Supreme Court Rules Against Cuts to 340B Medicare Funding at Hospitals

The court sided with the hospitals, which challenged a $1.6 billion Trump-era cut to 340B Medicare reimbursements.

June 17, 2022 By Trent Straube

In a unanimous decision, the Supreme Court ruled that the Department of Health and Human Services (HHS) was wrong to cut billions of dollars annually from the federal 340B Drug Pricing Program, reports Fierce Healthcare.

The controversial Medicare discount drug program 340B helps fund hospitals and clinics that serve vulnerable communities. The safety-net program reimburses the costs of outpatient drugs at a much higher price than hospitals pay; the resultant surplus—"the 340 spread"—covers the cost of serving uninsured and underinsured individuals.

As the justices noted in their ruling, HHS erred by not first surveying the hospitals to inquire about costs before making payment cuts. HHS had argued that such surveys weren't required. The Supreme Court disagreed.

The lawsuit was brought by the American Hospital Association (AHA), which sued after HHS slashed $1.6 billion from the reimbursement program in 2018—which amounted to a 30% cut.

A federal district court sided with AHA, but then an appeals court reversed the decision, sending the case to the Supreme Court.

"This decision is a decisive victory for vulnerable communities and the hospitals on which so many patients depend," read a joint statement from AHA, the Association of American Medical Colleges and America's Essential Hospitals. "340B discounts help hospitals devote more resources to services and programs for vulnerable communities and increase access to prescription drugs for low-income patients."

"Now that the Supreme Court has ruled," the statement added, "we look forward to working with the administration and the courts to develop a plan to reimburse 340B hospitals affected by these unlawful cuts while ensuring the remainder of the hospital field is not disadvantaged as they also continue to serve their communities."

The 340B reimbursement program has remained a controversial but vital source of funding for health care services. Several drugmakers have tried to restrict pharmacies and health care providers from accessing 340B program discounts. For just one example, see "Hepatitis and HIV Groups Protest 340B Restrictions to Low-Cost Drugs."

A similar scenario regarding the cost of HIV prevention meds is currently unfolding, as described in the article "PrEP Programs Face Devastating Loss of Funding to HIV Prevention."

In related news, read this November blog post by AIDS United's 340B Working Group: "Ending the Epidemic Requires a Comprehensive Approach to Health Care."

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