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Tracking administrative complexity within the 340B Drug Pricing Program

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Part of the Public Health Service Act of 1992, the 340B Drug Pricing Program lowers drug costs and increases revenues for safety-net health care providers by allowing them to pay heavily discounted prices for

prescription drugs, but get reimbursed at full cost. With revenues from the discounted drugs, these safety-net providers can offer discounts on drugs for their patients while also enhancing their care offerings to help achieve the 340B program's goal of "reaching more eligible patients and providing more comprehensive services."

The 340B program has grown substantially in the last three decades to include more eligible hospitals and a dramatic expansion in the number of pharmacies contracted via the program to dispense drugs. In the first study of its kind, published in *Health Affairs Scholar*, the University of Minnesota School of Public Health (SPH) sheds light on a previously unexamined area of the 340B program's growth: third-party administrators (TPAs).

TPAs are companies that provide a range of operational services to other firms within the 340B program. Although TPAs play an increasingly important role in the 340B program's ecosystem, the market is poorly understood regarding its size, competitiveness and the scope of services offered by TPA firms. This lack of transparency can lead to providers overpaying for services, which undermines the effectiveness of the 340B program.

The researchers identified firms offering advertising services that could be considered TPA services, assessed their ownership and categorized the types of services they offer. The study found:

- There are four main types of services offered by these probable TPAs: compliance and auditing; inventory management; program optimization (firms that focus on maximizing the revenue potential of 340B program discounts for providers); and firms that focus on patient access, including helping providers determine which patients are eligible.
- 48 companies offering TPA services—29 offered software

services on a long-term basis to manage specific 340B program administrative functions, while 19 offered short-or-long-term consulting services.
- The various ownership and parent company affiliation of each TPA—eight are owned by private equity firms; two are owned by software companies; and six are owned by vertically integrated health care stakeholders, such as pharmacies, pharmaceutical benefit managers and pharmaceutical wholesalers.

"As the 340B program grows across sectors, the administrative complexity of the program has also expanded in ways that elected officials, regulators and others involved in the program may not be fully aware of," said Sayeh Nikpay, SPH associate professor and lead author of the study. "Among other drawbacks, the lack of information about TPA firms leaves 340B program contractors in the dark when determining fees, potentially leading them to overpay for services. Greater transparency throughout the 340B program is greatly needed to ensure better and more efficient functioning in the program."

The authors note that more research on the role of TPAs in the 340B program is needed. For example, information on the size of the market in terms of revenues, the market share of individual TPAs, TPA compensation structure and the evolution of these measures over time is critical for understanding the real role TPAs play in the 340B program.

More information: Sayeh Nikpay et al, Growing administrative complexity in the 340B program and the rise of third-party administrators, *Health Affairs Scholar* (2023). DOI: 10.1093/haschl/qxad052