
Tennessee Watchdog.org

The Government Watchdog



[Arizona](#)

[Florida](#)

[Mississippi](#)

[Ohio](#)

[Vermont](#)

[Wisconsin](#)

[Nanny State](#)

Hospitals making millions off 340B federal program meant to help needy

By [Chris Butler](#) / September 19, 2014 / News / [6 Comments](#)



By Chris Butler | Tennessee Watchdog

NASHVILLE — Hospitals and clinics across Tennessee and the United States are reportedly using revenue from one failing federal entitlement, known as the 340B program, to subsidize two other failing government programs — Medicare and Medicaid.

The 340B Drug Pricing Program passed into law in 1992 and was designed to help poor and uninsured people get prescription drugs.

Problems with the program have gotten so severe they may cause pharmaceutical companies to discontinue important research and development programs into creating lifesaving drugs, said Sally Pipes, president of the Pacific Research Institute, a San Francisco-based think tank.

“It could be drugs for Alzheimer’s, cancer, diabetes, or Hepatitis C,” Pipes said.

“If these companies haven’t gotten the financial incentive to do what they’re doing then they’re going to stop and that’s going to

hurt not just the people who are uninsured and low-income. All of us will be hurt,” Pipes said.

The problems with the 340B program don’t just end there, Pipes said.

People in hospitals and pharmacies, Pipes added, have abused the program to help themselves financially.

“Now with Obamacare many of these abuses are going to get worse,” Pipes told Tennessee Watchdog.

According to 340B’s original intent, drug companies had to offer drugs at discounted prices to hospitals

that generally serve patients without health insurance.

But there was very little

oversight, and the program continued to expand beyond its original parameters, Pipes said.

Federal officials, for instance, added pharmacies to the program in 1996. In 2010, federal officials expanded the program by allowing hospitals to contract with an unlimited number of outside pharmacies.

“Hospitals are now treating people who don’t fit the uninsured and low-income category,” Pipes said, adding she doesn’t want the program to end.

Instead, she wants Congress to reform the program.

“Hospitals are purchasing the drugs at these 20-50 percent discounted prices and then they are charging patients the full price, so hospitals are making a profit. It’s not helping the people it was designed to help,” Pipes said.

[A U.S. Government Accountability Office audit released in 2011 \(http://www.gao.gov/new.items/d11836.pdf\)](http://www.gao.gov/new.items/d11836.pdf) backs up Pipes’ concerns, noting the program has major problems.

[Pipes wrote in Forbes last month the program has expanded so much that one in three hospitals nationwide and thousands of pharmacies now participate \(http://www.forbes.com/sites/sallypipes/2014/08/15/in-federal-drug-program-hospitals-and-pharmacies-use-the-poor-to-get\)](http://www.forbes.com/sites/sallypipes/2014/08/15/in-federal-drug-program-hospitals-and-pharmacies-use-the-poor-to-get)



[Photo courtesy of Flickr](http://watchdog.wpengine.netdna-cdn.com/wp-content/blogs.dir/1/files/2014/09/Hospital.png)

PROFITS: Hospitals are making a lot of money off of the federal 340B program, designed to help the needy, according to a GAO audit.

rich/).

As a result, hospitals are making hundreds of millions of dollars annually in profits, she added.

Even former Secretary of Health and Human Services Kathleen Sebelius is on record as saying (<http://healthaffairs.org/blog/2014/05/06/the-coming-storm-over-the-340b-rx-drug-discount-program/>) the program has gone beyond its bounds.

A 2013 New York Times article on 340B's problems cited Memphis' West Clinic as an example of a place where this problem exists (http://www.nytimes.com/2013/02/13/business/dispute-develops-over-340b-discount-drug-program.html?pagewanted=all&_r=1&).



No one at the West Clinic immediately returned Tennessee Watchdog's requests for comment Thursday.

(<http://watchdog.wpengine.netdna-cdn.com/wp-content/blogs.dir/1/files/2014/09/Pipes-Twitter.png>)

Officials with the Health Resources and Services Administration, which oversees the program under the federal Health and Human Resources, also didn't immediately respond to requests for comment Thursday.

Sally Pipes

Lindsay Boyd, director of policy at the Nashville-based think tank Beacon Center of Tennessee, wrote in the Daily Caller earlier this year that nearly 1,000 pharmacies in the state benefit from the 340B (<http://dailycaller.com/2014/05/16/another-federal-healthcare-scheme-that-fails-tennessees-most-vulnerable/2/%20>) program.

Many people in the hospital and pharmaceutical industries say the extra revenue they make from 340B makes up for low reimbursement rates from Medicare and Medicaid, Pipes said.

The New York Times even quoted an official at one Georgia hospital saying it couldn't afford a cancer outpatient center without the money (http://www.nytimes.com/2013/02/13/business/dispute-develops-over-340b-discount-drug-program.html?pagewanted=all&_r=1&).

Pipes expects hospital lobbyists to put up a fight over the issue in Congress next year.

The less revenue pharmaceutical companies get as a result of 340B, the fewer risks they will take manufacturing new drugs, Pipes said.



"Only about five drugs out of 5,000 actually make it to human trial and one of the five makes it to market," Pipes said.

"It costs about \$1 million from the start of an idea to putting a drug through all of the different phases. There are few that make it. If they don't make a change to this it's going to destroy the incentive for the pharmaceutical companies and biologics companies to continue to do research and development."

(<http://watchdog.wpengine.netdna-cdn.com/wp-content/blogs.dir/1/files/2014/09/Health-Resources-and-Services-Administration.jpg>)

Photo courtesy of the HRSA official website.

Contact Christopher Butler at chris@tennesseewatchdog.org (<mailto:chris@tennesseewatchdog.org>) Health Resources and Services Administration, which

watchdog.org)

oversees 340B

Follow Tennessee Watchdog and receive regular updates through **Facebook** (<https://www.facebook.com/pages/Tennessee-Watchdog/152154569263>) and **Twitter** (<https://twitter.com/#!/TennWatchdog>)

Like Watchdog.org? **Click HERE to get breaking news alerts in YOUR state!** (<http://watchdog.org/subscribe>)



Click here to LEARN HOW TO STEAL OUR STUFF!



[Chris Butler](#)

Chris formerly served as staff reporter for Watchdog.org.

Sign-up for our Tennessee Watchdog email list to receive the latest news and in-depth coverage.

SUBSCRIBE

You May Like

Promoted Links by Taboola

The Highest Paying Cash Back Credit Card Has Just Hit The Market

NextAdvisor

California lawmaker wants to pin Scarlett A on students based on dubious due process - Watchdog.org

Play the game that is taking 2017 by storm

Vikings: Free Online Game

Addiction recovery center opens in Rutland, offers alternative to state approach -

Watchdog.org

Pay Off Your House At A Furious Pace If You Owe Less Than \$625,500

QuickenLoans

Johnson, Baldwin on the Gorsuch 'judicial war' - Watchdog.org

Photographer Captured More Than Expected At The Golden Globes

StyleBistro

Vermont governor supports deporting some illegal aliens - Watchdog.org

Watchdog In Your State

Arizona

Florida

Mississippi

Ohio

Pennsylvania

Vermont

Wisconsin

More States...

News

Education

Energy and Environment

First Amendment

Health Care

Labor

Pensions

State Budgets

Tennessee Watchdog

Liked 3.5K likes

You and 98 other friends like this

[Technology](#)

[Connect](#)

[Like us on Facebook](#)

[Follow us on Twitter](#)

[Join us on Google+](#)

[Watch us on YouTube](#)

[About Watchdog.org](#)

[Contact](#)

[Privacy Policy](#)

[Copyright & Legal](#)

© 2017 Franklin Center for Government & Public Integrity