

The 5 Key Components of a Successful and Sustainable 340B Program

the craneware group™

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So, you've launched a 340B drug discount program. Congratulations! Thank you for your commitment to strengthening the healthcare safety net and helping the patients it serves.

Now comes the most important part — putting your 340B program into operation, keeping it running smoothly, producing consistent results, and remaining compliant.



Implementing a modern management and compliance software solution is a great start for managing the complexity of 340B. But 340B program management does not have “autopilot” mode; it requires constant surveillance and proactive monitoring, not limited to overseeing the people who staff it and make it work. 340B doesn't exist in a vacuum. Your program will affect initiatives and departments beyond the pharmacy and will be influenced by forces well outside your organization.

So, how do you know if your 340B program is working as it should? Read along for our suggestions to set your program up for success.

1. Do you have a 340B steering committee?

While the day-to-day business of 340B will take place within your pharmacy unit, the program touches many other areas within the health system. Accordingly, it should broaden its scope for the sake of governance and buy-in.

A 340B steering committee should be made up of leaders from across the health system, including departments like:

- > Finance
- > Legal
- > Compliance
- > Administration
- > Pharmacy
- > Non-pharmacy clinician leaders
- > Invited guests as needed (e.g. 340B administrator, consultants, government relations, public relations)

This gives your program wider visibility and ensures that leadership understands how it fits with and contributes to the larger organization. The full steering committee should meet at least three times per year (it can meet without the full membership more often), and it should include your program's authorizing official — usually a member of the C-suite.



In the early days of 340B, few hospitals operated 340B steering committees, and that created some chaos. For example, let's say you're part of a health system made up of several hospitals spread across a region. Changes in the payor mix at one site threaten the health system's ability to continue participating in 340B. Without a steering committee that meets regularly, a pharmacy leader may have no idea that changes to the disproportionate share percentage in the Medicare Cost Report have made the entire health system ineligible for 340B — and they've been operating 340B out of compliance for months.

2. Do you have a 340B scorecard?

There's an old saying that "You cannot manage what you do not measure." It holds especially true for 340B. How do you measure success in 340B? One way is to keep a scorecard for your program.

First, analyze your total drug purchases and compare discounted 340B pricing to wholesale acquisition cost, or WAC, which is the price a drug manufacturer charges a wholesaler. A good goal is to limit WAC quantities to no more than 20% of overall purchases.

Next, look at your 340B benefit, or savings. While establishing a benchmark for savings will depend on your patient mix, you should be able to readily quantify your 340B benefit for your leadership, so they know the financial and human impact of your program. It should help you answer questions like:

- > How much are you saving from 340B purchases compared to Group Purchasing Organization (GPO)? If 340B went away, how much would expenses increase for your organization?
- > How much money are you saving on both your Medicare and privately insured patients? What is your payor mix?
- > How is your organization using the savings?
- > What programs are you able to offer vulnerable patients that are directly attributed to 340B savings? Who is on the community benefit team, and will your organization include this information in its community benefit report?

Your leaders should also understand what the organization's total drug spending would look like without 340B.



The ability to detail your 340B benefits along commercial insurance lines is also critical to negotiating annual contracts with different payors and pharmacy benefit managers. PBMs, many of which are owned by health insurance companies, are now routinely decreasing reimbursements to 340B covered entities, something that several states have prohibited by passing antidiscrimination laws. If you suddenly notice a reduction in your 340B benefit, is it because your prescription volume is down, or because your contracts aren't paying you what they used to? (It's a good idea to track your contract pharmacy volume separately.)

3. Can you tell the story of your 340B program to Congress?

Unfortunately, the 340B program is not widely known. Patients often have no idea why their outpatient drugs were free. It's also poorly understood by many critics — including some members of Congress.

It's unlikely you'll be called to Capitol Hill to testify about your program, but what about your local community? Could you explain your program to, say, a business reporter writing about problems at your hospital? Or to a community development group that wants to know about your organization's commitment to helping vulnerable residents?

Your organization's 340B story can comprise a simple one-page document; 340B Health offers a good template. Among the things your "impact profile," as I like to call it, should include:

- > The amount of annual savings your program generates
- > The various ways 340B benefits your most vulnerable patients, including a detailed list of programs and initiatives it supports and the total uncompensated care provided
- > What would happen at your organization — and to your local community — if 340B went away



4. Do you hold regular mock audits?

Compliance is at the heart of 340B, and an adverse audit finding from HRSA can leave a hospital on the hook for millions of dollars in repayments to manufacturers. The best way to ensure you are compliant and prepared for a HRSA or manufacturer audit is to first audit yourself — known as an “internal audit” or “mock audit.” In the hospital, you are used to preparing for The Joint Commission. Think about these mock audits as the same thing.

Your compliance team can make sure your mock audits apply sufficient rigor, including verifying that your sample sizes of dispensations and purchases are large enough to be considered representative. They can also verify that you’re following the organization’s 340B policies and procedures, a key component of a HRSA audit.

It’s also a good idea to bring in outside auditors to assess your program once or twice a year to assure impartiality.



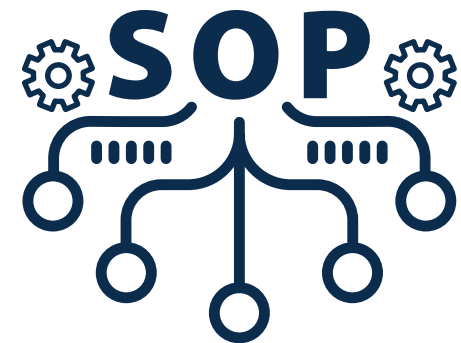
5. Do you know where your standard operating procedures are for your 340B program?

If someone on your 340B team wins the lottery or suddenly quits, could your team adjust to the loss of that person's institutional knowledge without major disruption?

Having detailed standard operating procedures (SOPs) that outline each team member's roles and responsibilities is critical. That's especially true considering the high turnover and short supply of pharmacy technicians, who play key roles in 340B programs.

With pandemic burnout fueling major labor shortages in hospitals, you never know when a key 340B team member may leave the team or be called away to fill in somewhere else in the organization.

Don't be caught flat-footed. Document your SOPs.



Conclusion

Ultimately, your 340B program will only be as successful as the people who run it, the systems you put in place, and the buy-in you secure from the broader organization. Your ability to respond to the inevitable hiccups that arise and remain compliant is paramount. As Ben Franklin once famously said, "By failing to prepare, you are preparing to fail."

340B may be the most unheralded component of our healthcare safety net, and while the going can get tough, yours is a noble path. Prepare to succeed for the patients you serve.

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About Craneware

Founded in May 1999, Craneware has spent more than 20 years as the leading provider of revenue integrity solutions improving financial performance in U.S. hospital and health systems. In July 2021, Craneware announced the acquisition of Sentry Data Systems and Agilum Healthcare — optimizing an already-robust catalog of solutions with industry-leading 340B solutions and expertise.

As *The Craneware Group*, Craneware, Sentry Data Systems, and Agilum collaborate with U.S. healthcare providers to plan, execute, and monitor operational and financial performance, so they can continue to deliver quality care and services to their communities. The Craneware Group's Trisus platform combines revenue integrity, cost management, 340B, and decision enablement into a single, SaaS-based platform, connecting actionable insights to deliver sustainable margin and operational efficiency — something no other single partner can provide.

For more information, please visit www.thecranewaregroup.com or follow @Craneware on Twitter and LinkedIn.

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