How the 340B Program Became a PBM Giveaway

In 1992, the 340B drug pricing program was created for certain safety-net hospitals and clinics (like community health centers) to help low-income and otherwise vulnerable patients more affordably access medicines. Flash forward to today, and you'll find pharmacy benefit managers (PBMs) have found a way to siphon money out of the program for their own financial benefit.

The 340B program works by letting hospitals and clinics buy outpatient medicines at a reduced price. Hospitals often still charge patients and insurers based off an undiscounted price of medicines though – meaning they are reimbursed at a higher price than they paid for the medicine. **Hospitals pocket as profit the difference between the amount they are reimbursed and the discounted 340B price they paid.**

While pharmacies were not mentioned in the law, today they are also profiting from the program by contracting with 340B hospitals and clinics. **These contract pharmacies leverage their arrangements within the 340B program to boost their own bottom lines because they share in any profit hospitals generate from 340B medicines.** These contract pharmacies have even been known to charge uninsured patients the full cost of a medicine even if the hospital bought it for the contract pharmacy at a 340B discount.

Today, **large pharmacy corporations have flooded the program.** Currently, over 33,000 distinct pharmacies participate in the 340B program. More than half of all 340B profits retained by contract pharmacies are concentrated in four companies: Walgreens, Walmart, CVS and Accredo.

That's where PBMs come in. Because of vertical integration in the supply chain, PBMs now own the vast majority of pharmacies, meaning they also make a profit from contract pharmacy arrangements.

- Today, 46% of contract pharmacy arrangements are between 340B covered entities (hospitals and clinics) and pharmacies affiliated with one of the three largest PBMs (ESI, Optum, Caremark).
- The big three PBM-owned specialty pharmacies account for 26% of contract pharmacy arrangements.
- Nearly half of the top 25 companies on the Fortune 50 today generate profit from 340B.

Congress should be asking themselves: How did a program meant for safety-net hospitals and clinics become a PBM giveaway?

Comprehensive fixes are needed to make the 340B program work better for patients, and that includes policies that prevent for-profit corporations like PBMs from profiting off the program. Read more about our proposed changes here.