



340B Hospital Eligibility Criteria

Eligibility for Participation in the 340B Drug Pricing Program

Purpose: The purpose of this tool is to provide specific eligibility criteria, as well as a description of hospitals eligible for participation in the 340B Drug Pricing Program.

Entity Type	Nonprofit/ Government Contract Requirement	DSH%	Subject to GPO Prohibition	Subject to Orphan Drug Exclusion
Disproportionate Share Hospital (DSH)	Yes	>11.75%	Yes	No
Children's Hospital (PED)	Yes	>11.75%	Yes	No
Free-Standing Cancer Hospital (CAN)	Yes	>11.75%	Yes	Yes
Critical Access Hospital (CAH)	Yes	N/A	No	Yes
Rural Referral Center (RRC)	Yes	≥8%	No	Yes
Sole Community Hospital (SCH)	Yes	≥8%	No	Yes

Disproportionate Share Hospitals:

Disproportionate share hospitals serve a significantly disproportionate number of low-income patients and receive payments from the Centers for Medicare and Medicaid Services (CMS) to cover the costs of providing care to uninsured patients.

To be eligible to participate in the 340B Drug Pricing Program, disproportionate share hospitals must meet the requirements of 42 USC 256b(a)(4)(L).

Disproportionate share hospitals are defined in Section 1886(d)(1)(B) of the Social Security Act. For more information, see the Disproportionate Share Hospitals Fact Sheet.

Children's Hospitals

Children's hospitals must show that they are not part of a larger institution by demonstrating financial and administrative independence. Children's hospitals have a CMS designated 3300 series Medicare provider number. The defining legislation for children's hospitals is Section 1886(d)(1)(B)(iii) of the Social Security Act.

To be eligible to participate in the 340B Drug Pricing Program, children's hospitals must either

Have a disproportionate share adjustment percentage greater than 11.75 percent for the most recently filed cost report; or

Be eligible under a separate indigent care calculation that meets specific criteria, including location in an urban area, 100 or more beds, and net inpatient care revenues (excluding Medicare) for indigent care of more than 30 percent of net during the cost reporting period in which the discharges occur. This indigent care revenue must come from state and local government sources and Medicaid.

Children's hospitals are subject to the statutory 340B GPO Prohibition.



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Free-Standing Cancer Hospitals

Free-standing cancer hospitals are independent, nonprofit hospitals that treat patients with cancer. The defining legislation for free-standing cancer hospitals is Section 1820(c)(2) of the Social Security Act.

To be eligible to participate in the 340B Drug Pricing Program, free-standing cancer hospitals must either

Have a disproportionate share adjustment percentage greater than 11.75 percent for the most recently filed cost report; or

Be eligible under a separate indigent care calculation that meets specific criteria, including location in an urban area, 100 or more beds, and net inpatient care revenues (excluding Medicare) for indigent care of more than 30 percent of net during the cost reporting period in which the discharges occur. This indigent care revenue must come from state and local government sources and Medicaid.

Critical Access Hospitals

Critical access hospitals are designated by the CMS. The defining legislation is Section 1820(c)(2) of the Social Security Act. For more information, see the Critical Access Hospitals Fact Sheet.

To be eligible to participate in the 340B Drug Pricing Program, critical access hospitals must meet the requirements of 42 USC 256b(a)(4)(L)(i).

Rural Referral Centers

Rural referral centers are high-volume acute-care rural hospitals that treat a large number of complicated cases. Hospitals are designated as rural referral centers by the CMS. Rural referral centers are defined in Section 1886(d)(5)(C)(i) of the Social Security Act; requirements for rural referral centers can be found at 42 CFR 412.96. For more information about rural referral centers, see the Rural Referral Center Fact Sheet.

Hospitals classified as rural referral centers may be eligible to participate in the 340B Drug Pricing Program if they have a disproportionate share adjustment percentage equal to or greater than 8 percent for the most recently filed Medicare cost report and meet the requirements of 42 USC 256b(a)(4)(L)(i).

Sole Community Hospitals

Sole community hospitals are designated by the CMS. The defining legislation for sole community hospitals is Section 1886(d)(5)(D)(iii) of the Social Security Act. For more information on sole community hospitals, see the Sole Community Hospitals Fact Sheet.

To be eligible to participate in the 340B Drug Pricing Program, sole community hospitals must also have a disproportionate share adjustment percentage equal to or greater than 8 percent for the most recently filed Medicare cost report and meet the requirements of 42 USC 256b(a)(4)(L)(i).

This tool is written to align with Health Resources and Services Administration (HRSA) policy, and is provided only as an example for the purpose of encouraging 340B program integrity. This information has not been endorsed by HRSA and is not dispositive in determining compliance with or participatory status in the 340B Drug Pricing Program. 340B stakeholders are ultimately responsible for 340B program compliance and compliance with all other applicable laws and regulations. Apexus encourages all stakeholders to include legal counsel as part of their program integrity efforts.

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