

The 340B Program: Intended for Patients, Abused for Profit



How Hospitals, Pharmacies and Industry Middlemen Are Taking Advantage of a Federal Program

What Is the 340B Program?

The 340B program was created in 1992 to help uninsured and low-income patients access more affordable medications. Under 340B, drug manufacturers provide discounted medications to qualifying hospitals and clinics as a condition of participation in Medicaid. These hospitals and clinics often contract with for-profit chain pharmacies, known as “contract pharmacies,” that are owned by other health industry middlemen called pharmacy benefit managers (PBMs). PBMs mark the largest share of their profits from their pharmacy business.

While 340B was originally created with the expectation that hospitals would use savings from discounted medications to help vulnerable patients access the treatments they need, today the program has strayed from its intended goal. **Hospitals, contract pharmacies and PBMs are failing to deliver discounted medicines to the patients who need them most and are using program savings to improve their**



The Patient Impact of 340B Abuses



The average cost per prescription is more than 150% higher for patients at 340B hospitals compared to non-340B hospitals. Hospitals participating in 340B are using and marking up more expensive drugs often without lowering cost sharing for vulnerable patients. (Source: [Milliman](#))



Studies show 340B creates incentives for provider consolidation. Larger 340B hospitals were responsible for about 80% of hospital acquisitions between 2016 and 2022, creating hospital systems that raise costs for patients while reducing access and quality of care. (Source: [Avalere](#))

By the Numbers: How 340B Entities Use 340B to Turn a Profit

Many 340B hospitals purchase highly discounted 340B medications, then end up charging uninsured patients and insurance companies the full price and pocket the difference or split profits with large chain pharmacies, such as CVS and Walgreens, and PBMs.



Disproportionate share hospitals (DSH), which serve large numbers of low-income or uninsured patients, earned \$44 billion in 340B profits in 2022 alone, yet spent only \$18 billion – 42% of their profits – on charity care. Analysis shows 85% of DSH hospitals earn more in 340B profit than they spend on charity care. (Source: [AIR340B](#))



340B is the second largest federal prescription drug program, behind only Medicare Part D and exceeding Medicare Part B and Medicaid. In 2022, 340B sales exceeded \$54B. (Source: [BRG](#))



A majority (65%) of 340B hospitals are not located in medically underserved communities the 340B program was created to serve. These hospitals are expanding into more affluent areas to create higher profit, while closing facilities in vulnerable communities. (Source: [AIR340B](#))



Profit margins for large pharmacies dispensing 340B drugs are over 3x higher than those of independent clinics. Walgreens, CVS, Walmart, UnitedHealth (OptumRx) and Cigna (Express Scripts) control over 75% of these pharmacies. (Sources: [BRG](#); [Drug Channels Institute](#))



Less than half of the 340B hospitals surveyed provided discounts to low-income, uninsured patients at some or all of their chain pharmacies. This marks the third government report to draw the same conclusion. (Source: [Government Accountability Office](#))

How Congress Can Fix the 340B Program to Work for Patients, Not Profit

Many patients count on 340B to deliver affordable, accessible medications they rely on. Congress must ensure 340B directly supports access for uninsured and low-income patients, ensure program participants are operating as a true safety net and address program abuses through improved transparency, accountability and oversight.

The reintroduction of the 340B ACCESS Act represents an important milestone towards addressing significant 340B abuses and getting the program back on track.

Learn more about the 340B program and how we can make it work for patients:
340breform.org/overview.