

# IMPACT OF 340B AT CALLEN-LORDE COMMUNITY HEALTH CENTER: REINVESTMENT IN COMMUNITY

July 2020



# CALLLEN-LORDE

Callen-Lorde Community Health Center (Callen-Lorde) is a federally qualified community health center with a mission to provide comprehensive primary care and related services focused on lesbian, gay, bisexual, transgender and queer (LGBTQ) communities, as well as people living with HIV, regardless of ability to pay. For more than 50 years, Callen-Lorde has served as a safe harbor for LGBTQ New Yorkers in search of community, affirmation and understanding within a medical home.

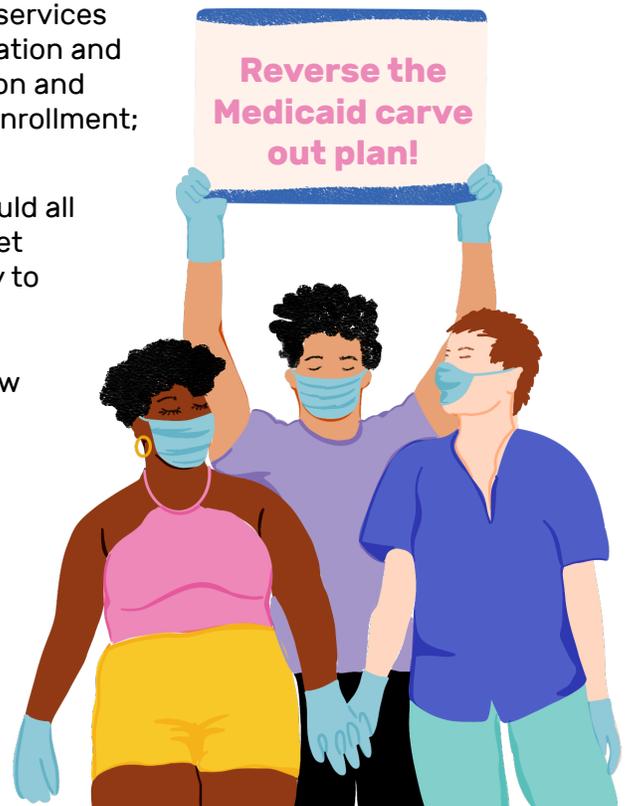
Before the global COVID-19 pandemic, Callen-Lorde served more than 17, 000 patients annually from its Chelsea and South Bronx locations,<sup>1</sup> a quarter of whom are living with HIV and a third of whom identify as transgender or gender non-binary. More than half of Callen-Lorde's patient population are people of color and 47 percent are under 40 years old. Fully one-third of Callen-Lorde patients are uninsured, and 35 percent use public insurance. Importantly, Callen-Lorde patients have been systemically excluded from healthcare, housing, and economic stability and live, or come from, disinvested geographic communities.

As a federally qualified health center (FQHC), Callen-Lorde integrates access to pharmacy, mental health, substance use screening and referral, and oral health services with medical primary care for LGBTQ communities who face barriers in accessing care and thus often have poorer health outcomes. Research suggests that LGBT individuals face health disparities linked to societal stigma, discrimination, and denial of their civil and human rights.<sup>2</sup> This coordinated and comprehensive care improves health outcomes by emphasizing care management of patients facing extensive challenges due to multiple health care needs and social determinants of health.

Many of the services Callen-Lorde provides are not supported by public funding and cannot be billed to public or commercial payors. Revenue gained from participation in the 340B Drug Pricing Program, a drug discount program that allows health centers and other safety net providers to buy pharmaceutical drugs at a reduced price is, as intended by Congress, a significant source of support for unfunded services at Callen-Lorde. These unfunded services are akin to the services named in 2014 by New York State's Delivery System Reform Incentive Payment Program (DSRIP) as services that would reduce avoidable hospital use. These services include nurse triage and education services; care coordination and patient navigation for those who are chronically ill; nutrition and diabetes education programs; insurance assistance and enrollment; and so many more essential services.

This year's New York State budget includes a plan that would all but eliminate the revenue generated by 340B for safety net providers and therefore compromise Callen-Lorde's ability to offer critical unfunded services to Medicaid beneficiaries. This brief explores the devastating impact that this plan will have on Callen-Lorde, our patients, as well as our fellow health centers and safety net.

**Without revenue generated from 340B savings, including from the state's plan to transition the Medicaid Managed Care pharmacy benefit to Fee-for-Service (FFS), caring for these patients will simply not be sustainable.**



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<sup>1</sup> Callen-Lorde opened a satellite clinic in a medically underserved area of Brooklyn on May 14.

<sup>2</sup> HealthyPeople.Gov 2020 <https://www.healthypeople.gov/2020/topics-objectives/topic/lesbian-gay-bisexual-and-transgender-health>

## NEW YORK STATE BUDGET WILL ELIMINATE CRITICAL SAFETY NET FUNDING

In early April, Governor Cuomo and the New York State Legislature passed a budget which included a plan to transition the Medicaid Managed Care pharmacy benefit to Fee-for-Service (FFS), referred to as the Medicaid or pharmacy carve out plan. This proposal was adopted as one of many offered by the second Medicaid Redesign Team II,<sup>3</sup> charged by Governor Cuomo to find \$2.5 billion in savings in the Medicaid program. While Callen-Lorde supports broader proposals to lower the costs of prescription drugs and increase transparency in contracting practices by pharmacy benefit managers (PBMs), the unintended damage to community health centers and other safety net providers will seriously undermine our ability to care for our patients. Implementation of the carve-out proposal would result in a significant reimbursement cut for 340B drugs dispensed to Medicaid managed care enrollees through safety net providers.

The loss of this revenue will inevitably result in the significant reduction in unfunded care and services at a time when Callen-Lorde, like all safety net providers, expect to see a significant spike in uninsured patients due to the fallout of the coronavirus pandemic and its devastating toll on New York City's economy.

Reducing or eliminating essential supports for our patients will not only upend lives and health outcomes on an individual basis but will lead to wide-scale public health issues and a costly increase in hospitalizations and emergency department (ED) visits by Medicaid beneficiaries and the uninsured.

## IMPACT ON CALLEN-LORDE PATIENTS AND SERVICES

Callen-Lorde has amassed a half century of expertise caring for LGBTQ patients and providing clinically- and culturally-appropriate and financially accessible care to communities without means, including the homeless. As a global leader in LGBTQ health, Callen-Lorde teaches clinicians from around the world about our systems and models of care including best practices and information about: cutting edge HIV prevention and treatment, with efforts to eradicate the HIV virus prioritized nationally and statewide; transgender health, drawing on our practice where we treat over 4,000 transgender and gender non-binary and non-conforming people, the largest such practice in the US and likely the world; and working with street-involved and unstably housed LGBTQ youth, a program that utilizes a mobile health model to meet these youth where they live and gather.

The 340B program enables "covered entities" to "stretch scarce federal resources as far as possible, reaching more eligible patients and providing more comprehensive services"<sup>4</sup> This is exactly what Callen-Lorde has done: In 2009, before opening an onsite pharmacy, Callen-Lorde cared for 13,632 patients making just over 66,000 visits to our single site in lower Manhattan. Today, Callen-Lorde operates four sites in Manhattan, Brooklyn and the South Bronx, where we care for over 17,000 patients making nearly 115,000 visits each year - and growing. Our pharmacy dispenses more than 54,000 prescriptions to Medicaid beneficiaries each year from three pharmacies co-located within our clinic locations to facilitate access to comprehensive care for our patients.

As a provider of care regardless of ability to pay, Callen-Lorde has a mission to welcome and care for our city's most vulnerable: those who are uninsured, who are homeless and unstably housed, who are involved in street economies, who earn incomes insufficient to pay for their care or use public insurance. Without revenue generated from 340B savings, including from the state's plan to transition the Medicaid Managed Care pharmacy benefit to FFS, caring for these patients will simply not be sustainable.

<sup>3</sup> The first Medicaid Redesign Team (MRT) of New York State was launched by Governor Andrew Cuomo in 2011 with the explicit mission of overhauling the nation's largest Medicaid program. The Governor announced MRT II in his FY 2021 Executive Budget address and named the team in February 2020.

<sup>4</sup> <https://www.340bhealth.org/members/340b-program/overview/>

Callen-Lorde reinvests its 340B savings to provide care that improves patient outcomes over the long term, including:

- HIV prevention and treatment for thousands of patients each year. 92% of our patients living with HIV are virally suppressed, and we provide over 25,000 HIV counseling and testing visits each year.
- Callen-Lorde is one of the largest PrEP providers in the nation – in 2019, we prescribed PrEP to 3,705 patients. The average lifetime medical cost savings from preventing HIV in the United States is approximately \$382,800.<sup>5</sup>
- Callen-Lorde provides a crucial public health function by testing and treating our patients for sexually-transmitted infections (STIs) – in 2019, we provided 91,887 STI tests, with access to rapid results and presumptive treatment, where clinically appropriate.
- Over 30% of Callen-Lorde’s patient population identifies as transgender or non-binary (TGNB). Callen-Lorde supports our TGNB patients by helping to navigate complex healthcare systems, offering targeted care coordination, support groups and behavioral health care, medical-legal supports and by integrating hormone therapy within primary care.

Funding derived from 340B is a vital lifeline for Callen-Lorde and its patients. The funding subsidizes lifesaving care that is both visible and concrete to patients in the exam room as well as the indiscernible back end infrastructure that supports quality management, analytics and population health and ultimately improves health outcomes and generates costs savings system-wide.

## IMPACT ON HEALTHCARE SYSTEM

Community health centers generate significant savings for the healthcare system nationwide, at an estimated rate of \$24 billion annually. Health centers also generate savings for the Medicaid program that these cuts are designed to target. Community health centers save an estimated \$2,300 per Medicaid patient, when compared to all physician settings.<sup>6</sup> These savings do not come at the expense of quality. Health center patients report better outcomes than private physician practices with regard to many health disparities, including diabetes, hypertension and HIV and<sup>7</sup> past studies document that health center patients with Medicaid have lower utilization of costly hospital and emergency department-related services compared to patients at other providers, even under managed care.<sup>8</sup> This in spite of the fact that health center patients tend to have more complex needs, higher rates of chronic conditions, as well as higher rates of social risk factors associated with poorer health outcomes, like poverty and homelessness.<sup>9</sup>

Callen-Lorde and health centers like ours can achieve the ‘triple aim’ of lowering costs while increasing quality and population health because we deeply understand our patients’ needs and offer a host of services for an underserved population of LGBTQ New Yorkers that experience multiple disparities and are at elevated risk for chronic medical and behavioral health concerns. Due to longstanding history of hostility and discrimination within mainstream settings, Callen-Lorde’s patients may otherwise avoid care, which leads to costly emergency department and inpatient care for untreated conditions.

The plan to carve out the pharmacy benefit from MCO to FFS will have a ripple effect across the lives of our – and other community health centers’ – patients. Without 340B program revenue, Callen-Lorde will be forced to divest from the very programming that contributes to positive patient outcomes and generates savings for the Medicaid program and overall healthcare system.

<sup>5</sup> Schackman BR, Fleishman JA, Su AE, et al. The lifetime medical cost savings from preventing HIV in the United States. *Med Care*. 2015;53(4):293-301. <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4359630/>. Figure updated using Consumer Price Index.

<sup>6</sup> National Association of Community Health Centers (NACHC). *America’s Health Centers*. March 2020.

<sup>7</sup> NACHC. *America’s Health Centers*. March 2020.

<sup>8</sup> NACHC. *Health Centers and Medicaid*. May 2018.

<sup>9</sup> NACHC. *Health Centers are Providing Care to Growing Numbers of Patients with Complex Needs*. May 2019.

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Moreover, the cuts to programming that occur as a direct result of the planned changes to the 340B program are likely to be costly for the State, thereby defying the purpose of the proposed reform.

**In fact, according to the National Association of Community Health Centers, when states are the recipients of savings from the 340B program, most of those savings go back to the Federal treasury.** Medicaid costs are split between the Federal government, states and local governments. In the FY New York State 2020 budget, 56.9% of Medicaid costs for New York State were carried by the Federal government, with the remainder carried by the State and localities like New York City.<sup>10</sup> If the 340B discount is valued at \$10 (as an example), the Federal government will retain \$5.69 in savings, which is correspondingly reduced from the State's federal reimbursement request. Ultimately, the proposed change will result in reduced federal Medicaid payouts for New York State, whereas when health centers like Callen-Lorde are able to keep the savings, the entire \$10 remains in the community – supporting improved health outcomes and reduced health disparities for underserved patients.

Finally, Callen-Lorde's services are ever more important during the coronavirus pandemic. The physical, psychic and economic toll on New Yorkers has been profound. Health care providers on the front lines are traumatized and exhausted, including Callen-Lorde's dedicated medical providers, nurses, case managers and behavioral health providers. In addition to caring for our existing patients, Callen-Lorde staff have provided medical respite within a 24-hour temporary shelter for homeless patients with COVID-19, many of whom appeared at the doors with only the clothes on their backs.<sup>11</sup>

The demand for Callen-Lorde's services continues to far exceed our capacity: appointments are currently booked out over four months. Our staff pivoted almost overnight to provide telehealth care for patients who rely on us for access to medications, needed screenings and a lifeline during the crisis. Despite this, not all patients are able to access care in these modalities, and some patients prefer to postpone routine visits until they can see us in person. Patient visit volume currently is operating at approximately only 70 percent of its usual volume; and the public health crisis is bearing an increasing financial strain on Callen-Lorde.

We forge ahead to meet our communities' needs, despite devastating revenue losses, furloughs and a projected massive increase in patients without coverage, who have lost their jobs, lost their family members and friends, and so much of what we once took for granted. The carve out – on top of the losses due to COVID -19 – threaten Callen-Lorde's financial viability and, more importantly, our ability to provide the services that keep our patients in the community and out of the hospital. The carve out may save New York State money in the short term, but in the long term, the impact will be poorer health outcomes for beneficiaries that result in greater long-term cost to the State and society at large.

**We ask now that the State of New York reverse the Medicaid carve out plan, and refrain from reducing services to already devastated communities, during a moment when we have all already lost so much.**

## ACKNOWLEDGEMENTS

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<sup>10</sup> <https://www.empirecenter.org/publications/busting-the-cap/>

<sup>11</sup> Schwartz, Mattais. A Shadow Medical Safety Net, Stretched to the Limit. New York Times Magazine. May 6, 2020. <https://www.nytimes.com/2020/05/06/magazine/community-health-centers-covid.html>