

Congress of the United States
House of Representatives
Washington, DC 20515-0552

Governor Gavin Newsom
1303 10th Street
Suite 1173
Sacramento, CA 95814

Dear Governor Newsom,

We are writing to express our concerns regarding one of the possible unintended consequences of the proposed Medi-Cal Rx plan, advanced by the Department of Health Care Services (DHCS), to carve-out pharmacy services from managed care and into fee for service. While we support the intent of using the purchasing power of the state to negotiate lower drug prices for our constituents, we are concerned about the impact the proposal would have on a vital revenue stream for Community Health Centers (CHCs).

There are 1,400 Community Health Center organizations serving as the primary medical home for over 28 million people through more than 11,000 sites in rural and urban communities across America. In California there are 1,330 community health centers that offer primary and preventive health services to roughly 6.9 million people, or 1 in 6 Californians. Virtually all community health centers serve populations that present unique challenges, but none more so than those serving populations near the border with the language and immigration status challenges that result from their geography

In 1992, Congress created the 340B Drug Discount Program (340B Program) to aid CHCs and other safety net providers to perform their vital mission by helping them “stretch scarce federal resources as far as possible, reaching more eligible patients and providing more comprehensive services.” Under this federal program, drug manufacturers are required to provide discounts to 340B covered entities. The resulting savings go to the covered entities and are used for such as purposes as extending hours, hiring additional staff and expanding the scope of services they provide to our constituents. The 340B program is a lifeline for many CHCs, particularly those who service the most challenging populations.

Under the Medi-Cal Rx plan as currently proposed, the 340B Program discounts would remain in place, but the savings would now flow to the state as the purchaser of the drugs instead of the covered entity such as a CHC. We understand that the savings under the 340B Program can be used for many good purposes, including funding the expansion of coverage to additional populations currently uninsured.

We support your efforts to reform the health care delivery system, lower pharmaceutical drug costs and standardize California’s drug benefit. However, we have serious concerns about the impact of your administration’s changes on the 340B Program. We are concerned that your

administration's proposed Medi-Cal Rx plan, as currently proposed, will eliminate any 340B Program benefits to covered entities, especially CHCs.

We therefore urge you to ensure that your reform efforts continue to align with Congress' intent in creating the 340B Program. This includes, but is not limited to, making CHCs whole by providing supplemental funding to offset any losses in 340B savings that CHCs incur as a result of the Medi-Cal Rx plan or any other state policy change that may implicate the 340B Program.

Sincerely,

A handwritten signature in blue ink, appearing to read "Scott H. Peters", with a stylized flourish at the end.

Scott H. Peters
Member of Congress