BEYOND THE SCRIPT

The 340B Drug Pricing Program:

The Pharmaceutical Industry's Role in Supporting Accessible, Affordable Care



WHAT IS 340B?

Enacted by Congress in 1992, the 340B Drug Pricing Program allows covered safety net hospitals and other healthcare entities to access outpatient drugs at reduced prices from pharmaceutical manufacturers participating in Medicaid.

As outlined in the congressional intent and on the federal Health Resources & Services Administration's own website, the 340B Program is specifically designed to "[enable] covered entities to stretch scarce federal resources as far as possible, reaching more eligible patients and providing more comprehensive services."[1]

The impact of 340B extends beyond prescriptions. By helping hospitals, clinics and other healthcare providers stretch limited resources, 340B supports the programs and services that keep care accessible, affordable and close to home.

WHAT DOES 340B COST DRUG COMPANIES?

Very little. 340B discounts account for approximately 3% of pharmaceutical manufacturers' global revenues.[2] Yet those discounts help preserve access to care in communities across Indiana.

THAT'S WHY 340B MATTERS:

A relatively small contribution from some of the world's most profitable companies helps strengthen care for millions of patients.

WHY WAS 340B CREATED?

Congress recognized that many hospitals and clinics serve large numbers of Medicaid, Medicare and uninsured patients, reimbursement for which often falls below the actual cost of care.

The 340B Program helps offset those challenges by requiring pharmaceutical companies to share in supporting the nation's healthcare safety net. The 340B Program is funded by pharmaceutical manufacturers, not taxpayers, to help hospitals and clinics cover uncompensated care and keep serving the broader community.

Put simply:

- Taxpayers help fund Medicaid and Medicare, but payment levels set by the government often do not fully cover the cost of care.
- Hospitals absorb billions in underpayments and uncompensated care as a result of caring for Medicaid, Medicare and uninsured patients.
- The 340B Program ensures pharmaceutical companies also contribute to the healthcare ecosystem for costs that Medicaid and Medicare will never be able to cover – such contributions help keep healthcare accessible and affordable.



35% increase in drug prices from 2022-2025[3]

[1] https://www.hrsa.gov/opa. | [2] Fact Sheet: The 340B Drug Pricing Program | AHA.

[3] Launch Price and Access Report, Institute for Clinical and Economic Review and West Health

Indiana Hospital Association

INDIANA PHARMACY ASSOCIATION

Who Benefits From 340B?

PATIENTS

340B helps hospitals and clinics:

- Keep services available locally
- Provide care regardless of ability to pay
- Invest in community health programs
- Support care coordination and medication access
- Maintain services in under served areas

COMMUNITIES

340B helps preserve:

- Emergency care
- Cancer treatment
- Behavioral health services
- Primary care access
- Specialty care
- Rural health services

EMPLOYERS

Without programs like 340B, hospitals and clinics have fewer tools to absorb rising costs, increasing financial pressure throughout the healthcare system.

Should 340B Savings Be Given Directly to Patients?

340B already benefits patients every day. Congress designed 340B to strengthen the providers that serve vulnerable communities, not as a pharmacy-counter discount program. A one-time discount benefits one prescription. Strong local hospitals and clinics benefit entire communities. 340B allows healthcare providers to use limited resources across thousands of patients, services and communities, rather than a single transaction.

Do Hospitals and Clinics Make Money on 340B?

Under the 340B Program, pharmaceutical manufacturers are required to sell outpatient drugs at a discounted price and then covered entities receive their normal reimbursement rates when dispensing those drugs – whether that is the Medicare rate, the Medicaid rate, or the negotiated commercial rate. The difference between the acquisition cost and reimbursement rate does generate a savings for the hospital or clinic – but that is the purpose! By providing the discounted price, pharmaceutical companies are supporting the healthcare safety net that serves vulnerable patients. That partnership helps hospitals and clinics expand access to care, maintain critical services and respond to local community needs.

Transparency Matters

340B helps hospitals and clinics strengthen care for the communities they serve. In Indiana, hospitals participating in the program already provide significant public reporting about how those resources are used. Under state law, hospitals report how 340B savings are directed, along with numerous other data points about their 340B programs.

The program is also subject to federal oversight and auditing requirements that help ensure accountability and compliance. The result is a program that strengthens care while providing transparency and accountability to the communities it serves.



The Bottom Line

340B ensures pharmaceutical companies contribute to the healthcare ecosystem, helping to cover losses the state and federal governments cannot cover on their own – and that hospitals and clinics absorb every day.

Policymakers can help preserve 340B as Congress intended, so its impact continues beyond the script.