stewardship
A Commitment to Service

Agenda Date: 4/9/2018

Agenda Placement: 7B

Napa County Legislative Subcommittee Board Agenda Letter

TO: Napa County Legislative Subcommittee
FROM: Helene Franchi for Minh Tran - County Executive Officer
County Executive Office
REPORT BY: Molly Rattigan, Deputy County Executive Officer - 253-4112
SUBJECT: 340B Medi-Cal Program-Budget Language

RECOMMENDATION

County Executive Officer requests discussion and possible action on the Governor's Budget proposal to eliminate the 340B Drug Discount Program from Medi-Cal which provides medications to vulnerable patients.

EXECUTIVE SUMMARY

The Governor's proposed budget includes eliminating the 340B Drug Discount Program starting July 1, 2019. The Department of Health Care Services has cited that this proposal is needed to come into compliance with federal 340B regulations. The Coalition opposing this proposal includes the California State Association of Counties and Providence St. Joseph Health (Queen of the Valley). The Coalition believes that the Department of Health Care Services should work with stakeholders to develop an administrative solution that ensures program integrity without eliminating the program that benefits public health care facilities.

FISCAL IMPACT

Is there a Fiscal Impact? No

ENVIRONMENTAL IMPACT

ENVIRONMENTAL DETERMINATION: The proposed action is not a project as defined by 14 California Code of Regulations 15378 (State CEQA Guidelines) and therefore CEQA is not applicable.

BACKGROUND AND DISCUSSION

Congress created the 340B Drug Discount Program ("340B") in 1992 with the intention of allowing eligible health care providers, to purchase outpatient drugs at a substantial discount "to stretch Federal resources as far as possible, reaching more eligible patients and providing more comprehensive services." Eligible providers are known as "covered entities" and the discounts come from pharmaceutical manufacturers. In California, 340B has been highly successful, enabling providers like Federally Qualified Health Centers, Critical Access Hospitals, public health care systems, children's hospitals and other safety-net providers with the ability to serve more patients with more comprehensive services and provide drugs at a lower cost. Providers can utilize the 340B discounts on all eligible patients in the outpatient setting, including uninsured, Medi-Cal, and patients with commercial insurance.

The 340B reimbursement process is handled by the Department of Health Care Services, which last year discovered irregularities in some of the contracting for 340B drugs and pricing. This resulted in the state owing several million dollars to the federal government. In response, the Governor is proposing to end the program starting July 1, 2019. The Department of Health Care Services has cited that this proposal is needed to come into compliance with federal 340B regulations. The Coalition opposing this proposal including the California State Association of Counties, disagrees with the assessment of the Department of Health Care Services and that Federal law does not require elimination of 340B in Medicaid, but rather that States have systems in place to identify and track 340B claims. While the Coalition supports the State's goal to achieve compliance, it believes the Governor's proposal goes too far by assuming that there is no model that would allow the State to achieve its goals.

Providence St. Joseph Health, the parent organization of Queen of the Valley Hospital has approached the County with concerns about the Governor's proposal. Queen of the Valley Hospital relies on the 340B program to provide lifesaving medications to vulnerable patients-including the elderly, children, and people with chronic health conditions, who cannot afford to pay for their prescriptions.

The elimination of 340B discounts in Medi-Cal will require providers to purchase drugs at much higher prices. Consequently, the increased pharmacy costs could force providers to scale back on essential safety net services including staffing reduction, limiting hours and facilities and eliminating chronic health condition clinics.

The California State Association of Counties and Queen of the Valley Hospital have instead urges the Legislature to direct the Department of Health Care Services to work with stakeholders to develop an administrative solution that ensures program integrity without eliminating the program.

SUPPORTING DOCUMENTS

- A . Coalition/CSAC Opposition Letter
- B . Queen of the Valley Opposition Letter
- C . Queen of the Valley Fact Sheet

Recommendation: Approve

Reviewed By: Molly Rattigan