



September 30, 2020

The Honorable Andrew M. Cuomo  
Governor of New York State  
New York State Capitol Building  
Albany, NY 12224

Howard A. Zucker, MD, JD  
Commissioner  
New York State Department of Health  
Corning Tower  
Empire State Plaza  
Albany, NY 12237

Dear Governor Cuomo and Commissioner Zucker:

We would like to begin by offering our sincerest thanks on behalf of our members for your leadership during this very difficult time. We have all been inspired by your determination, responsiveness and partnership to ensure that healthcare providers have the necessary tools to combat COVID-19.

We write today on a different, but exceedingly important matter. New York's vulnerable and low-income populations will suffer unintended, negative effects from a Medicaid pharmacy benefit provision in this year's enacted budget. We urge you to reverse this provision, for the reasons outlined below.

The state fiscal year 2020-2021 budget will shift the Medicaid retail pharmacy benefit from the managed care package to the fee-for-service program in 2021, drastically reducing the cost savings many safety net hospitals realize from the federal 340B Drug Pricing Program. Hospitals reinvest these savings to expand healthcare services for the vulnerable patients and communities they serve.

The purpose of the 340B Drug Pricing Program is to enable participating healthcare organizations to stretch limited resources so they can provide more comprehensive services to their communities. To achieve this goal, the program requires participating pharmaceutical manufacturers to sell certain outpatient drugs at significantly reduced prices to healthcare providers who serve vulnerable populations and participate in the 340B Program.

Consistent with the program's intent, New York's 340B hospitals use these savings to support a variety of initiatives, such as providing free or substantially discounted prescriptions to low-income patients and funding programs and services that they might otherwise not be able to operate. With these funds, 340B hospitals are advancing the goals of New York's Ending the Epidemic plan and addressing underlying social determinants of health to improve health outcomes. The attached document provides more information on how 340B hospitals reinvest program savings in their communities.

By transitioning the Medicaid pharmacy benefit from Medicaid managed care to FFS as required by the enacted budget, New York's 340B hospitals will be reimbursed for 340B drugs at cost. That means participating hospitals will no longer draw down savings when purchasing 340B drugs, effectively undermining the very purpose of the federal 340B Program. At the same time, hospitals are grappling at the federal level with CMS' nearly 30% reduction to the 340B program. This cut comes on top of egregious efforts by drug companies to undermine hospital access to the 340B program by limiting access to 340B drugs and installing onerous reporting requirements.

This is a significant loss coming at the worst possible time for our safety net hospitals and their communities. About 100 hospitals serving low-income and indigent populations across the state will lose more than \$87 million next year from this policy change. This is on top of the staggering \$20 billion to \$25 billion in losses and new expenses New York's hospitals are expected to suffer during this time due to the COVID-19 response.

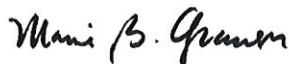
If allowed to stand, this massive policy and operational shift will jeopardize the solvency of critical healthcare services and programs for vulnerable and low-income populations currently benefiting from the investments made by hospitals using 340B savings.

On behalf of the safety net hospitals participating in the 340B program and the communities and patients they serve, we strongly urge you to reverse the actions taken in the current state budget and keep the Medicaid retail pharmacy benefit where it can do the most good: in the Medicaid managed care package.

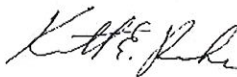
We appreciate and support your ongoing recognition of the extraordinary challenges currently facing hospitals and the healthcare provider community. Given the dire state fiscal challenges and indeterminate federal assistance, we ask you to reconsider this Medicaid pharmacy policy change and associated funding reduction in the context of what is the greatest public health emergency in modern history.

Thank you for your leadership and for helping to ensure that New York's hospitals can continue providing comprehensive health services to the patients and communities they serve.

Sincerely,



Marie B. Grause, RN, JD  
President  
HANYS



Kenneth Raske  
President  
GNYHA



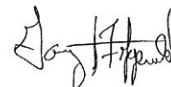
Kevin Dahill  
President and CEO  
Suburban Hospital Alliance



Kenneth Schoetz  
President and CEO  
WNYHA



Travis Heider  
President and CEO  
Pandion



Gary Fitzgerald  
President  
Iroquois Healthcare Association

Enclosure

cc:  
Richard Becker, MD  
Frank Walsh  
Donna Frescatore



# The 2020-21 New York State budget eliminates 340B drug discounts hospitals access for services provided to Medicaid enrollees.

## Program Basics and Key Dates

The federal 340B Drug Pricing Program enables more than 100 New York safety net hospitals serving low-income and vulnerable New Yorkers to purchase outpatient drugs from pharmaceutical manufacturers at a discounted rate (~ 20% to 50% discount).

These hospitals rely on the savings from the 340B drug discount program to provide greater access to pharmaceuticals and comprehensive services in their communities, which they otherwise would not be able to do because of chronic underpayments from public payers like Medicaid.

### 340B Benefits for Patients

New York's 340B-eligible hospitals leverage savings accessed under 340B to operate programs and services that they might otherwise not be able to operate, such as the following services reported by HANYS' members:

- free or substantially discounted prescriptions to uninsured or low-income patients;
- medication therapy management programs to improve patient care and reduce overall healthcare costs and hospital readmissions;
- mobile units to bring care to rural and other medically under-served communities without local primary care options or pharmacies;
- free oncology services for low-income patients;
- multidisciplinary clinics offering substance abuse and mental health services; and
- transportation support for patients who need to use emergency room services.

These are just a few examples of the many ways NYS hospitals reinvest savings generated from the 340B program to improve access to care in vulnerable communities. Many of these investments come from hospitals that are financially vulnerable.

### State Fiscal Year 2020-2021 Budget Actions

#### October 1, 2020

Department of Health stakeholder workgroup to make recommendations on how to achieve Medicaid program savings for discounted drugs acquired by providers under the 340B program.

#### No sooner than April 1, 2021

DOH to move the Medicaid pharmacy benefit from the managed care benefit package to the fee-for-service program (expected to reduce Medicaid spending by \$87.2 million). This change will have implications on the cost savings hospitals and other providers leverage from the 340B Drug Discount Program to reinvest in their communities.

#### April 1, 2023

Requires reimbursement of 340B drugs based on a method that considers the actual acquisition costs and professional dispensing fees.



## Northeastern New York

Adirondack Medical Center  
Albany Medical Center Hospital  
Bassett Medical Center  
Cobleskill Regional Hospital  
Columbia Memorial Hospital  
Ellis Medicine  
Margaretville Hospital  
Nathan Littauer Hospital  
O'Connor Hospital  
St. Mary's Healthcare (Amsterdam)  
Samaritan Hospital  
UHS Delaware Valley Hospital  
UVHN – Alice Hyde Medical Center  
UVHN – Champlain Valley Physicians Hospital  
UVHN – Elizabethtown Community Hospital

## Rochester area

Arnot Ogden Medical Center  
Clifton Springs Hospital and Clinic  
Highland Hospital  
Nicholas H. Noyes Memorial Hospital  
Rochester General Hospital  
Schuyler Hospital, Inc.  
Soldiers and Sailors Memorial Hospital  
Strong Memorial Hospital  
Unity Hospital

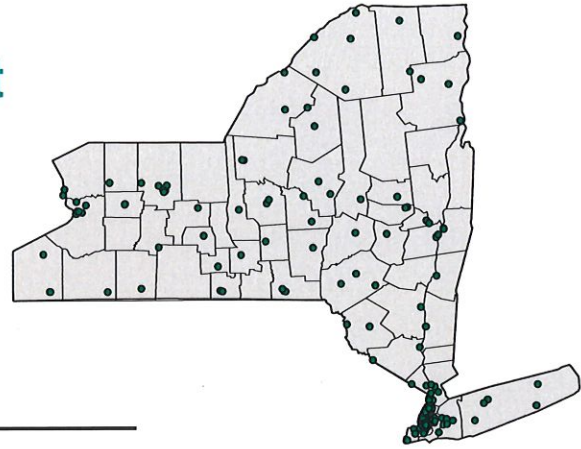
## Western New York

Brooks-TLC Hospital System  
Erie County Medical Center  
Jones Memorial Hospital  
Kaleida Health  
Mount St. Mary's Hospital and Health Center  
Niagara Falls Memorial Medical Center  
Olean General Hospital  
Orleans Community Health  
Sisters of Charity Hospital  
United Memorial Medical Center  
UPMC Chautauqua

## Long Island

Mercy Medical Center  
Nassau University Medical Center  
St. Charles Hospital  
Southside Hospital  
Stony Brook University Hospital

# Hospitals that participate in the 340B program



## New York City

BronxCare Hospital Center  
Brookdale University Hospital Medical Center  
Flushing Hospital Medical Center  
Interfaith Medical Center  
Jamaica Hospital Medical Center  
Kingsbrook Jewish Medical Center  
Lenox Hill Hospital  
Long Island Jewish Medical Center  
Maimonides Medical Center  
Montefiore Medical Center  
Mount Sinai Beth Israel – All Divisions  
Mount Sinai Hospital  
Mount Sinai Morningside  
New York Community Hospital  
New York Eye and Ear Infirmary of Mount Sinai  
NewYork-Presbyterian Brooklyn Methodist Hospital  
NewYork-Presbyterian Hospital  
NewYork-Presbyterian Queens  
NYC Health + Hospitals / Bellevue  
NYC Health + Hospitals / Coney Island  
NYC Health + Hospitals / Elmhurst  
NYC Health + Hospitals / Harlem  
NYC Health + Hospitals / Jacobi  
NYC Health + Hospitals / Kings County  
NYC Health + Hospitals / Lincoln  
NYC Health + Hospitals / Metropolitan  
NYC Health + Hospitals / North Central Bronx  
NYC Health + Hospitals / Queens  
NYC Health + Hospitals / Woodhull  
NYU Langone Hospitals  
Richmond University Medical Center  
SBH Health System  
St. John's Episcopal Hospital (Far Rockaway)  
Staten Island University Hospital – All Divisions  
The Brooklyn Hospital Center  
University Hospital of Brooklyn  
Wyckoff Heights Medical Center

## Central New York

Auburn Community Hospital  
Canton-Potsdam Hospital  
Carthage Area Hospital  
Cayuga Medical Center at Ithaca  
Claxton-Hepburn Medical Center  
Clifton-Fine Hospital  
Community Memorial Hospital  
Faxton St. Luke's Healthcare  
Gouverneur Hospital  
Guthrie Cortland Medical Center  
Lewis County General Hospital  
Little Falls Hospital  
Massena Hospital  
Oneida Healthcare  
Oswego Health  
Our Lady of Lourdes Memorial Hospital  
River Hospital  
Rome Memorial Hospital  
Samaritan Medical Center  
UHS Chenango Memorial Hospital  
United Health Services Hospitals, Inc.  
Upstate University Hospital

## Northern Metropolitan Area

Bon Secours Community Hospital  
Catskill Regional Medical Center  
Catskill Regional Medical Center/  
Grover M. Hermann Division  
Good Samaritan Hospital  
HealthAlliance Hospital –  
Mary's Avenue Campus  
Montefiore Nyack Hospital  
Montefiore St. Luke's Cornwall Hospital  
Phelps Hospital  
St. John's Riverside Hospital  
Westchester Medical Center