

COMPARING HOSPITAL PRICES PAID BY COMMERCIAL INSURANCE PLANS AT 340B VS. NON-340B HOSPITALS

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OBJECTIVE

Use newly available transparency-in-coverage data on negotiated hospital prices to examine how prices for common hospital services differ between 340B and non-340B hospitals.

BACKGROUND

- The 340B Drug Pricing Program allows participating hospitals to purchase medicines at steep discounts and sell those medicines to payers and patients at full negotiated rates.
- 340B profit was originally intended to expand care for low income and underserved patients. The program has grown to over \$66 billion in discounted purchases representing over \$124 billion in sales measured at the list price.
- Large, well-resourced hospitals capture the largest share of 340B profit. DSH hospitals accounted for \$51.9B and CAH hospitals accounted for \$955 million out of \$66.3 billion in 340B purchases in 2023.¹
- 340B may impact employers by usurping rebates, distorting prescribing patterns, and influencing the site of care delivery. 340B inherently rewards hospital consolidation, which could impact prices.

METHODS

- We compare prices across hospitals using Transparency in Coverage (TiC) files, which health insurance companies are required to post in machine-readable formats.
- TiC files include detailed negotiated prices between commercial insurers and hospitals. We obtained data² covering 17 distinct national and local payers on prices for 2,383 hospitals as of Q4 2023 for 25 codes (both inpatient and outpatient) covering common procedures and diagnoses reported by payers and hospitals.
- For each code, we established a weighted and unweighted average commercial price across all hospitals and payers using each hospital's commercial revenues as the weights. For each code at each hospital, we calculated the average price across all payers and then calculated the ratio of the average price at that hospital to the national weighted average for that code.³

Large 340B Hospitals Have Higher Inpatient and Outpatient Prices than Large non-340B Hospitals

Table 1. Price Indices for Hospitals by Size, 340B Status and Service Line

	All Hospitals	non-340B	340B	340B vs. Non-340B
n		1187	1196	
Total		1.00	1.01	1.1%
Inpatient		1.00	1.01	1.5%
Outpatient		1.00	0.99	-1.4%
Cardiology		1.00	1.01	1.5%
Labor & Delivery		1.00	1.01	0.6%
General Surgery		1.00	1.01	1.2%
Outpatient Surgery		1.00	0.97	-3.1%
Smaller Hospitals				
n		655	530	
Total		1.00	0.92	-8.4%
Inpatient		1.00	0.93	-7.1%
Outpatient		1.00	0.85	-15.3%
Cardiology		1.00	0.93	-7.1%
Labor & Delivery		1.00	1.03	2.7%
General Surgery		1.00	0.93	-7.3%
Outpatient Surgery		1.00	0.96	-3.8%
Larger Hospitals				
n		532	666	
Total		1.00	1.07	7.0%
Inpatient		1.00	1.04	3.9%
Outpatient		1.00	1.20	19.9%
Cardiology		1.00	1.04	3.8%
Labor & Delivery		1.00	1.01	0.7%
General Surgery		1.00	1.03	3.5%
Outpatient Surgery		1.00	0.96	-4.2%

Prices Are Higher at 340B DSH Hospitals and Lower at 340B Critical Access Hospitals, Regardless of Size

	Table 2. Price Differences Between Hospital Subgroups, 2023								
	Total			Large Hospitals			Small Hospitals		
	340B vs. Non-340B	DSH vs. Non-340B	CAH vs. Non-340B	340B vs. Non-340B	DSH vs. Non-340B	CAH vs. Non-340B	340B vs. Non-340B	DSH vs. Non-340B	CAH vs. Non-340B
Total Price Index	1.1%	8.5%	-26.4%	7.0%	7.5%	n/a	-8.4%	4.4%	-24.1%
Inpatient Price Index	1.5%	7.6%	-28.5%	3.9%	3.4%	n/a	-7.1%	0.7%	-22.1%
Outpatient Price Index	-1.4%	11.8%	-29.7%	19.9%	24.3%	n/a	-15.3%	14.2%	-37.7%
Cardiology Inpatient Price Index	1.5%	7.9%	-30.1%	3.8%	3.3%	n/a	-7.1%	2.1%	-23.8%
Labor&Delivery Price Index	0.6%	-2.0%	19.4%	0.7%	1.8%	n/a	2.7%	-2.6%	14.4%
General Surgery Price Index	1.2%	7.3%	-29.6%	3.5%	3.1%	n/a	-7.3%	0.0%	-23.1%
Outpatient Surgery Price Index	-3.1%	-0.2%	-8.9%	-4.2%	-3.7%	n/a	-3.8%	1.4%	-5.3%
n	1196	805	200	666	568	0	530	237	200

RESULTS

- The median hospital had 130 beds; we distinguish between “larger” and “smaller” hospitals relative to the median. We determined each hospital’s participation in the 340B program using the HRSA OPAIS Covered Entity database.
- 340B hospitals charged higher commercial prices than non-340B hospitals using weighted prices as the denominator. There was a significant difference between larger and smaller hospitals. Larger 340B hospitals negotiated 7% higher prices than larger non-340B hospitals.
- 340B DSH hospitals showed a more substantial price difference than 340B hospitals overall. Larger DSH hospitals had, on average, prices that were 8.5% higher than larger non-340B hospitals and smaller DSH hospitals had prices that were 4.4% higher than smaller non-340B hospitals.
- Critical Access Hospitals (CAH) – small rural hospitals - are at a significant price disadvantage compared with similarly sized non-340B hospitals (and DSH hospitals).

CONCLUSION

- National Health Expenditure data show that hospital spending by commercial payers was just over \$800 billion last year. 60% of that spending, or almost \$500 billion, occurred at large 340B hospitals.
- The 340B premium at these hospitals of 7.5% translates to about \$36 billion a year in extra hospital spending by employers/commercial payers.
- This runs contrary to the common perception that the 340B program saves money across the system.
- Additional research on the links between 340B, hospital consolidation and pricing is warranted.

REFERENCES

- <https://www.hrsa.gov/opa/updates/2023-340b-covered-entity-purchases>
- Data provided by Hospital Pricing Specialists and DeductibleData for Q4 2023.
- Details available at www.healthcapitalgroup.com