

# 4 Things to Know About 340B and Contract Pharmacies

Congress created the 340B drug discount program in 1992 to help vulnerable and uninsured patients access prescription medicines at safety-net facilities. In 2010, a misguided policy enabled all 340B covered entities to contract with an unlimited number of for-profit retail pharmacies without practically any guardrails or rules. Over time, these pharmacies have found ways to financially benefit from the 340B program with little to no benefit to patients.

**There is no clear evidence that contract pharmacies increase access to affordable medicines for needy patients.** Rather, contract pharmacies and hospitals generate profits sometimes by charging vulnerable patients the full non-340B price for their prescriptions. In fact, [GAO](#) found that more than half of 340B hospitals surveyed reported that they did not share discounts with patients at their contract pharmacies.

**1** Contract pharmacies are also not helping communities of color or underserved communities improve access to needed medicines because often times they are not located where vulnerable, uninsured patients live. One analysis found that [less than a third of contract pharmacies](#) affiliated with 340B disproportionate share hospitals are located in medically underserved areas. [Health Affairs](#) found that “pharmacy deserts” (areas with limited geographic access to pharmacies) were primarily in Black or Hispanic/Latino neighborhoods in 2015, and only one in four pharmacies located in these neighborhoods participated in the 340B program. Since many patients are currently not getting access to the 340B discount in most cases, actions that may limit 340B discounted medicines to fewer contract pharmacies do not necessarily have an impact on patient access or affordability.

**2** **The majority (75%) of 340B contract pharmacy arrangements are with for-profit chain pharmacies.** Additionally, [GAO](#) found that “the five biggest pharmacy chains – CVS, Walgreens, Walmart, Rite-Aid and Kroger – represent a combined 60% of 340B contract pharmacies, yet they only account for 35% of all pharmacies nationwide. The Berkeley Research Group found that over half of the 340B profits retained by contract pharmacies are concentrated in [four for-profit corporations](#): Walgreens, Walmart, CVS Health and Cigna’s Accredo specialty pharmacy.

**3** **These for-profit pharmacies are diverting profits from a program meant for non-profit entities and needy patients.** Contract pharmacies are incentivized to partner with hospitals to fill prescriptions with [certain types of medicines to increase revenue](#). [Evidence](#) suggests these profit incentives have driven up the amount covered entities are retaining on the sale of brand medicines purchased through the 340B program, which have [increased 9-fold since 2013](#). 340B profits now account for 63% of gross provider and pharmacy margin – up from just 14% in 2013. The Berkeley Research Group found 340B covered entities and their contract pharmacies generated an [estimated \\$13 billion in gross profits](#) on 340B-purchased retail medicines in 2018. That same analysis found that the average profit margin for 340B covered entities and their contract pharmacies on typical 340B medicines picked up at contract pharmacies is an estimated 72% compared with 22% for non-340B medicines dispensed through independent pharmacies.

**4** **Pharmacy benefit managers (PBMs) and specialty pharmacies are also generating revenue from 340B.** Due to the large potential profit margins on medicines dispensed at specialty pharmacies, a growing number of PBM-owned specialty pharmacies are participating in the 340B program. Both specialty pharmacies and 340B hospitals can each earn revenue on prescriptions dispensed, without any guaranteed benefit to patients. According to [Drug Channels](#), more than 20% of contract pharmacy arrangements are between 340B covered entities and the five largest specialty pharmacies.