

The Impact of a Direct Discount Model

The U.S. health care system currently supports multiple drug discount programs, including 340B and the Medicaid Drug Rebate Program, and the Inflation Reduction Act's (IRA) Maximum Fair Price will be coming soon. Stakeholders are struggling to manage and maintain the integrity of these drug discount programs, which are fragmented and complicated. Kalderos is working to solve the complex challenges this overlap causes.

Kalderos is committed to making the current drug discount system work better for all stakeholders, ultimately supporting a more viable and sustainable drug discount ecosystem that allows patients to access the affordable medications they need.

*"We desperately want to work with manufacturers that want to continue to work with us **as partners in the 340B program.**"*

**Comanche County Medical Center,
Critical Access Hospital**

*"There has to be a compromise, otherwise the program, **with the litigation and the restrictions, is not going to survive.** And, ultimately, its survival is the survival of indigent patients."*

Covered Entity Representative



Covered Entity Cash Flow

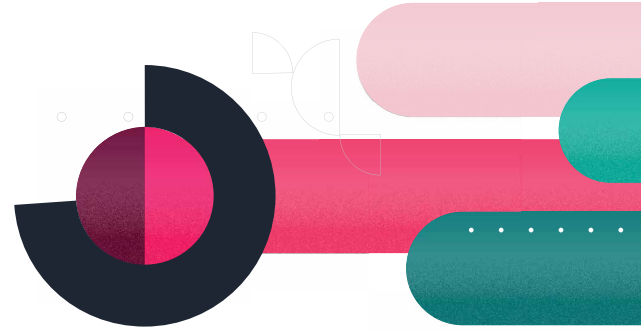
An analysis of an anonymized covered entity shows their daily cash flow improvements over the course of a year under a Direct Discount Model. This was based on 1,280 unique 340B purchases, using actual prices (WAC & 340B discount) and volume.

Assuming the same purchasing pattern, under a Direct Discount Model this anonymized critical access hospital would have – on average – \$16,718 more in their bank account on any given day, peaking at \$39,773, not once experiencing a negative cash impact.



Drug Discount Rebates Debunked

There are many misconceptions, and dueling interpretations, about drug discount programs. This prevents continued innovation to provide effective solutions that benefit patients. It is critical that any solution to the issues within the drug discount environment encourages transparency and streamlined communication. Recently, a direct discount or rebate model has been proposed; while stakeholders feel strongly about it, there are key details that need to be clarified for policymakers to fully understand the solution.



MYTHS

A rebate model will put an immense financial burden on hospitals, potentially even leading some to go out of business.

A rebate model will place a disproportionate burden on covered entities by requiring them to collect and provide large amounts of new data.

Under a rebate model, revenue would be floated to manufacturers.

A rebate model would put manufacturers in charge of determining a drug's eligibility for the 340B program.

The statute supporting the 340B program requires effectuation of the discount upfront, rather than as a rebate.

FACTS

The reality is that the exponential growth of the 340B program is leading to a variety of policies that may cause covered entities financial harm. We need to find middle ground solutions, like a rebate model, that can help ensure the viability of the 340B program.

Kalderos has repeatedly modeled how cash flow would function under its rebate model, and our analysis has shown that there would be no impact. In fact, providers would have money available ahead of when a payment is due, within a 10–14-day time period, with the ability to earn interest.

Providers have established data systems, as required by the HITECH Act and ARRA's meaningful use program, that can continue to be leveraged for data that would be needed under a rebate model. All data would come through easy-to-use and secure electronic platforms, helping to more easily prevent duplicate discounts.

If problems do arise, Kalderos' robust customer support operation can help walk covered entities through the process.

Under a rebate model, covered entities would have revenue in hand before an invoice is due. This means any "float" would actually be provided to CEs. That said, as part of Kalderos' Truzo offering, manufacturers would have the option to assist particularly vulnerable CEs with any cash flow concerns.

The proposed rebate model ensures transparency and accuracy for all stakeholders by using evidence of drug administrations to document to whom a covered entity dispenses a drug, thereby determining 340B eligibility. In short, there is no shift of determination: CEs will continue to make this determination as they always have. The new model will simply provide transparent and trackable data to confirm the dispenses were appropriate.

There is nothing in the current statute that indicates that discounts need to be given up front. The argument most often made is that this is "always how it has been done." While the original model may have worked years ago, the increased size and scope of the drug discount environment calls for different options and solutions. A rebate model offers the opportunity to bring increased transparency to drug discount programs through data-driven insights.

About Kalderos: Kalderos is a technology company helping healthcare providers and manufacturers navigate the increasing complexity of the drug discount ecosystem by bringing the key stakeholders to the table to foster collaboration, build trust, and improve transparency and accountability. With Truzo – the first end-to-end drug discount management platform – we are illuminating the path to a better system with a technology solution that promises to enhance compliance and visibility for stakeholders.

To learn more about Kalderos and our Truzo solution, please visit:
gotruzo.com