



TENNCARE POLICY MANUAL

Policy No: PRO 13-002 (Rev. 2)	
Subject: 340B Drug Pricing Program	
Approval: <i>Rusty Hailey</i>	Date: <i>6/22/16</i>

BACKGROUND:

The 340B Drug Pricing Program, along with the Medicaid Drug Rebate Program, is a partnership between the federal government and drug manufacturers to help offset the cost of outpatient prescription drugs dispensed to Medicaid enrollees.

The Medicaid Drug Rebate Program requires drug manufacturers to enter into rebate agreements with the U.S. Department of Health and Human Services (HHS) in exchange for Medicaid coverage of most of the manufacturers' drugs. Under the Medicaid Drug Rebate Program, manufacturers pay a rebate on covered drugs each time that they are dispensed to Medicaid enrollees. These rebates are shared by state Medicaid programs and the Federal government in order to offset the overall cost of prescription drugs in the Medicaid program.

In addition to entering into rebate agreements with HHS, drug manufacturers are required to enter into a pricing agreement for the 340B Drug Pricing Program in order to have their drugs covered by Medicaid. The 340B Drug Pricing Program enables eligible health care providers and organizations to purchase outpatient drugs at discounted rates. Providers eligible to participate in the 340B Drug Pricing Program are defined in statute and include federally qualified health centers, disproportionate share hospitals, children's hospitals, and other safety net providers.¹ TennCare's pharmacy provider network includes several pharmacies that qualify to participate in the 340B Drug Pricing Program.

While drug manufacturers sign agreements to participate in both the Medicaid Drug Rebate Program and the 340B Drug Pricing Program in order to have their drugs covered under Medicaid, they are only required to provide a single discount on a drug furnished to a Medicaid enrollee. In other words, either the State may submit the claim to the manufacturer for the rebate under the Medicaid Drug Rebate Program; or, an eligible provider enrolled in the 340B Drug Pricing Program may receive the discounted

¹ See Section 340B of the Public Health Service Act (Pub. L. 102-585), as amended by the Patient Protection and Affordable Care Act (Pub. L. 111-148), the Health Care and Education Reconciliation Act (Pub. L. 111-152), and the Medicare and Medicaid Extenders Act (Pub. L. 111-309), codified at 42 U.S. Code § 256b.

price (and the discounted price is then passed on to the State). The drug manufacturer must only pay either the rebate to the State, or provide the discount to the eligible provider, but not both.²

POLICY:

It is the policy of TennCare to seek federal rebates only on pharmacy claims that are not associated with the 340B Drug Pricing Program. If a participating pharmacy provider submits a claim to TennCare at the pharmacy's 340B acquisition cost, TennCare will pay the claim in accordance with established procedures but will not submit the claim to the manufacturer to collect a federal rebate.

OFFICES OF PRIMARY RESPONSIBILITY:

Office of the Medical Director, Pharmacy Division

REFERENCES:

42 U.S. Code § 256b

<https://www.gpo.gov/fdsys/pkg/USCODE-2014-title42/pdf/USCODE-2014-title42-chap6A-subchapII-partD-subpartvii-sec256b.pdf>

Section 340B Public Health Service Act

<http://www.hrsa.gov/opa/programrequirements/phsactsection340b.pdf>

Original: 03/08/13: AB

Rev. 1: 01/20/14: AY

Rev. 2: 06/22/16: LSH

² See U.S. Code § 256b(a)(5)(A)(i).