

Federal Drug Discount and Compliance Monitor

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Inspector General Finds One in Seven 340B Purchases above Ceiling Price

A new government report surveying 340B entities found that, for one month in 2005, 340B providers and programs overpaid for pharmaceuticals by a projected \$3.9 million. A report compiled by the Department of Health and Human Services Office of the Inspector General (OIG) surveyed nearly 230,000 purchases made by 340B entities in June 2005 and found that one out of seven prices paid exceeded the statutorily-mandated 340B ceiling price. Based on this data, the OIG projected an overcharge rate of more than \$46 million per year.

The OIG looked at 70 covered entities' purchases and determined that 68 of these entities overpaid in at least one instance. Many of these overpayments resulted from failure to abide by the government's "penny price" policy. According to the Health Resources and Services Administration's (HRSA) policy, when a 340B ceiling price is negative, a manufacturer must set its price at a penny per unit.

The report, which was released July 20th, found that small-volume entities, manufacturers, and wholesalers were associated with higher rates of overpayments, although most entities, manufacturers, and wholesalers were involved with some transactions resulting in overpayments. Discrepancies between HRSA-calculated 340B ceiling prices and the actual ceiling prices – largely stemming from incorrect package-size information – also contributed to entities overpaying for pharmaceuticals, the OIG found.

As a result, the OIG recommended that HRSA increase its oversight of the 340B program, by publishing its "penny price" policy, monitoring prices more closely for potential discrepancies, providing more technical assistance, and obtaining consistent unit of measure and package size data. HRSA concurred with each of the OIG's recommendations, noting that it has already taken steps toward implementation of some of them. It also said it will explore seeking the authority and resources needed to impose penalties on those companies responsible for overcharging entities.

While most 340B stakeholders have not yet commented publicly on the report, the Public Hospital Pharmacy Coalition (PHPC) recently weighed in on the findings. While PHPC supports the OIG findings, it believes the report should have identified those manufacturers and/or wholesalers responsible for the overcharges and that it should have recommended that HRSA pursue refunds for entities in the program. PHPC also considers the report findings as further evidence that covered entities should have access

to ceiling price data and that manufacturers should be required to submit their pricing data to HRSA for verification purposes.

The report can be found at www.phpcrx.org/documents/OIGR340BpricesJuly06.pdf. More details about the report will be available in the *Monitor's* August issue.