

THE 340B DRUG PRICING PROGRAM

The 340B Drug Pricing Program¹ was created with a clear goal: to allow hospitals to provide disadvantaged patients with health care.

Under the program, pharmaceutical manufacturers provide eligible health care organizations with prescription medications at a steep discount.

In recent years, however, the program's rapid growth has prompted questions about whether 340B benefits patients. That growth, coupled with a lack of charity care reporting and disclosure, has invited scrutiny of the program.

Q: What is the 340B Program?

The 340B Drug Pricing Program was established by Congress in 1992 to help eligible hospitals and clinics, known as “covered entities,” stretch resources and serve more low-income, uninsured patients. These include disproportionate share hospitals, hospitals that serve a high number of low-income patients and receive funding from Medicare and Medicaid to help cover costs. The program also supports federally qualified health clinics, centers that provide primary care services to underserved communities—along with several other types of hospitals.

Under the program, pharmaceutical manufacturers participating in Medicaid are required to offer significant discounts on outpatient prescription drugs to covered health care systems. In addition to providing these drugs to disadvantaged patients, the program also allows for medications acquired at a discounted 340B rate to be dispensed to insured patients, generating revenue. The hospital retains the profit.



Q: How does 340B help uninsured patients?

When implemented as intended, the 340B program:



Allows hospitals to offset the cost of treating uninsured or underinsured patients



Supports access to discounted medications and health care for vulnerable populations



Helps covered institutions reinvest in patient services

Q: How has the program changed over time?

What began as a targeted safety-net program has expanded dramatically. In 1992, there were roughly 300 participating entities. By 2023, that number exceeded 10,000. Following reforms of the Affordable Care Act, the number of participating hospitals more than doubled between 2011 and 2021.

The use of contract pharmacies has also increased. These pharmacies partner with 340B hospital systems and therefore also receive discounted 340B prices. In 2010, there were about 70,000 pharmacies contracted with 340B hospital systems. By 2023, that number had risen to nearly 1 million.²

What began as a targeted safety-net program has expanded **dramatically.**

Q: Are the intended patients benefitting?

While the 340B program was designed to support care for low-income and uninsured patients, there are few requirements and evidence proving that its benefits reach the intended population.

Covered entities dispense discounted 340B medications to insured patients, generating profit for the hospital without necessarily lowering out-of-pocket costs for patients.

And there are no requirements for covered entities to document that 340B profits are used to benefit the underserved patients the program was designed to help. Several studies have shown that hospitals participating in 340B have not significantly expanded charity care, despite increasing program revenues.

Q: What broader impact is 340B having?

As the program expands, it is creating a ripple effect across the health care system.

- **Hospitals' ability to generate revenue through 340B has contributed to a decline in independent community practices as larger systems acquire smaller clinics.** This decline in community practices may contribute to fewer options and higher prices for some patients.
- **The increased use of contract pharmacies may lead to fewer local pharmacies in disadvantaged areas,** creating new challenges in communities where 340B is meant to serve.
- **Insured individuals may pay higher premiums and co-payments** to offset the cost of the discounts.

BROADER IMPACT OF 340B



Decline in
independent
community practices



Fewer local
pharmacies in
disadvantaged areas



Higher premiums/
co-pays for insured
patients

Q: Are the intended patients benefitting?

As concerns about the 340B Drug Pricing Program have grown, Congress has taken notice. In 2025, Senator Bill Cassidy released a report detailing the need to improve the program to ensure patients are better served.³

The 340B program plays a critical role in America's health care safety net. Oversight and transparency are essential to ensure that the program fulfills its original purpose. 340B was intended to ensure hospitals provide affordable care to those who need it most. Now it's critical to ensure it's functioning as intended.

Oversight and transparency
are **essential**.



REFERENCES

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