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# Provider fears of financial ruin quelled one year after 340B carve-out

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The 340B federal drug program delivers steep medication discounts to providers that care for marginalized groups such as the elderly and people with lower incomes.

One year after New York's Medicaid pharmacy benefit transition and 340B drug program "carve-out," health care providers say the state and federal government have made good on their promise to keep them in business.

In April 2023 the state transitioned its Medicaid pharmacy benefit program out of managed care and back into a fee-for-service model in an attempt to save \$400 million annually. This switch ended providers' payments from the federal 340B drug program, which grants steep medication discounts to organizations that care for a high percentage of Medicaid and uninsured patients. Providers worried the switch would cause them to fall off a [fiscal cliff](#). But according to leaders of organizations that care for marginalized New Yorkers, those fears have not come to fruition.

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Buffalo-based health center Evergreen Health provides care to New Yorkers with mental illness, substance use disorder and sexually transmitted infections. The company's COO, Mike Lee, reported at the end of 2023 that his organization had received [\\$7.5 million](#) from the state out of a \$704 million reinvestment pool for providers. That's half of what Evergreen would typically get in 340B payments annually. Since then, Evergreen has also received a federal match for the funding because the Centers for Medicare and Medicaid Services approved New York's amendment request after the carve-out took place, he said, making the organization whole. The state and federal funding has allowed the

center to avoid staff and programming cuts, Lee said, although it has still made an effort to cut costs.

Similarly, Perry Junjulas, the executive director of the Albany Damien Center which provides counseling and housing support for New Yorkers with HIV and AIDS, said his organization received money from the state that made up for what it would've lost after the transition.

The Albany Damien Center is a Ryan White clinic, a specific type of organization that receives federal funding to provide services to individuals with HIV and AIDS. But those federal dollars are scarce, Junjulas said, and his organization relied on 340B revenue before the carve-out for a quarter of its \$6 million operating budget. Money from 340B allowed him to "fill holes" in housing programs and feed about 350 New Yorkers, Junjulas said, who might not otherwise be able to eat and take their HIV medications.

"Essentially 25% of the agency was going to disappear. It's really hard to come back from that," Junjulas said. "[The state] said they're going to make up the difference, and they did. We haven't had to cut housing, we haven't had to cut meals."

Cadence Acquaviva, a spokeswoman for the state Department of Health which administers the Medicaid program, said the transition has been a success for the state as well. While the department can't measure the switch's full impact until this summer, it's on track to save the expected \$400 million per year. The savings come at a time when New York is looking to better manage soaring Medicaid costs.

The state has reinvested a total of \$900 million into hospitals, FQHCs and Ryan White clinics to make them whole, Acquaviva added.

Despite the successes of the carve-out, providers say it hasn't all been smooth sailing. Prior to the transition, Evergreen received a steady stream of income from the 340B program throughout the year that allowed some certainty in future budget planning, Lee said. Now the organization will receive one amount of money from the state each summer which he has to stretch. It makes planning for expansion more difficult, he added.

Junjulas added that the state originally left Ryan White organizations out of the reimbursement pool before the carve-out. While the providers eventually were included, he is concerned they will be forgotten about again in future state budgets because the state has not provided a written guarantee otherwise. Without the funding, it would be

impossible for the organizations to expand their services for vulnerable New Yorkers, he said.

Junjulas, who lives with AIDS, also noted that making sure Ryan White clinics have enough money to stay open will be critical for the state to accomplish its goal of ending the HIV epidemic. The organizations help people across the state access medication that keeps their viral loads low, preventing them from infecting others.

Dozens of Ryan White providers around the state are meeting regularly to discuss how to advocate for inclusion in future budgets with lawmakers, Junjulas said.

“We actually have the resources today to be able to stop this,” he said. “To me, it’s our duty, and so I’m going to throw myself in front of...Anybody that wants to stand in the way of that money.”

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