

December 8, 2009

The Honorable Harry Reid
The Capitol, Room S-221
Washington, DC 20515

Dear Majority Leader Reid:

We are writing to urge you to retain language in the current Senate health reform bill that extends the 340B program to the inpatient setting in safety net hospitals. We believe the effort to extend 340B shares the goals and objectives of the Senate health care reform effort, which is to increase access to quality health care while providing savings for both health care providers and taxpayers.

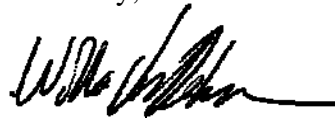
The inpatient extension was included in the legislation that passed the Senate Health, Education, Labor and Pensions Committee earlier this year and would save more than 800 safety net hospitals millions of dollars on drugs administered in the inpatient setting. In addition, the legislation extends the 340B discount to certain newly covered entities (children's hospitals, free-standing cancer hospitals and certain rural hospitals) in both the outpatient and inpatient settings. Finally, we support inclusion of the Medicare-Dependent Hospitals (MDH), similar to a provision contained in the House bill. The Congressional Budget Office estimates that extending the 340B discount would save the federal government \$1.2 billion over the next 10 years if enacted.

Currently, the 340B program enables hospitals and other providers that serve a large volume of low-income and uninsured patients to access significant discounts on pharmaceuticals. Although the discounts available through the program are approximately 25% lower than what is available through other purchasing arrangements, they are only available for drugs used in an outpatient setting. Therefore, 340B hospitals are forced to pay significantly more for inpatient pharmaceuticals, amounting to an average of \$1.7 million a year in additional costs per hospital above what they would be paying if those inpatient drugs could be purchased at 340B prices. Moreover, these hospitals must devote significant time and resources managing two separate drug inventories to prevent drug diversion. There is no rational policy for requiring 340B hospitals to pay more for inpatient drugs than outpatient drugs.

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We urge you to retain language extending 340B to the inpatient setting to the Senate health care reform bill. Now is not the time to deprive safety net hospitals from millions of dollars in savings needed to treat the most vulnerable in our communities.

Sincerely,



William von Oehsen
President & General Counsel
Safety Net Hospitals
For Pharmaceutical Access



Larry Gage
President
National Association of Public
Hospitals and Health Systems



M. James Kaufman, PhD
Vice President, Public Policy
National Association
of Children's Hospitals



Beth Landon
President
National Rural Health Association



Rick Pollack
Executive Vice President
American Hospital Association

Cc: The Honorable Dick Durbin, The Honorable Tom Harkin