



GET THE FACTS

Contract Pharmacy Arrangements Are Critical to the 340B Safety Net

Contract Pharmacies = Improved Access to Medications

Many 340B clinics and hospitals do not operate their own outpatient pharmacies. For these providers, contract pharmacy arrangements are the only way they can fill their patients' prescriptions with 340B drugs. Many Ryan White clinics are among the safety net providers unable to fill prescriptions for their patients without "expend[ing] precious resources to develop their own in-house pharmacies."¹ Recognizing this fundamental barrier to 340B participation, the Health Resources and Services Administration (HRSA), which is the federal agency charged with administering the 340B program, issued guidance reminding 340B providers of their right under state law to dispense 340B drugs through an agent, in this case an independent pharmacy under contract with the provider to receive, dispense and bill 340B drugs on the provider's behalf. The pharmacy receives 340B drugs through a bill to/ship to arrangement, collects reimbursement for the drugs from the patient's third-party payer (if any) and remits the collected reimbursement to the covered entity. The covered entity, in turn, pays the pharmacy a fee for dispensing and billing services. Every administration, Republican and Democrat, has consistently interpreted the 340B statute as allowing contract pharmacy arrangements.

Contract Pharmacy and HIV

The ability to access 340B drugs through contract pharmacies is especially important for persons living with HIV/AIDS. The preparation, dispensing and management of antiretroviral medications and other HIV-related drugs often requires special expertise and support that Ryan White clinics can only offer through contract pharmacy arrangements. By partnering with contract pharmacies, Ryan White clinics can augment important social work and linkage services that ensure that people living with HIV are able to access and stay in care.

Manufacturers Unilaterally and Illegally Changed the Rules

For approximately 26 years, every drug manufacturer participating in the 340B program honored contract pharmacy arrangements. That practice changed abruptly in July 2020, when manufacturers began to significantly restrict distribution of 340B drugs ordered through contract pharmacy arrangements. These unilateral and unlawful policies are dramatically reducing resources available to safety net providers and harming their ability to meet the needs of vulnerable patients, only to boost manufacturer profits. Two states – Arkansas and Louisiana – recently enacted laws prohibiting drug manufacturers from restricting access to contract pharmacies, but covered entities in the rest of the country enjoy no such protection.² RWC-340B actively advocates to protect these state laws and for Congress to recognize covered entities' right to use contract pharmacy arrangements.

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¹ Notice Regarding Section 602 of the Veterans Health Care Act of 1992; Contract Pharmacy Services, 61 Fed. Reg. 43,549, 43,550 (Aug. 23, 1996).

² Ark. Code Ann. § 23-92-604(c); La. Stat. Ann. § 40:2884.
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