ADAPs and Program Income: Opportunities for Revenue and Challenges with Non-ADAP 340B Covered Entities

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Agenda

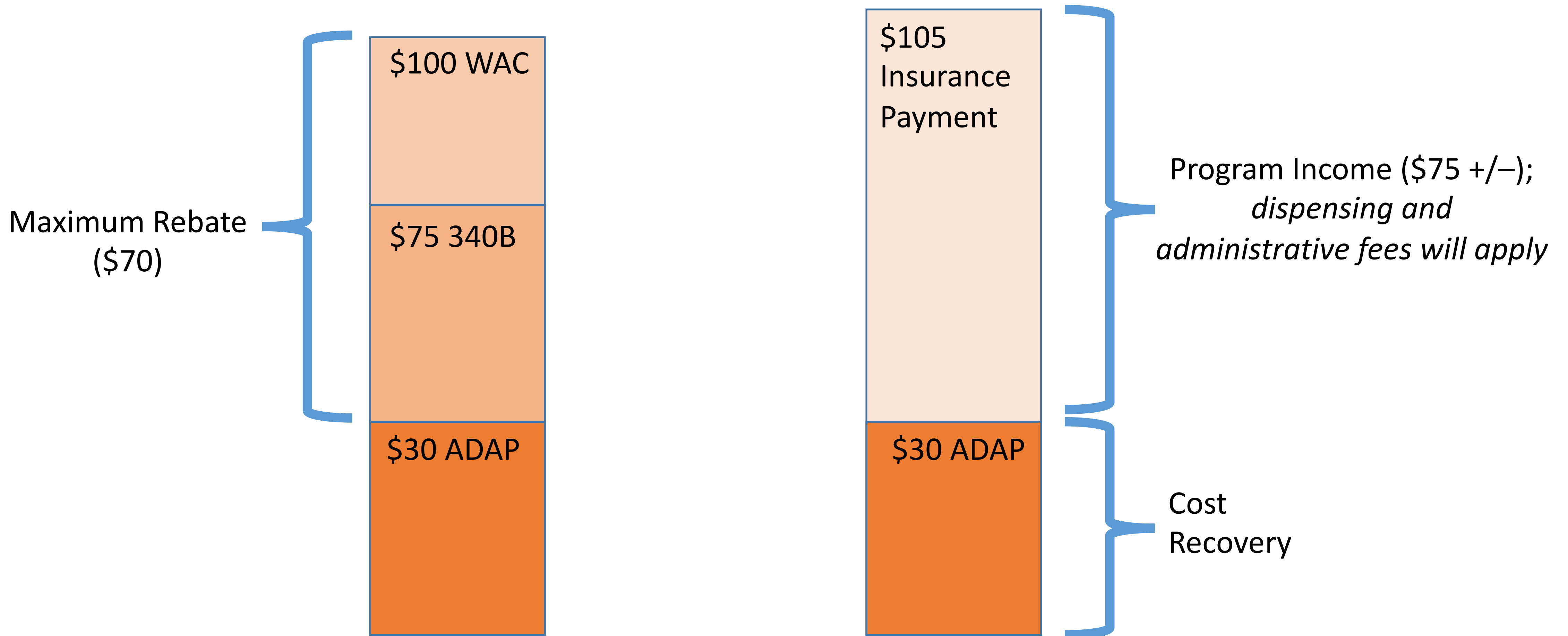
- ADAP program income generation
  - Rationale
  - Implementation Considerations
  - Potential Drawbacks and Challenges
- ADAP-funded insurance clients and non-ADAP 340B covered entities
  - Background
  - Issues
  - Redress opportunities

ADAPs and Program Income Generation

Rationale

- Alternatives to existing manufacturer rebating structures for ADAP-funded insurance clients of interest to some ADAPs
  - Note: Part B and ADAP estimated rebates increased 36% and 31%, respectively, in 2019 vs. 2018 (NAMP 2019 data)
- Potential option for ADAPs receiving upfront sub-ceiling 340B pricing on ARV/ADAP Crisis Task Force (ACTF) drug products through contract pharmacy or contracted pharmacy
- Potential option for ADAPs receiving upfront ceiling 340B pricing on non-ARV/non-ACTF drug products through central pharmacy or contracted pharmacy
- Potential for additional savings to defray ADAP expenditures and enhance funding for Part B core medical and support services

ADAP Program Income Generation



Implementation Considerations

1. ADAP central (or direct-purchase contract) pharmacy purchases at ACTF/sub-340B negotiated price
2. Pharmacy dispenses (e.g., pickup, mail order) to insured clients, assuming pharmacy is in network
3. ADAP-contracted pharmacy benefits manager (PBM) submits claims to insurance at usual and customary rate

Payment allows for full cost-recovery and program income

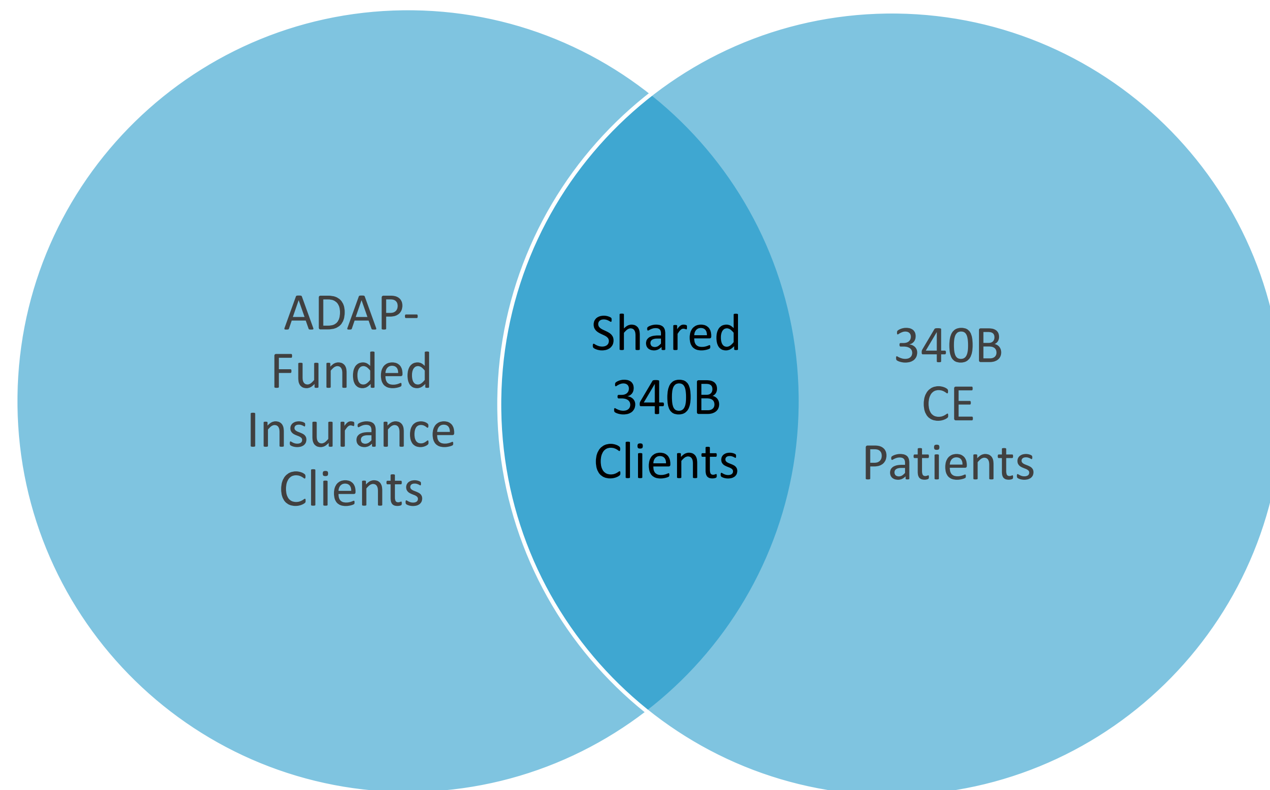
Potential Drawbacks and Challenges

- Limited to ADAPs with direct purchase mechanism
- Will require PBM contract restructuring
- ADAP pharmacy may not be in client's insurance plan network
- Pharmacy switches may be disruptive for clients
- Potential for reduced payments by payers to 340B entities
- Cannot claim rebates on drugs purchased at sub-340B prices
- NASTAD currently unable to provide expert opinion or guidance

ADAP-Funded Insurance Clients and Non-ADAP 340B Covered Entities

Background

- An ADAP-funded insurance program client receiving health care services from a 340B covered entity (CE) may be considered a patient of both the ADAP and the other covered entity
- Both the ADAP and the non-ADAP CE are eligible for the 340B Drug Pricing Program discount/rebate
  - 340B CEs generally access upfront discounting via direct purchase
  - Rebate mechanism only for ADAPs using a pharmacy network purchasing system



Issues

- Non-ADAP CEs have significant interest in generating program income on insured patients to reinvest in their programs
- ADAPs have significant interest in generating rebates on insured patients to ensure cost effectiveness and to both expand and sustain Part B core medical and support services
- ADAP rebates cannot be claimed on 340B-discounted products by non-ADAP covered entity, or vice versa
- HRSA has not established a right-of-way for shared ADAP and non-ADAP CE 340B patients
- Potential for tension between ADAPs and non-ADAP CEs (including Part B subrecipients, other RWHAP Parts providers, federally qualified health centers [FQHCs], etc.)

Redress Opportunities

- ADAP should establish policies and processes for sharing 340B clients
- Forecast for supplemental rebates only, where possible
- Establish right-of-way with non-ADAP CEs
  - May be CE specific – 340B only vs. 340B/wholesale acquisition cost (WAC) stocks, trusted community partner
  - May be client specific – ADAP paying premium and cost-sharing
  - May be written into contracts with Part B subrecipients – subaward restrictions if program income generated on ADAP-funded insurance clients

Redress Opportunities

- Keep clients in non-340B pharmacy network
  - Agreement with ADAP-funded insurance clients; must use pharmacy network for coverage of cost sharing
- Educate non-ADAP CEs
  - ADAPs are safety nets below the safety nets; need for cost-effectiveness, including rebates; rebates critical to Part B services
- Remember: Part B recipients are required to monitor and track program income earned by subrecipients (per HRSA Policy Clarification Notice (PCN 15-03)
- NASTAD technical assistance