

SENATE JOINT RESOLUTION 520

By Briggs

A RESOLUTION to urge the Centers for Medicare and Medicaid Services (CMS) to provide funding for the 340B Drug Pricing Program at the rates in effect before January 1, 2018, and to immediately address the severely flawed Medicare Wage Index rate for East Tennessee.

WHEREAS, in 2017, the Centers for Medicare and Medicaid Services (CMS) proposed the CY18 Medicare Outpatient Proposed Rule, effective January 1, 2018, to dramatically cut Medicare reimbursements to eligible hospitals and other covered entities that participate in the 340B Drug Pricing Program; and

WHEREAS, established in 1992, the 340B Drug Pricing Program was designed by the United States Congress to "stretch scarce federal resources as far as possible, reaching more eligible patients and providing more comprehensive services" by requiring drug manufacturers to provide outpatient drugs to qualified healthcare organizations at significantly reduced prices; and

WHEREAS, savings generated from the 340B Drug Pricing Program discounts were reinvested into programs that enhance patient access to care, including, but not limited to, providing free or reduced-price prescription drugs to vulnerable patients, increasing clinical services provided to meet community needs, and investing in facilities and technologies for healthcare delivery; and

WHEREAS, resources generated from the 340B program have made a significant difference in hospitals' ability to offer critical care to patients, particularly in underserved and rural communities; and

WHEREAS, the cuts in 340B funding will negatively impact a number of specific initiatives that have benefited the residents of Tennessee, including a telehealth network for

rural hospitals that struggle to recruit highly specialized physicians, dedicated efforts to fight the opioid epidemic, and enhanced antibiotic stewardship programs to reduce overprescribing and antibiotic resistance; and

WHEREAS, funded by drug manufacturers and not taxpayers, the 340B Drug Pricing Program has also been a sound federal investment, recognized as a self-sustaining program in that the financial support hospitals receive is derived from drug manufacturer discounts, rather than through additional federal investments; and

WHEREAS, prior to the funding change, CMS required Medicare to pay for separately payable, non-pass-through drugs at the average sales price (ASP) plus six percent. The new rule pays for drugs purchased under the 340B program at ASP minus 22.5 percent; and

WHEREAS, in East Tennessee, such a drastic reduction will greatly restrict the area's largest healthcare provider's ability to operate nine infusion centers for cancer patients throughout the region, along with its nine acute care hospitals, a behavioral health hospital, and numerous outpatient clinics across a twenty-three-county region; and

WHEREAS, Knoxville-area hospitals have also greatly suffered from the severely flawed Medicare Wage Index (MWI), which has had and will continue to have immediate negative consequences on hospital and physician services in the region; and

WHEREAS, the MWI methodology punishes hospitals/health systems that more aggressively manage costs, and under the budget neutrality system, Knoxville has suffered; this would not have occurred had the MWI system been based on what hospital labor and benefits costs should be, as opposed to what is shown on self-reported data; and

WHEREAS, since 2007, all relevant parties that have reviewed its operation, including the Medicare Payment Advisory Committee (MEDPAC) and the United States Congress in the Affordable Care Act, have advocated for MWI reform to address the issue; relief for Knoxville-area hospitals from this extremely unfair fiscal accounting must be made an immediate priority of CMS; and

WHEREAS, additionally, given the important role that the 340B program plays in the financial health of those eligible hospitals that primarily serve Medicare patients, CMS should

abandon its egregious new funding plan that will greatly weaken the healthcare safety net; now, therefore,

BE IT RESOLVED BY THE SENATE OF THE ONE HUNDRED TENTH GENERAL ASSEMBLY OF THE STATE OF TENNESSEE, THE HOUSE OF REPRESENTATIVES CONCURRING, that we strongly urge the Centers for Medicare and Medicaid Services to provide funding for the 340B Drug Pricing Program at the rates in effect before January 1, 2018, and strongly oppose any funding reduction.

BE IT FURTHER RESOLVED, that we also urge the Centers for Medicare and Medicaid Services and the United States Congress to address the Medicare Wage Index utilized in the Knoxville-area region.

BE IT FURTHER RESOLVED, that certified copies of this resolution be prepared and transmitted to the administrator of the Centers for Medicare and Medicaid Services and each member of the Tennessee Congressional delegation.