

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

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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: How does it work?

Medicare Patient

- Hospital purchases oncology drug at discounted price of \$25,000 for a medicine with a list price of \$100,000. Dispenses to Medicare patient. Bills Medicare at 106% of Average Sales Price, or \$95,000. Hospital profit: \$70,000

Patient with Commercial Insurance

- Hospital purchases oncology drugs at discounted price of \$25,000. Dispenses to commercially-insured patient. Bills health plan at 75% of list price (\$75,000), the plan's negotiated rate. Hospital profit: \$50,000.

Uninsured Patient

- Hospital purchases oncology drug at discounted price of \$25,000 for a medicine with a list price of \$100,000. Cost to uninsured patient is (hopefully) \$25,000. Hospital profit: \$0. Patient may use manufacturer assistance program.

340B: Why is it a policy problem?



Incentive to Arbitrage Discounts with *Insured* Populations: \$40 billion in hospital profits in 2019



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



Uncontrolled growth: in 2024, \$81.4 billion in discounted purchases, up 23% from 2023. or \$106 billion at list prices. Will become the largest federal drug program, eclipsing Medicare



For-profit PBMs and pharmacies dominating program: 32,000 pharmacies with 75% at CVS, Walgreens, Express Scripts, Optum, Walmart and locate to higher income areas



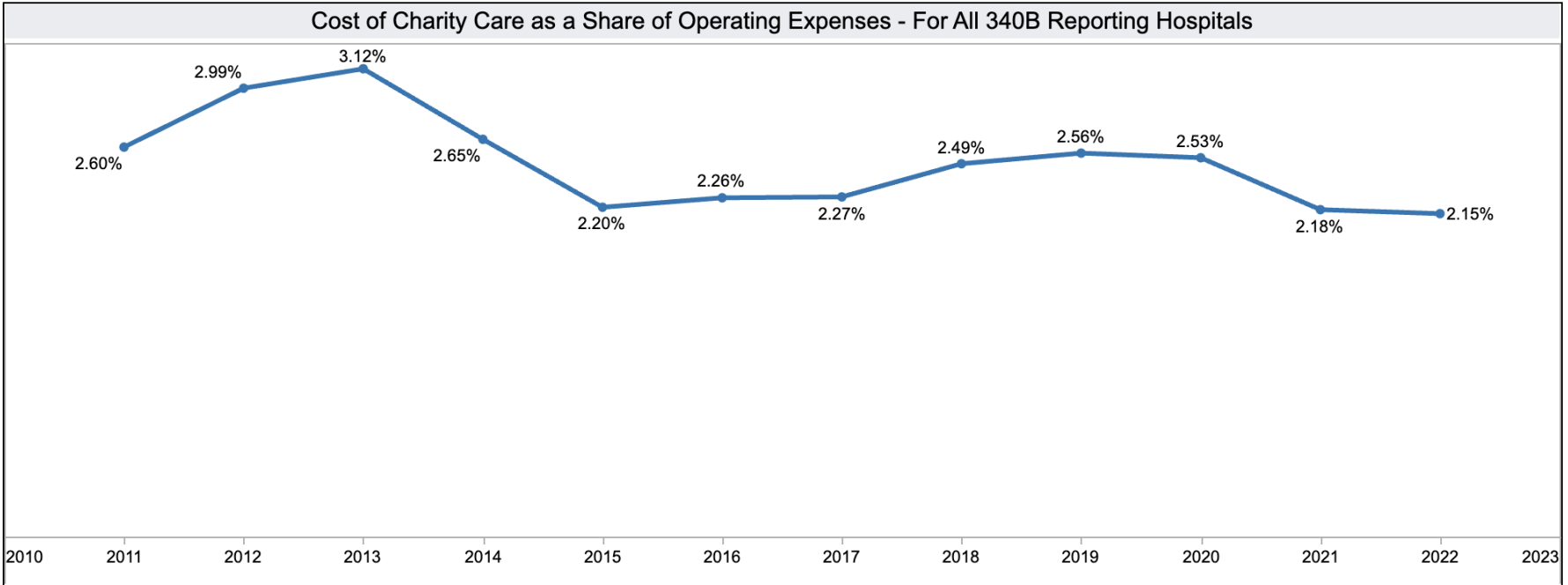
10,000 covered entities versus 550 in 1990s. Growth comes as Medicaid/ACA has expanded and uninsured population dropped from 48.2 million in 2010 to 30 million in 2020



Decline in provision of charity care: NEJM says charity care became more difficult to obtain after 340B growth. AHA: total uncompensated care fell to 25-year lows in 2015 and 2016

Charity Care

**340B Decline
in Charity Care**



340B Sales Growth vs 340B DSH Charity Care

340B DSH Charity Care is Again Trending Downwards

The 340B program has grown from \$6.9 billion in discounted sales in 2012 to nearly \$54 billion in discounted sales.¹ However, charity care for 340B DSH hospitals has decreased since 2018.

340B DSH
Charity versus
340B Sales
Growth



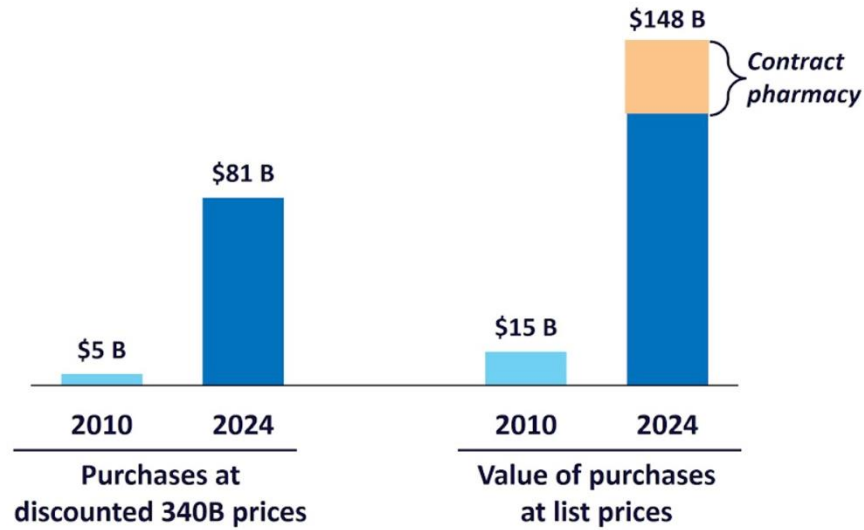
1. Fein AJ. Drug Channels Institute. EXCLUSIVE: The 340B Program Reached \$54 Billion in 2022 – up 22% vs. 2021. Published September 2023. Accessed September 2023. <https://www.drugchannels.net/2023/09/exclusive-340b-program-reached-54.html>.
2. Drug Channels Institute analysis for PHRMA of data from the Health Resources and Services Administration (HRSA).
3. Avalere Health analysis for PHRMA of cost report data from the Centers for Medicare & Medicaid Services.

340B Growth

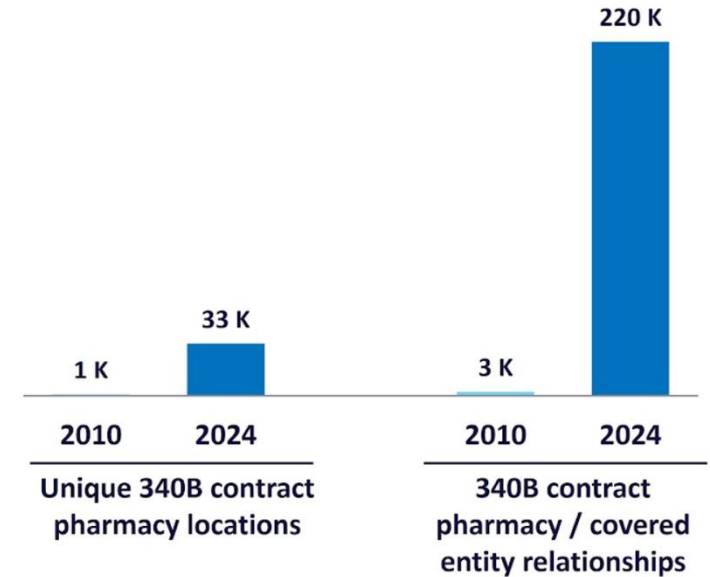
The 340B Program Reached \$81 Billion in 2024, increasing 83% from 2021

Overview of the 340B Drug Pricing Program, 2010 vs. 2024

340B DRUG PRICING PROGRAM, PURCHASES BY COVERED ENTITIES



340B CONTRACT PHARMACY MARKET



Source: Drug Channels Institute analysis based on data from Health Resources and Services Administration, Government Accountability Office, and IQVIA. Dollar figures in billions and are not adjusted for inflation. Purchases exclude sales made directly to healthcare institutions by manufacturers and some sales by specialty distributors. Data for purchases at discounted prices show value of purchases at or below the discounted 340B ceiling prices. Number of unique contract pharmacy locations and covered entity relationships in thousands.

Published on Drug Channels (www.DrugChannels.net) on December 15, 2025.

Pioneer Institute 340B Web Tool

Four data areas
are included in
our interactive
web tool

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

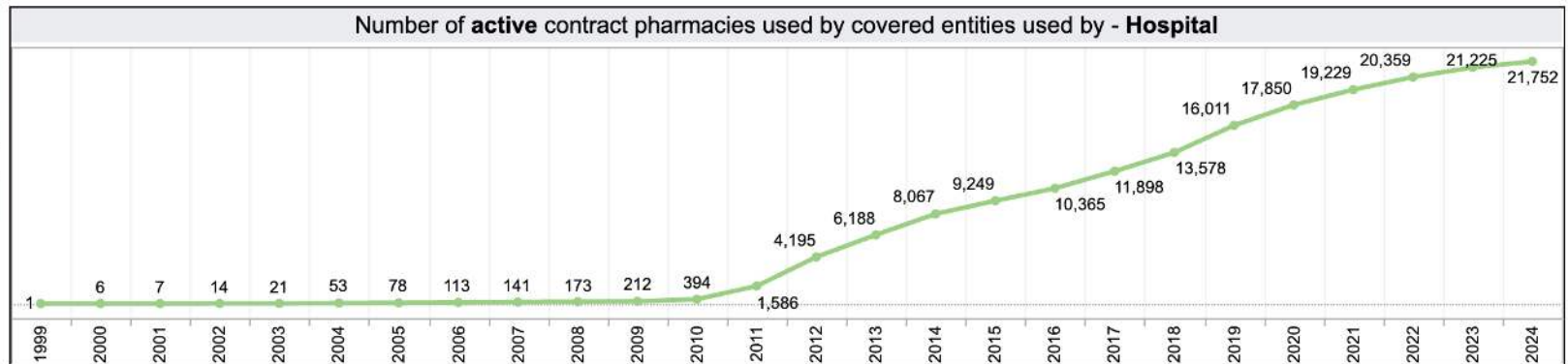
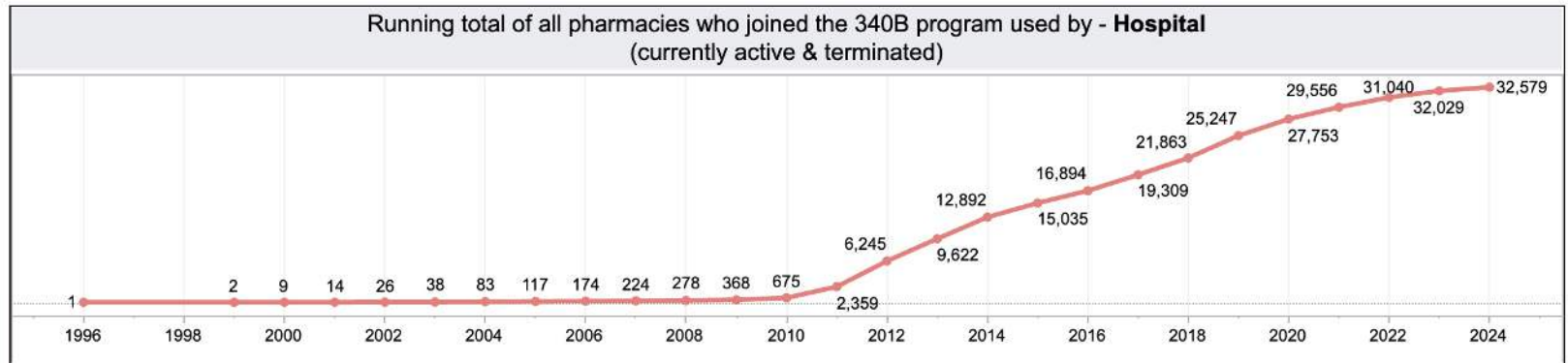
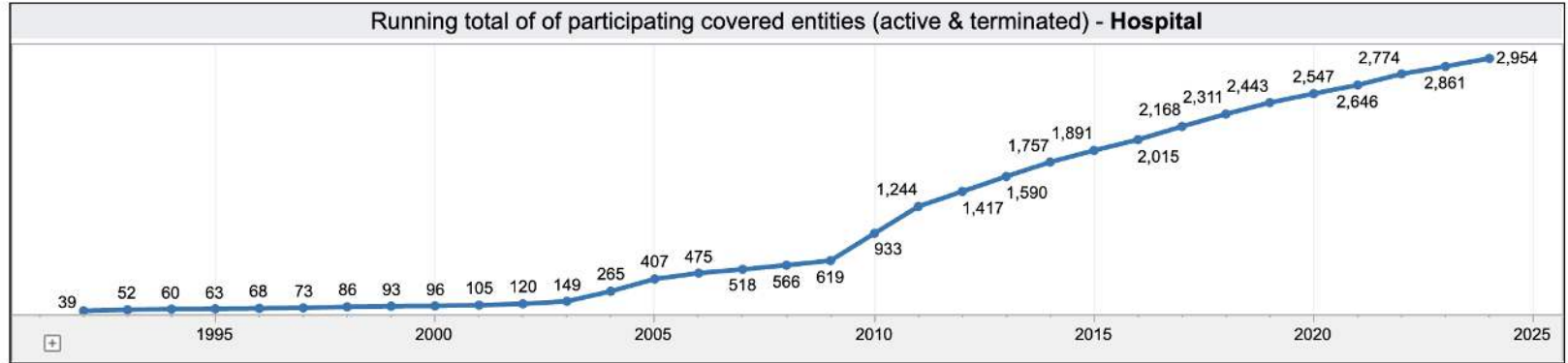
State One Page Fact Sheets

How is the 340B program deployed in your state?

Go

Trend Data

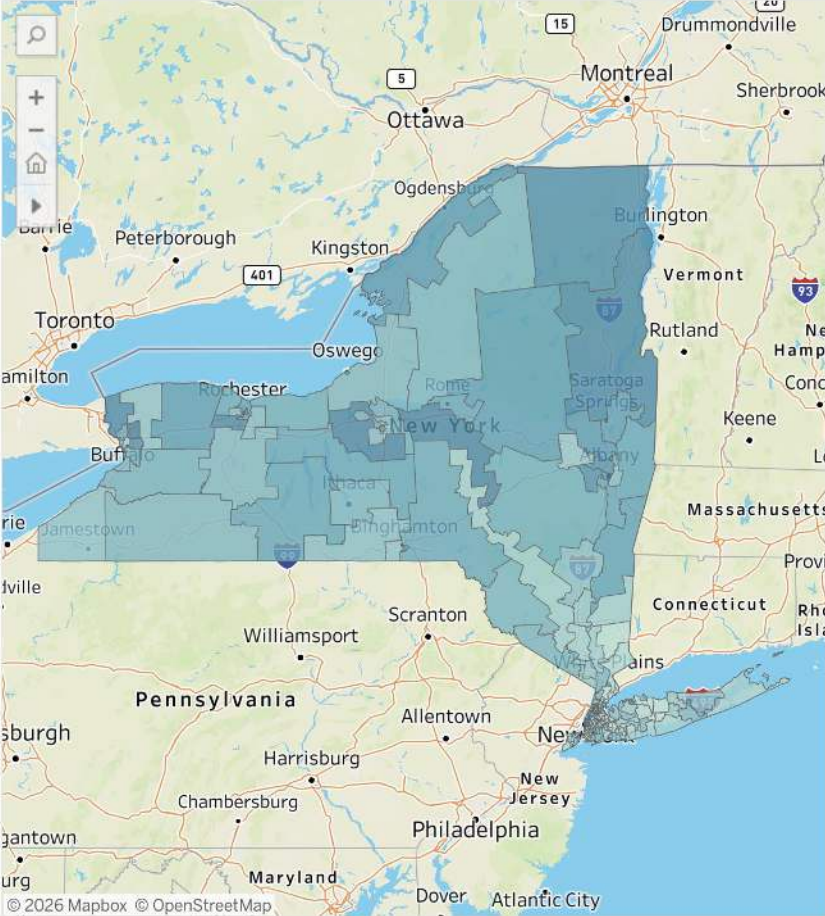
Covered Entities and Pharmacies 1992-2024



District-Based Mapping

Number of Hospitals, Health Centers, and Contract Pharmacies by District

New York Lower House Districts
 Hover over a districts to see the number of pharmacies, hospitals, health centers, and the poverty rate.

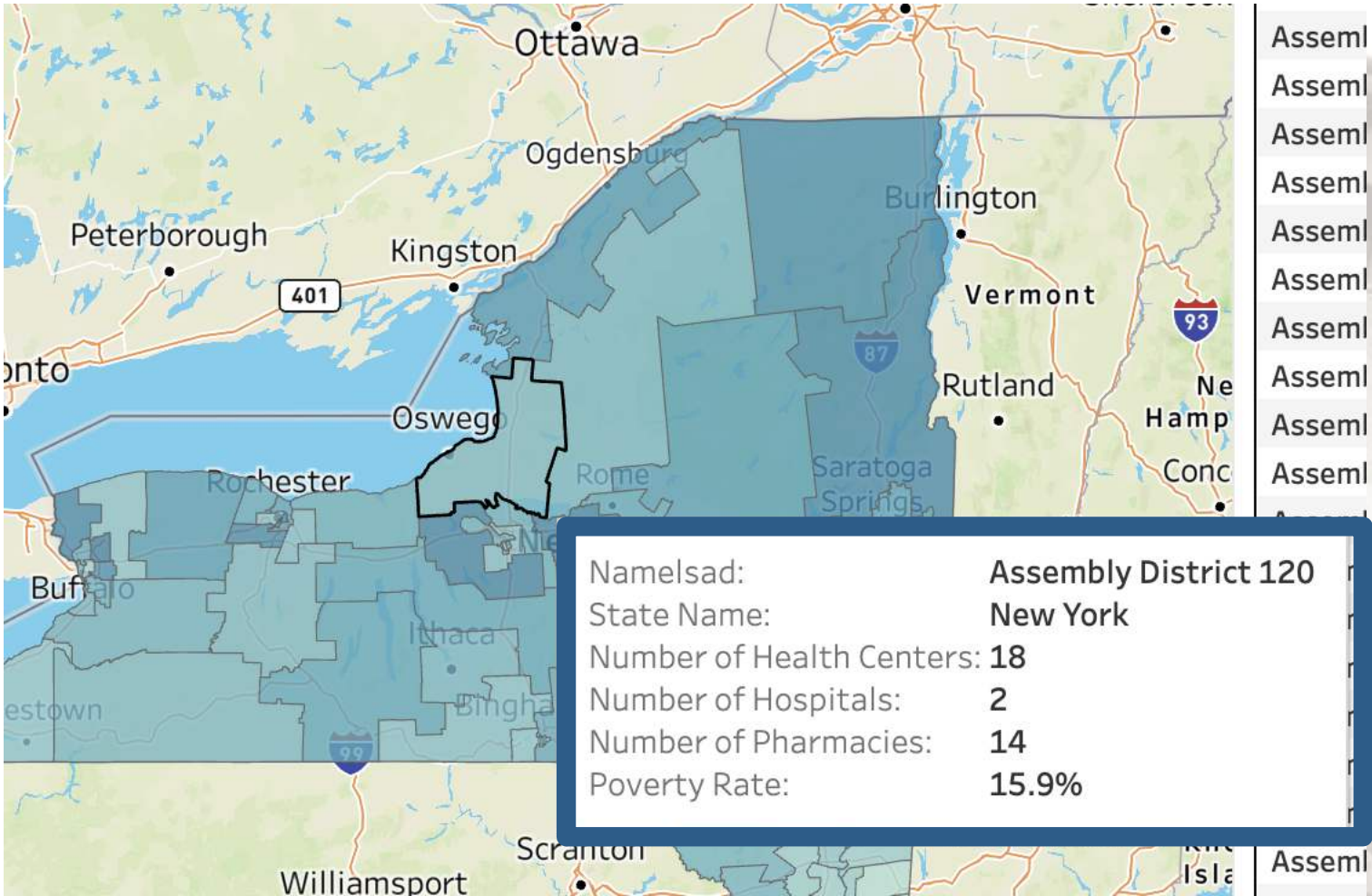


New York -Ranking: Pharmacies in District

Namelsad	≡	Numb er of ..	Number of Hosp..	Number of Healt..	Poverty Rate
Assembly District 75		40	3	13	12.1%
Assembly District 85		36	1	16	30.5%
Assembly District 84		35	0	23	38.6%
Assembly District 146		29	2	0	9.3%
Assembly District 58		28	1	0	12.1%
Assembly District 126		27	1	18	9.1%
Assembly District 122		27	3	0	9.0%
Assembly District 145		26	0	1	13.1%
Assembly District 138		26	0	5	13.9%
Assembly District 114		26	1	16	9.5%
Assembly District 143		25	0	1	11.9%
Assembly District 115		25	1	8	14.3%
Assembly District 110		24	2	0	5.0%
Assembly District 109		24	1	8	17.5%
Assembly District 82		22	1	2	12.3%
Assembly District 66		22	0	6	8.1%
Assembly District 116		22	3	8	16.4%
Assembly District 112		22	2	0	4.3%
Assembly District 74		21	1	8	15.5%
Assembly District 139		21	2	8	11.7%
Assembly District 118		21	4	2	13.6%
Assembly District 113		21	0	7	9.0%
Assembly District 136		20	0	1	14.0%
Assembly District 106		20	0	5	9.5%
Assembly District 34		19	0	4	12.1%
Assembly District 132		19	1	9	12.6%
Assembly District 131		19	0	13	10.1%
Assembly District 119		19	2	5	20.0%
Assembly District 107		19	1	0	6.0%
Assembly District 70		18	0	14	22.6%

District-Based Mapping

Number of Hospitals, Health Centers, and Contract Pharmacies by District



District-Based Mapping

**Name &
Location of
Contract
Pharmacies
by District**

340B Drug Pricing Program Legislative District Search

Pharmacy Address - Lower House Disticts
State: **New York**, City: **All**

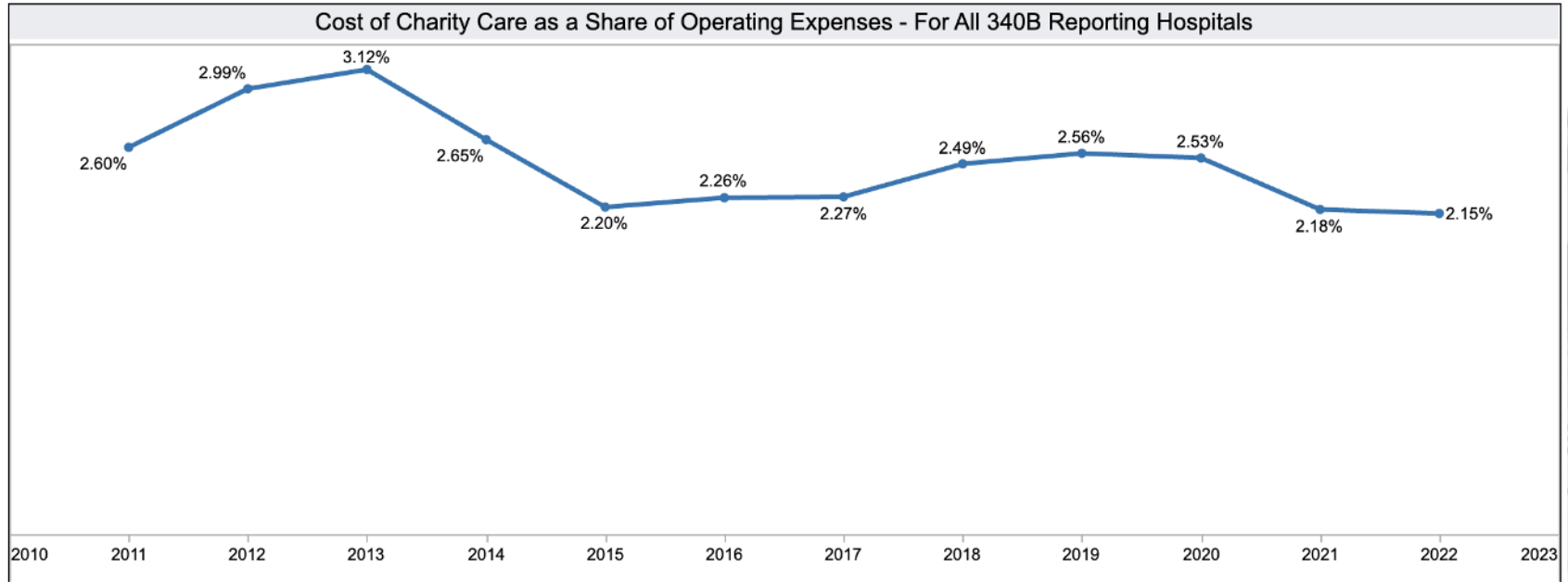
Lower House Districts
Assembly District 1

Pharmacy Name	P Address 1	P Address 2	P City
CVS ALBANY, L.L.C.	CVS/PHARMACY # 2318	1760 5TH AVENUE	BAY SHORE
	DBA: CVS/PHARMACY # 01190	311 MAIN ST, CVS PLAZA	CENTER MO
	DBA: CVS/PHARMACY # 01171	628 ROUTE 25N	ROCKY HILL
	DBA: CVS/PHARMACY # 03105	9870 MAIN ROAD	MATTITUCK
	DBA: CVS/PHARMACY # 05062	111 MAIN ST	SOUTHAMP..
	DBA: CVS/PHARMACY # 05753	516 MONTAUK HWY	CENTER MO.
THE STOP & SHOP SUPERMARKET COM..	STOP & SHOP PHARMACY #2551	194 WEST MONTAUK HIGHWAY	HAMPTON B.

Charity Care

Can Select for Charity Care at the State Level

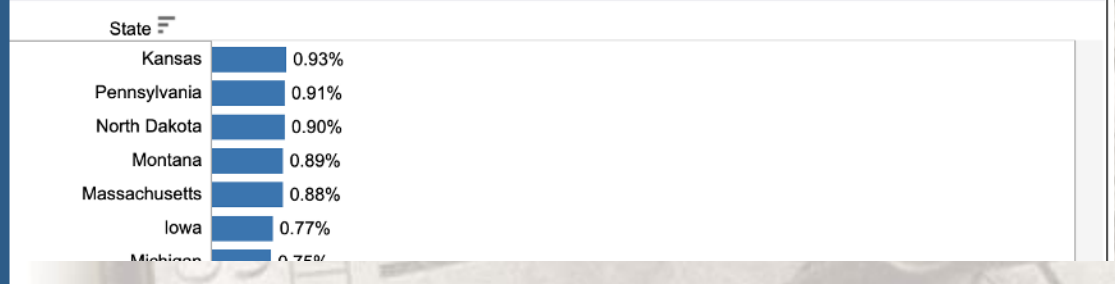
340B Drug Pricing Program Charity Care



2022 - Number of 340B Reporting Hospitals

State	Number of 340B Reporting Hospitals
Grand Total	2,611
Alabama	34
Alaska	8
Arizona	34
Arkansas	53
California	164
Colorado	60
Connecticut	10

2022 - Average Charity Care Ratio
(ratio = cost of charity care/operating costs)

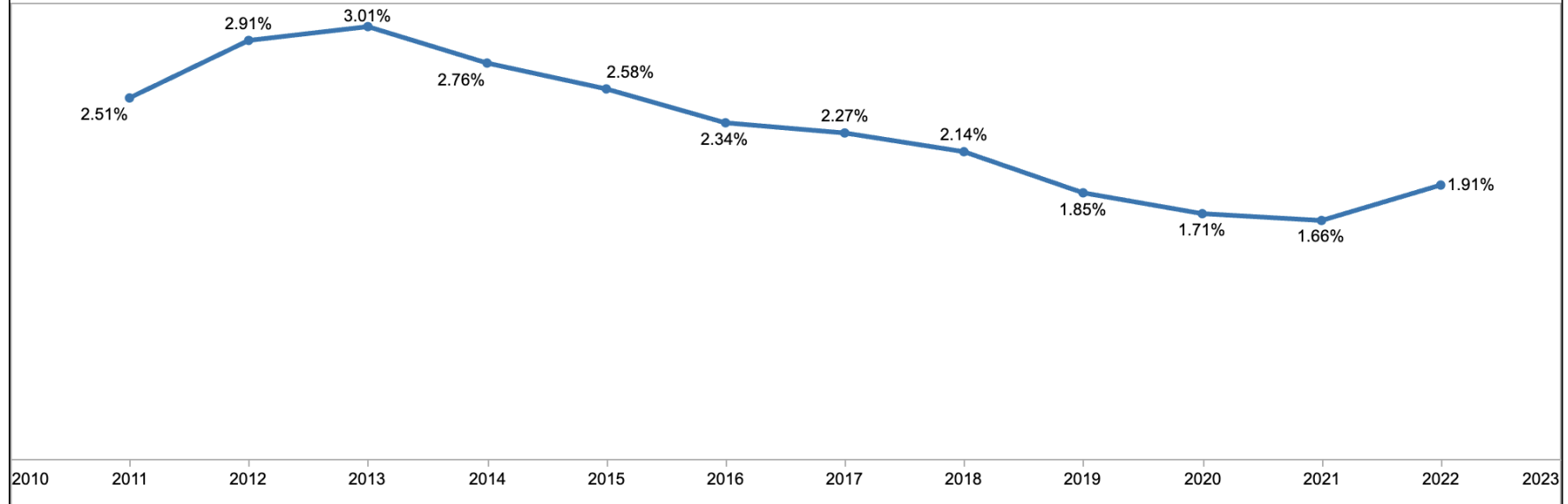


Charity Care

Can Select for
Hospitals
within the
State Level

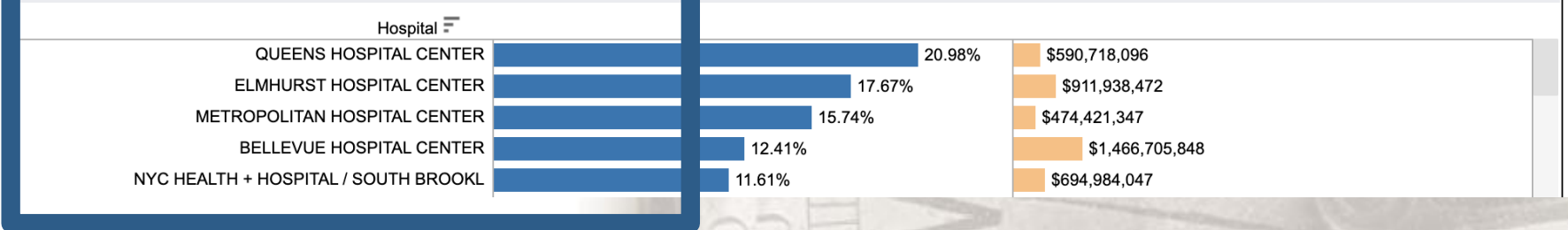
340B Drug Pricing Program Charity Care

Cost of Charity Care as a Share of Operating Expenses - For All **New York** 340B Reporting Hospitals



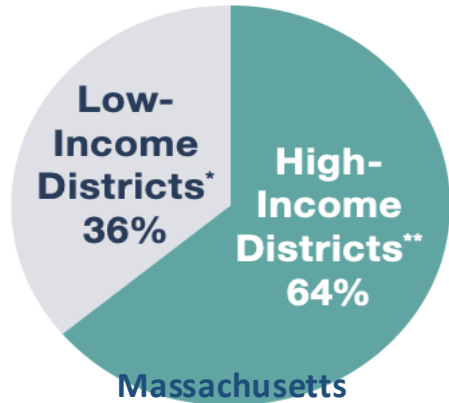
Charity Care Ratio % and Total Operating Expenses

2022 - **New York** 340B Hospitals

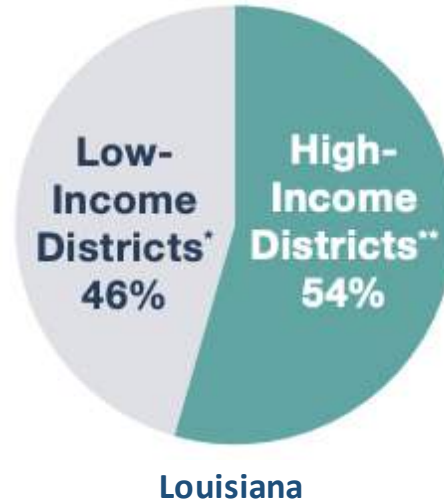


CONTRACT PHARMACIES IN UPPER INCOME AREAS

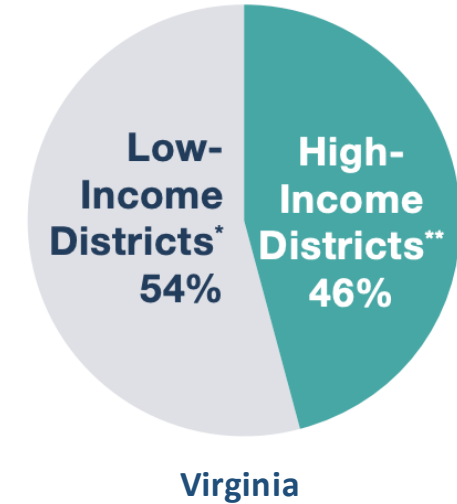
10.4% of the population living in poverty



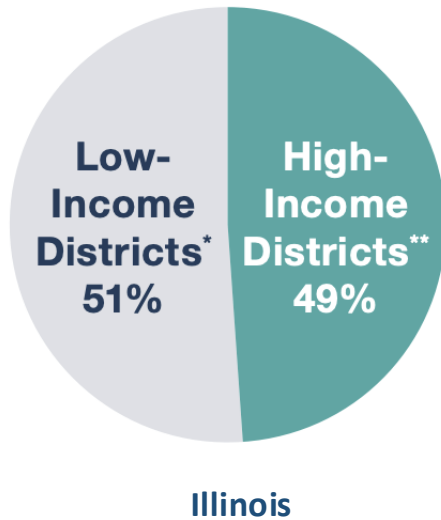
20.0% of the population living in poverty



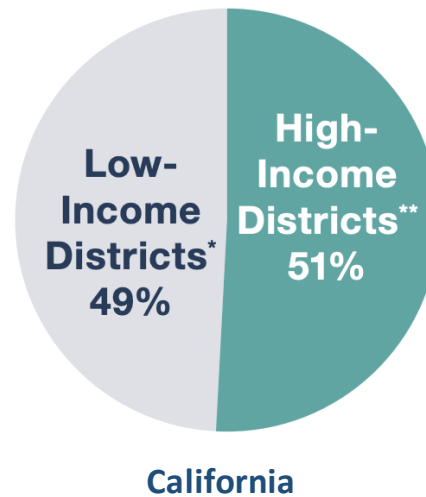
10.2% of the population living in poverty



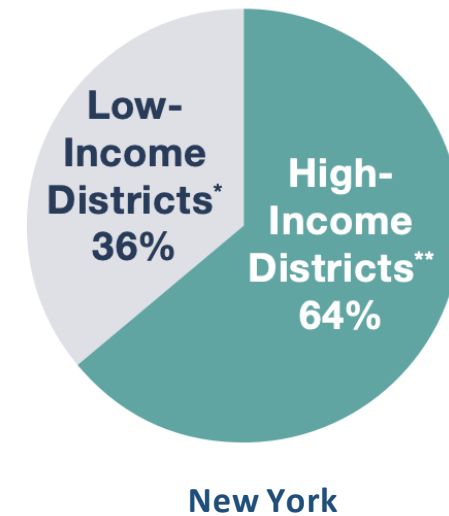
11.6% of the population living in poverty



12.0% of the population living in poverty



14.2% of the population living in poverty



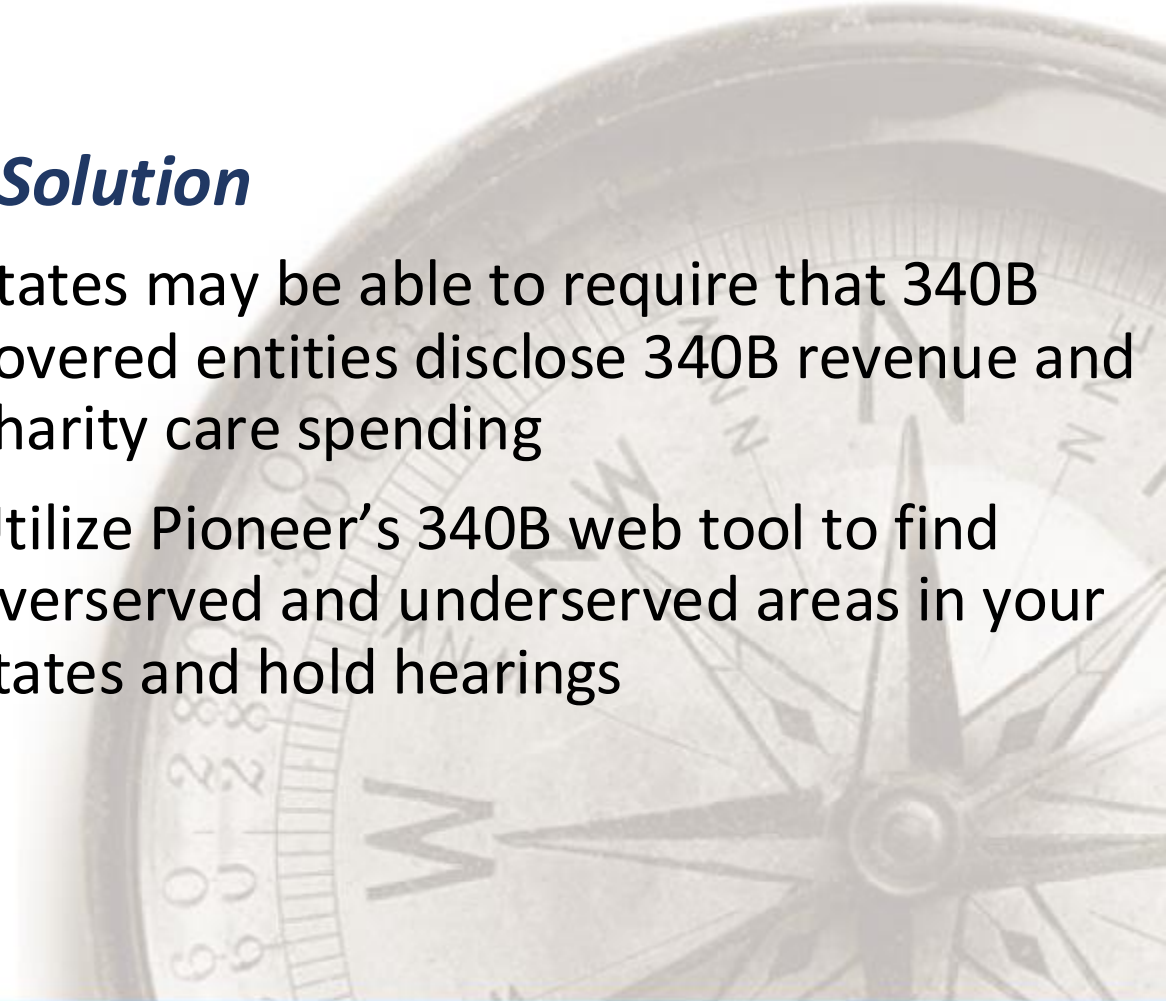
What can States do to reform a Federal Program?

The Problem

- Uncontrolled program and revenue growth while charity care declines
- Wealthier areas *tend to be* over served by the 340B program and lower income areas tend to be underserved

The Solution

- States may be able to require that 340B covered entities disclose 340B revenue and charity care spending
- Utilize Pioneer's 340B web tool to find overserved and underserved areas in your states and hold hearings



Contact Information and Web Tool Address

Web Tool Address: <https://pioneerinstitute.org/340babuse/>

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