

**The 340B Drug Discount Program:  
*What is it? How does it work? Why is it a policy problem?***

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*Testimony to Kentucky House Health Services Committee  
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# 340B | What is it?

In 1990, Congress passed OBRA '90, requiring drug manufacturers to provide Medicaid with the lowest price of any payer

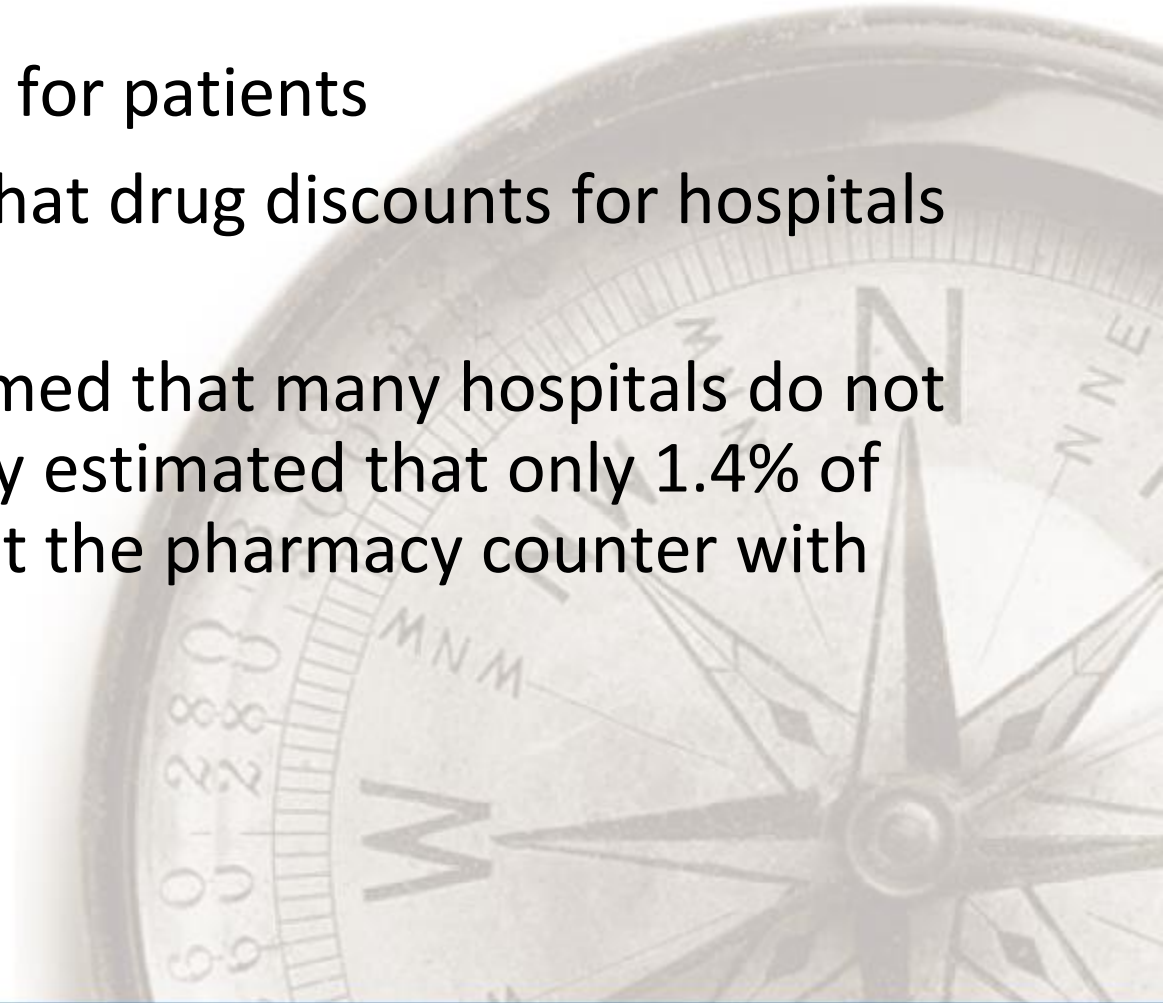
This created a problem for hospitals and clinics serving low-income areas as drug manufacturers were voluntarily giving them the lowest prices in the nation, prices that might not have continued if they were required to be passed on to Medicaid

In 1992, Congress created the 340B program requiring manufacturers to provide deep discounts to hospitals and clinics serving low-income patients and exempting these prices from OBRA best price rules

Facilities became eligible for 340B discounts if 11.75% of their patients were Medicaid

# 340B: What it is not

- 340B is **not** a drug discount program for patients
- There is not statutory requirement that drug discounts for hospitals get passed on to patients
- Government watchdogs have confirmed that many hospitals do not pass discounts to patients. One study estimated that only 1.4% of patients access the 340B discounts at the pharmacy counter with 7% of patients paying cash.



## 340B | Most important thing to understand

1

Buy Low and Sell High: Arbitrage Drives the 340B Program

2

This arbitrage is an incentive to treat *Insured* Populations.



# 340B | Why is it a policy problem?



Incentive to Arbitrage Discounts with *Insured* Populations: \$40 billion in hospital profits in 2019. (In 2019, 340B sales at list prices were only \$67 billion, in 2023, sales were \$124 billion.)



For-profit PBMs and pharmacies dominating program: more than 32,000 pharmacies with 75% PBM Pharmacies or National Chain Drug Stores



Massive takeovers of community-based physician practices in higher income areas



3000 340B hospitals versus 407 in 2005. Growth comes as Medicaid/ACA has expanded and uninsured population dropped from 48.2 million in 2010 to 30 million in 2020



Uncontrolled growth: in 2023, \$124 billion at list prices. By 2026, largest federal drug program



Decline in provision of charity care: NEJM says charity care became more difficult to obtain after 340B growth. Only 4 states had lower charity care rates than KY.



# 340B Project | Contract Pharmacy Landing Page

## PRIVATE SECTOR PROFITEERING THROUGH THE EXPANSION OF A FEDERAL PROGRAM INTENDED TO HELP THE POOR



### 340B Program Growth

Track the significant increase in the number of hospitals, health centers, clinics, and supplying pharmacies eligible to receive 340B discounts.

[GO!](#)



### Legislative Mapping

Find the state legislative districts where 340B-participating pharmacies are located.


[GO!](#)



### Hospital Charity Care

How has the percentage of hospital charity care changed since the start of ACA?

[GO!](#)



### State One Page Fact Sheets

How is the 340B program deployed in your state?

[GO!](#)

<https://pioneerinstitute.org/340babuse/>

# Program Growth | National Level



## Navigation

[Data Notes](#)

[Program Growth](#)

[Pharmacies/CE](#)

[Pharmacy Map](#)

[ZIP Code Map](#)

[State Rankings](#)

## Filters

### Entity Classification

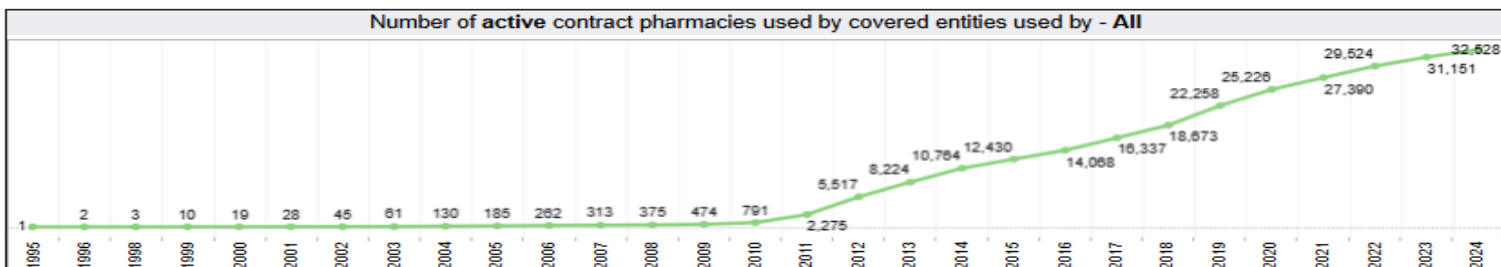
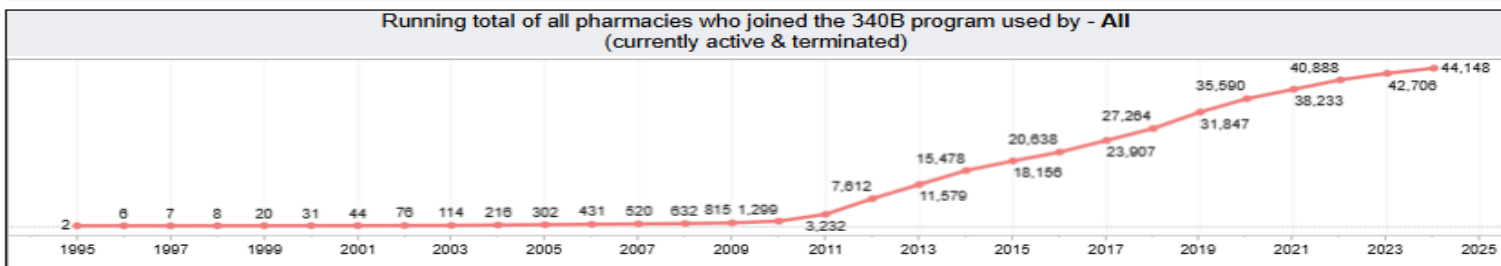
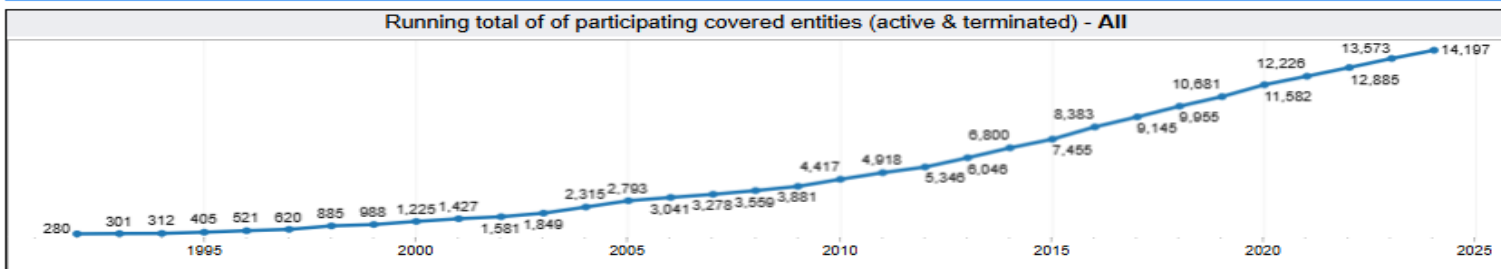
- (All)
- Health Center
- Hospital
- Other

### Entity Type

(All)

[View on Tableau Public](#)

## 340B Drug Pricing Program Growth of the program: 1992 - 2024



Share

# Some data about Kentucky

- In 2024, there were 63 hospitals participating in the 340B program and those hospitals contracted with 469 pharmacies.
- When you consider contract pharmacies for both hospitals and clinics, the total number of contract pharmacies in KY is 896, with 220 pharmacies located outside KY -- 25 were in Texas, 19 were in Florida, and 5 were in California. The largest KY hospital system by operating revenue was Norton Hospitals with \$2.4 billion in revenue. Norton had contracts with 177 pharmacies with 74 of those pharmacies located out of state, including Hawaii.
- 58% of KY's contract pharmacies are located in affluent areas.
- Kentucky's 340B hospitals provided charity care averaging .68% of operating revenue, the fifth lowest in the nation, while the national average is 2.15%. Kentucky only had one 340B hospital, Deaconess Union, that provided charity care at levels above the national average.





# PBM's | 340B Program Domination

In 2023, 69% of 340B contract pharmacies were associated with a PBM

Figure 1. Relationship of Pharmacies to PBMs, by 340B Contract Pharmacy Status



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<https://avalere.com/insights/pbm-mail-order-and-specialty-pharmacy-involvement-in-340b>

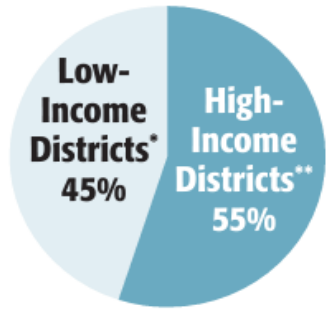
## 340B Drug Pricing Program Legislative District Search

### All - Health Center & Hospital Number of Contracts

Click on a pharmacy to see the state where the Hospitals and Health Centers it services are located.

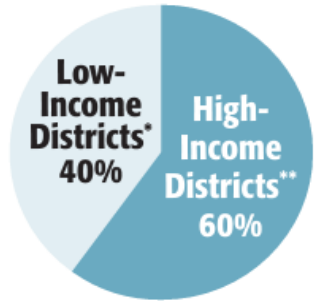
Pharmacy Name	P City	P State	Number of Contracts
CAREMARK, L.L.C.	LAS VEGAS	NV	1,038
PROCARE PHARMACY, L.L.C.	BIRMINGHAM	AL	1,036
ACCREDO HEALTH GROUP INC	TEMPE	AZ	1,031
ACCREDO HEALTH GROUP, INC.	NEW CASTLE	DE	1,010
PROCARE PHARMACY, L.L.C.	COLUMBIA	SC	1,009
ACCREDO HEALTH GROUP, INC.	ORLANDO	FL	1,002
WALGREENS SPECIALTY PHARMACY, LLC	CANTON	MI	958
WALGREENS SPECIALTY PHARMACY, LLC	PITTSBURGH	PA	943
WALGREENS SPECIALTY PHARMACY, LLC	FRISCO	TX	938
EXPRESS SCRIPTS PHARMACY, INC.	BURLINGTON	NJ	806
CYSTIC FIBROSIS SERVICES, LLC	FRISCO	TX	803
EXPRESS SCRIPTS PHARMACY, INC.	WHITESTOWN	IN	757
ACCREDO HEALTH GROUP, INC.	WHITESTOWN	IN	750
EXPRESS SCRIPTS	SAINT LOUIS	MO	730

# Income Disparity | Pharmacy Location



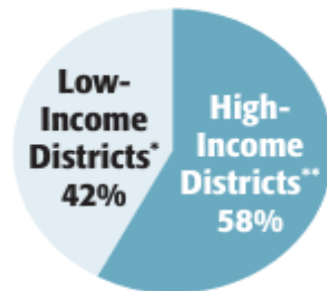
55% of 340B pharmacies supposedly serving the poor are in affluent neighborhoods in Iowa.

- 11% of the population living in poverty



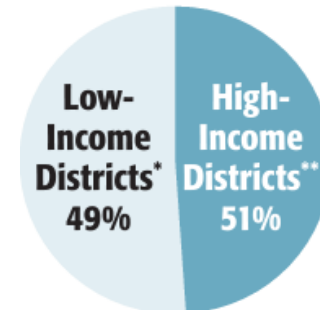
60% of 340B pharmacies supposedly serving the poor are in affluent neighborhoods in Nevada.

- 12.5% of the population living in poverty



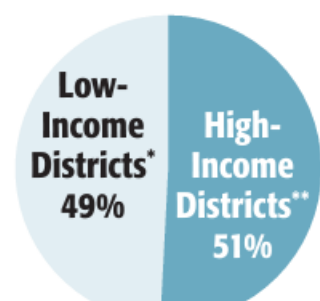
42% of 340B pharmacies supposedly serving the poor are in affluent neighborhoods in North Carolina.

- 12.8% of the population living in poverty



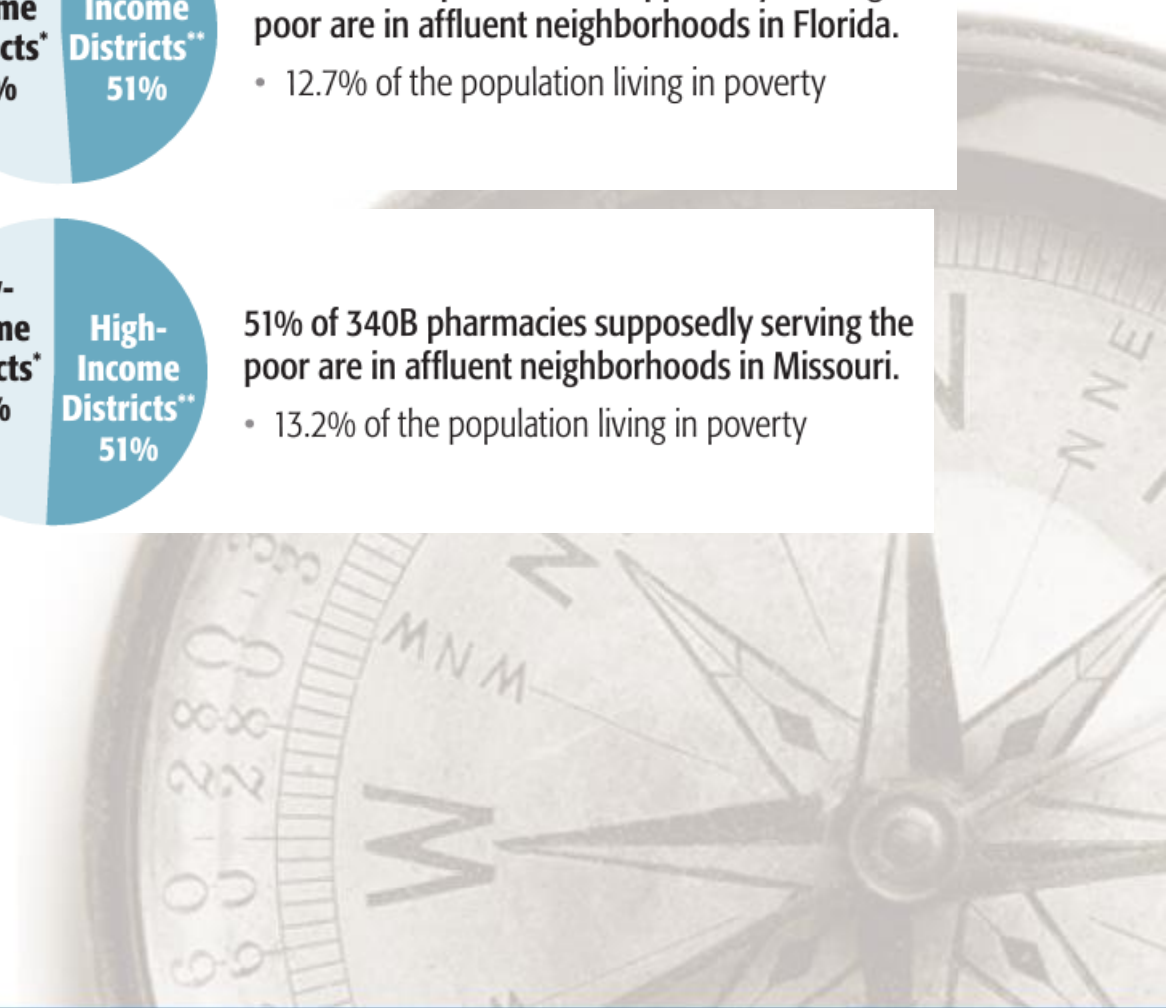
51% of 340B pharmacies supposedly serving the poor are in affluent neighborhoods in Florida.

- 12.7% of the population living in poverty



51% of 340B pharmacies supposedly serving the poor are in affluent neighborhoods in Missouri.

- 13.2% of the population living in poverty



# 340B | Now a Program Serving Wealthier Americans

340B program allows hospitals to buy drugs at low prices and get reimbursed from Medicare and commercial insurance at much higher rates, providing enormous incentive to serve fully insured and wealthier patients

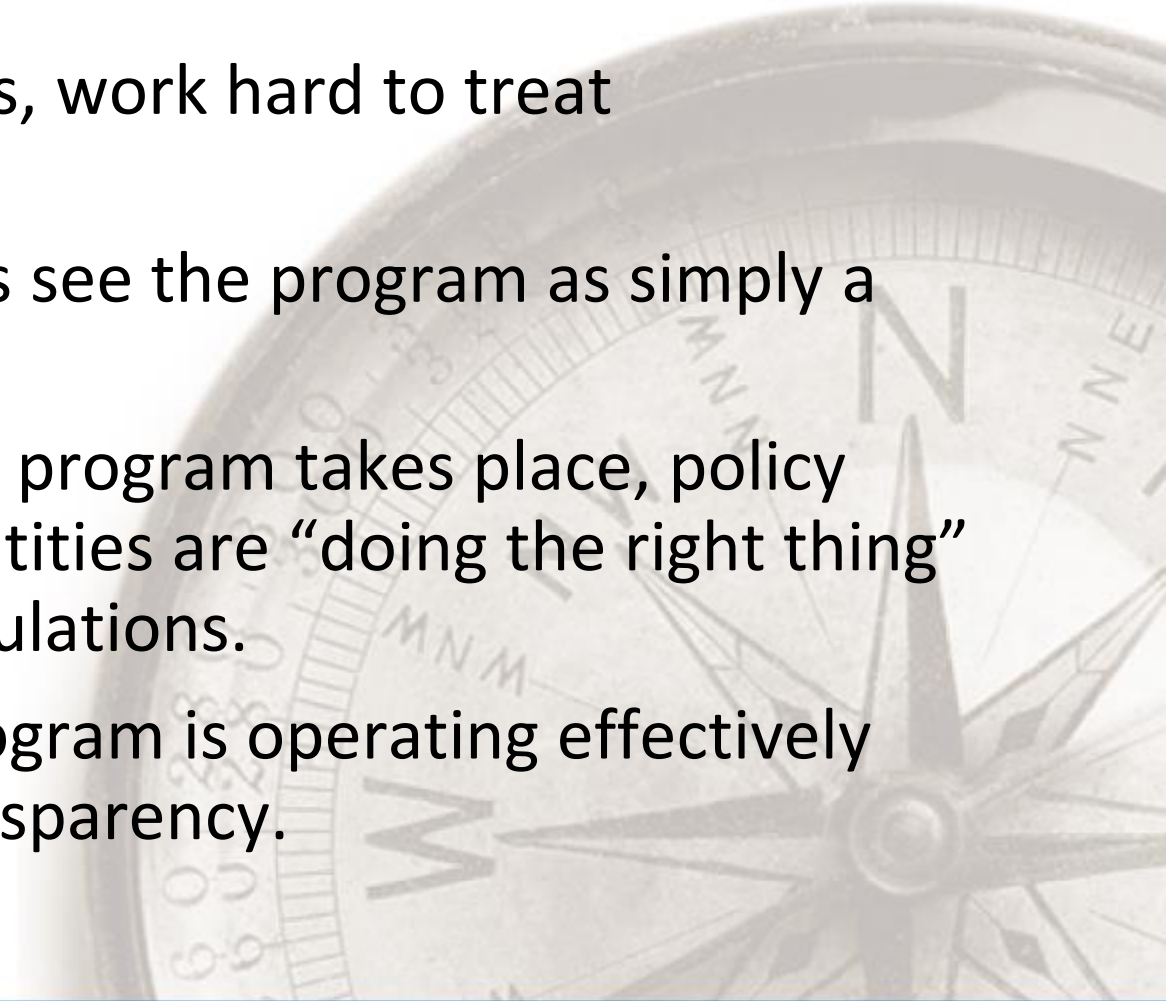
This has spurred hospitals to locate satellite sites, physician practices and contract pharmacies in wealthier areas, closer to fully insured patients

This desire to service wealthier, fully insured patients has led to a dramatic decline in charity care spending, even as 340B sales have skyrocketed

A recent study suggests that hospitals that have joined the 340B program after 2011, serve just enough low-income patient to qualify for 340B discounts but not more than that

# Why Transparency is Necessary

- Many hospitals, and especially clinics, work hard to treat underserved populations.
- However, many more 340B hospitals see the program as simply a profit center.
- Before any substantial reform of the program takes place, policy makers need to learn which 340B entities are “doing the right thing” and treating many underserved populations.
- The only way to know where the program is operating effectively and where it is not is by greater transparency.





# Contact Information

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