340B: The Federal Safety-net Program Benefitting Everyone but Patients

Overview

The 340B Drug Pricing Program was designed by Congress in 1992 to help expand access to discounted medicines for lowincome, uninsured and otherwise vulnerable patients. Through the program, drug manufacturers provide deep discounts on outpatient medicines to safety-net clinics and qualifying hospitals. The expectation is that those entities use the savingsto help vulnerable patients access needed medicines. Instead, 340B has become less about patients and more about boosting the bottom lines of hospitals and for-profit pharmacies and pharmacy benefit managers (PBMs).

How? Large hospitals buy deeply discounted 340B medicines and then turn around and charge both uninsured patients and insurance companies higher prices, pocketing the difference–or in some cases splitting it with chain pharmacies and PBMs–with little to no evidence they use that money to help patients.

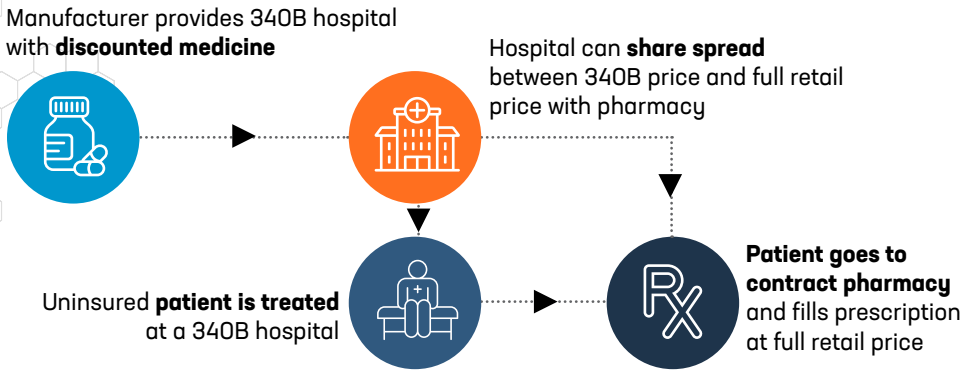
Quick Facts About 340B

- **Two-thirds of all U.S. hospitals** participate in the 340B program, totaling nearly 3,000 hospitals.
- Those hospitals have **a significant number of contracts** with pharmacies to dispense 340B medicines. There are more than 205,000 contract pharmacy arrangements.
- Total discounted purchases through 340B reached **$54 billion in 2022**. This is a 23% increase in just one year as compared to 2021..
- 340B is now the **second-largest federal prescription drug program**, surpassing Medicare Part B and Medicaid.

Case Study: How Hospitals and Pharmacies Profit Off 340B

(Retail Prescription Medicine for Uninsured Patient)

When 340B discounted medicines are shipped to contract pharmacies, the hospital and pharmacy profit while the patient may see no direct benefit from the 340B discount.



Example assuming $100 medicine with 50% discount:

-$50	Discounted 340B purchase price paid by hospital
+$100	Full retail price paid by uninsured patient
$50	profit for 340B hospital to share with contract pharmacy

How are profits used?

Unfortunately the 340B Program is Broken

150%

The average cost per prescription is more than 150% higher for patients at 340B hospitals compared to non-340B hospitals. Not only are hospitals using more expensive drugs and marking up these drugs but they often fail to lower cost sharing for low-income and uninsured patients who may be struggling to afford their medicines.

$1

An analysis examined operating margins and charity care levels of 340B hospitals, finding the top performing 340B hospitals collected nearly $10 in profit for every $1 they invested in charity care in 2021.

65%

A majority (65%) of 340B hospitals are not located in the medically underserved communities they're expected to serve. 340B hospitals are expanding into more affluent areas to generate higher profits while slashing services or closing facilities in underserved communities.

80%

Studies have found that 340B creates incentives for provider consolidation, and larger 340B hospitals were responsible for roughly 80% of hospital acquisitions between 2016 and 2022. This consolidation creates powerful, large hospital systems that raise costs for patients while reducing quality of care, as the Federal Trade Commission has warned.

How Congress Can Fix 340B

This federal program urgently needs Congress to step in. To put the 340B program back on track, Congress must address aspects of the program that have contributed to health disparities, fueled provider and hospital consolidation, increased health care costs and left vulnerable patients behind.

1. Ensure Benefits Reach Low-Income Patients

There are currently *zero patient protections and zero requirements for how hospitals use 340B discounts to help patients afford their medicines*, enabling large hospital systems, chain pharmacies and PBMs to generate massive profits without commensurate improvements in access and affordability for patients most in need. All hospitals in the program and their contract pharmacies should be required to pass through 340B discounts to reduce the cost of medicines for low-income and uninsured patients. Further, Congress needs to clarify in the law who is an eligible "patient" to help ensure the benefits of 340B are reaching those patients.

2. Confirm True Safety-Net Participation

Many 340B hospitals provide very little charity care and, alarmingly, engage in aggressive debt collection practices aimed at patients who are least able to afford care. Congress must ensure that only true safety-net entities are participating in 340B and require 340B hospitals to provide meaningful levels of charity care to uninsured, low-income and other vulnerable patients.

3. Strengthen Accountability Measures

Congress must implement stronger, common-sense accountability measures for the program. This includes requiring hospitals to publicly report basic information like how much charity care is provided at each 340B hospital and its associated offsite facilities. Creating a neutral, third-party clearinghouse for claims-level data will help ensure 340B discounts are being properly claimed by hospitals and clinics, and that all participants are