PRIMARY CARE DEVELOPMENT CORPORATION

340B and Health Care Facility Financing: The Role of 340B in Safety Net Providers' Financial Stability

About PCDC

The Primary Care Development Corporation (PCDC) is a New York-based national nonprofit organization and a U.S. Treasury-certified community development financial institution (CDFI) dedicated to building excellence and equity in primary care. Our mission is to create healthier and more equitable communities by developing, expanding, and strengthening primary care through capital investment, practice transformation, applied research, and policy advocacy. Over the last 28 years, PCDC has worked with health care organizations, systems, and providers across the Empire State on over 3,200 financing and technical assistance projects. In just the last five years, PCDC provided and leveraged nearly $125 million in affordable and flexible financing to expand access to primary care across New York, including to many providers that participate in the 340B program.

About the 340B Drug Pricing Program

The federal 340B program is a drug pricing program, enacted by Congress in 1992, that allows qualifying providers (known as "covered entities") to purchase outpatient drugs from pharmaceutical manufacturers at discounted prices. The explicit purpose of the program is *"to stretch scarce federal resources as far as possible, reaching more eligible patients, and providing more comprehensive services."* By definition, 340B providers serve low-income and disabled patients. These safety net providers use the savings from the 340B program as a financial lifeline that allows them to fund additional care and ancillary services for their patients, increasing overall access to primary care for their communities. Since the program's inception, safety net providers have counted on 340B to reduce drug costs and help offset the high costs of delivering comprehensive care services to the medically underserved.

The Role of 340B in Helping Safety Net Providers Access Needed Capital

Safety net providers are not able to finance expansion, renovation, or remediation of facilities from their revenue, reserves, or fundraising alone; instead, they must seek out loans and other sources of capital funding. Commercial lenders are often wary of lending to safety net providers because the very nature of these providers' mission is to provide care to all regardless of ability to pay, which can cause instability in their financial outlook. Even community development banks and other CDFIs need assurance that an entity's funding sources are sufficient and stable to approve a loan and have been reluctant to finance safety net provider facilities, particularly in the wake of the COVID-19 pandemic and the ensuing financial crisis.

For lenders and other stakeholders, the savings that safety net providers secure through the 340B program are seen as one stable component of their comprehensive revenues that demonstrate their financial sustainability and ability to manage debt. PCDC borrowers enrolled in the 340B program derive a substantial portion of their total revenue from 340B – an average of 11% but for some borrowers, as much as 40%. This financial sustainability enables mission-driven lenders like CDFIs to offer more affordable interest rates and terms, often attracting additional private investment from traditional financing institutions – ultimately reducing costs for the provider in the long term and opening financing avenues for future expansions and improvements.

340B is Essential to Protecting Safety Net Providers and Patients

340B providers play a unique role in providing access to care and increasing health equity for some of the most vulnerable communities. Changes to the 340B program that threaten the financial stability of these critical providers, particularly when combined with the impact of COVID-19 and the resulting economic crises, increase perceived and real risks associated with financing health centers and other safety net providers and may limit their access to necessary capital. These changes could have devasting effects on the safety net infrastructure, eroding the health center landscape after it has been proven to be critical for so many New York communities in the wake of the pandemic.

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