

# Calculating Estimated 340B Program Savings

(A) GPO or other Estimated Acquisition Costs	Minus -	(B) Actual 340B Acquisition Costs	Plus +	(C) Benefit from Contract Pharmacy Arrangement	Equals =	(D) Estimated Savings of 340B Program
\$6,995,879.73		\$3,672,364.24		\$43,578.79		\$3,367,094.28
(E) Actual WAC Costs	Minus -	(F) GPO or other Estimated Acquisition Costs	Plus +	(G) Administration and Compliance Costs	Equals =	(H) Estimated Costs of 340B Program
\$5,864,017.11		\$5,375,533.13		\$131,758.22		\$620,242.20
TOTAL						\$2,746,852.08
						\$11,900,000.00

## Step (A) Group Purchasing Organization (GPO) or other Estimated Acquisition Costs

**Step A** establishes what the hospital would have spent on drugs absent the 340B program. In the first column, hospitals should identify GPO prices for drugs purchased through the 340B program. 340B hospitals could work with their wholesale distributors to access the GPO pricing information. Hospitals could request that periodically, wholesale distributor provide a report that includes GPO pricing for all 340B drugs purchased. If GPO pricing is not available for comparison, 340B hospitals could use another pricing source such as Wholesale Acquisition Costs (WAC) or another acceptable pricing source to determine its “estimated acquisition cost.”

## Step (B) Actual 340B Acquisition Costs

In **Step B** 340B hospitals determine the actual amount spent on the purchase of 340B drugs. To obtain the actual purchase or acquisition costs for the 340B drugs, the hospital could work with the wholesale distributors and request an invoice report of all the 340B drugs purchased. The amount in **Step B** is subtracted from **Step A**.

## Step (C) Benefit from Contract Pharmacy Arrangement

This component of the calculation is intended to capture any benefit the 340B hospital may realize if it utilizes contract pharmacy arrangements. If the 340B hospital **does not** utilize contract pharmacy arrangements, the hospital would **skip Step C**. If the hospital does have a contract pharmacy arrangement, in this step the hospital would add the benefit derived from their contract pharmacy arrangement to the **remainder** from **Step A** and **Step B**. To determine the contract pharmacy benefit, the 340B hospital utilizing such arrangements would look at total prescription drug reimbursement for 340B drugs dispensed through the contract pharmacy minus all dispensing and administrative fees paid and minus the cost of all 340B drugs purchased for the contract pharmacy. The hospital could obtain this information from the contract pharmacy entity and the hospital's drug supplier.

## Step (D) Estimated Savings of 340B Program

**Step D** is the estimated savings the 340B hospital derives from participating in the 340B program. **A – B + C = D**

### Step (E) Actual WAC Costs

**Step E** in column E, hospitals should identify actual amount spent on new drugs, first purchase drugs, and drugs for 340B non-qualifying outpatients, which are purchased via the WAC account to comply with the GPO Prohibition, if applicable. If the 340B hospital **is not** subject to the GPO prohibition, the hospital would **skip Step E and F**. To obtain the actual purchase or acquisition costs for its WAC drugs, the hospital should work with their wholesale distributors to request an invoice comparison report of all WAC drugs purchased.

### Step (F) Group Purchasing Organization (GPO) or other Estimated Acquisition Costs

**Step F** establishes what the hospital would have spent on new drugs, first purchase drugs, and drugs for non-340B qualifying outpatients absent the 340B program. In column F, hospitals should identify GPO prices for drugs purchased at WAC due to participation in the 340B program. 340B hospitals could work with their wholesale distributors to access the GPO pricing information or an invoice comparison report of all WAC drugs purchased. The amount in **Step F** is subtracted from **Step E**.

### Step (G) Administration and Compliance Costs

**Step G** is intended to capture any costs the 340B hospital may realize due to compliant administration of the 340B program. This may include additional staffing, software, audit fees and compliance costs incurred to ensure adherence to all 340B program requirements. In this step the hospital would add the costs of administration and compliance costs to the **remainder** from **Step E and Step F**.

### Step (H) Estimated Costs of 340B Program

**Step H** is the estimated costs the 340B hospital incurs from participating in the 340B program.  $E - F + G = H$

### Step (I) Hospital Total Drug Expenditures

**Step I** is included to provide context for the estimated 340B savings, and the hospital could compare savings to total estimated hospital drug expenditures, which is defined as: total hospital drug expenditures (includes both inpatient and outpatient drugs) - drug manufacturer rebates and discounts.