For information specific to ADAP drug pricing, please visit the [NASTAD website](https://www.nastad.org).

**What is the 340B Drug Pricing Program?**

The Omnibus Budget Reconciliation Act (OBRA) 1990 set a statutory rebate mechanism for state Medicaid programs based on their pharmacy reimbursement system. The 340B program, authorized by the Veterans Health Care Act of 1992, was initially focused on providing a ceiling price for covered drugs since the vast majority of 340B entities use a direct purchase system. It was amended to provide access to a statutory rebate for states using a pharmacy network (rebate) purchasing system. The ceiling price is the maximum price at which a particular drug can be sold to 340B entities and is equivalent to the cost of the drug to Medicaid after the rebate percentage is deducted for that drug in a particular quarter. Whatever the statutory Medicaid rebate percentage is on a drug for a particular quarter (e.g., the standard 23.1% off the average manufacturer’s price (AMP)), the 340B ceiling price on that same drug at the same time will also be 23.1% off the AMP.

<table>
<thead>
<tr>
<th>Price Type</th>
<th>Description</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dispensing Fee (e.g., $4)</td>
<td>($104)</td>
<td></td>
</tr>
<tr>
<td>AWP (Average Wholesale Price)</td>
<td>($100)</td>
<td></td>
</tr>
<tr>
<td>Pharmacy Discount Rate</td>
<td>(AWP-14%)</td>
<td>($86)</td>
</tr>
<tr>
<td>WAC (Wholesale Acquisition Cost)</td>
<td>($83)</td>
<td></td>
</tr>
<tr>
<td>AMP (Average Manufacturer Price)</td>
<td>($82)</td>
<td></td>
</tr>
<tr>
<td>340B (PhS)</td>
<td>($63)</td>
<td></td>
</tr>
</tbody>
</table>

The 340B Drug Pricing Program requires drug manufacturers to provide outpatient drugs to eligible health care organizations for eligible patients at significantly reduced prices. The 340B program is designed to provide a pricing benefit to safety-net providers. It is the intent of the program that providers use the savings to reinvest in their programs and enhance medical services to uninsured patients. The 340B program is administered by the [Office of Pharmacy Affairs](https://www.hrsa.gov).
340B Eligible Covered Entities

The following entities are able to enroll in the 340B Drug Pricing Program:

- **Ryan White HIV/AIDS Program Grantees**
- **Health Centers**
  - Federally Qualified Health Center
  - Federally-Qualified Health Center Look-Alike
  - Native Hawaiian Health Centers
  - Tribal / Urban Indian Health Centers
- **Hospitals**
  - Children’s Hospital
  - Critical Access Hospital
  - Disproportionate Share Hospital
  - Free Standing Cancer Hospital
  - Rural Referral Center
  - Sole Community Hospital
- **Specialized Clinics**
  - Black Lung Clinic Program
  - Comprehensive Hemophilia Diagnostic Treatment Centers
  - Title X Family Planning Clinics
  - Sexually Transmitted Disease Clinics
  - Tuberculosis Clinics

ADAP Eligibility in the 340B Drug Pricing Program

ADAPs are categorically eligible for the 340B Drug Discount Program. This means that all ADAPs, regardless of purchasing mechanism, are eligible to receive 340B pricing.

While participation in the 340B Program is not mandatory, participation is strongly encouraged by the Health Resources and Services Administration (HRSA), the federal agency that oversees state ADAPs. ADAPs that do not participate are required to document that they are receiving prices/discounts on formulary drugs equivalent to or better than 340B pricing. According to data collected for the National ADAP Monitoring Project, all ADAPs participate in the 340B Program.

Participation is free; eligible organizations/covered entities must register and annually recertify with the 340B program. Participants are assigned a 340B identification number that vendors verify before allowing an organization to purchase drugs at the discounted 340B price.

340B Eligible Drugs

The 340B Program covers the following **outpatient** drugs:

- FDA-approved prescription drugs,
- Over-the-counter (OTC) drugs written on a prescription,
- Biological products that can be dispensed only by a prescription (other than vaccines); or
- FDA-approved insulin.

When purchasing **antiretroviral** medications, ADAPs should not pay a price higher than the ADAP Crisis Task Force negotiated price. When purchasing **all other** medications, ADAPs should not pay a price higher than the 340B price.

**What is the Prime Vendor Program?**

Participants in the 340B Program may also participate in the 340B Prime Vendor Program. A “prime vendor” is an entity that negotiates with manufacturers on behalf of a group of drug purchasers, in order to obtain reduced drug prices. Because the group has larger purchasing power than any one entity, the prime vendor can theoretically achieve greater discounts. HRSA has chosen a prime vendor to negotiate additional discounts (i.e., lower than the 340B ceiling price or sub-340B ceiling price) for participants, including ADAPs.

The prime vendor can only negotiate up-front price discounts and not enhanced rebates (larger than the defined 340B rebate); therefore, rebate ADAPs cannot take advantage of this program because they do not obtain discounts at the point-of-sale. The current prime vendor has been relatively successful in negotiating sub-340B ceiling prices. The value of the Prime Vendor Program to ADAPs is largely in the pricing of generic drugs and the other products and services it includes.