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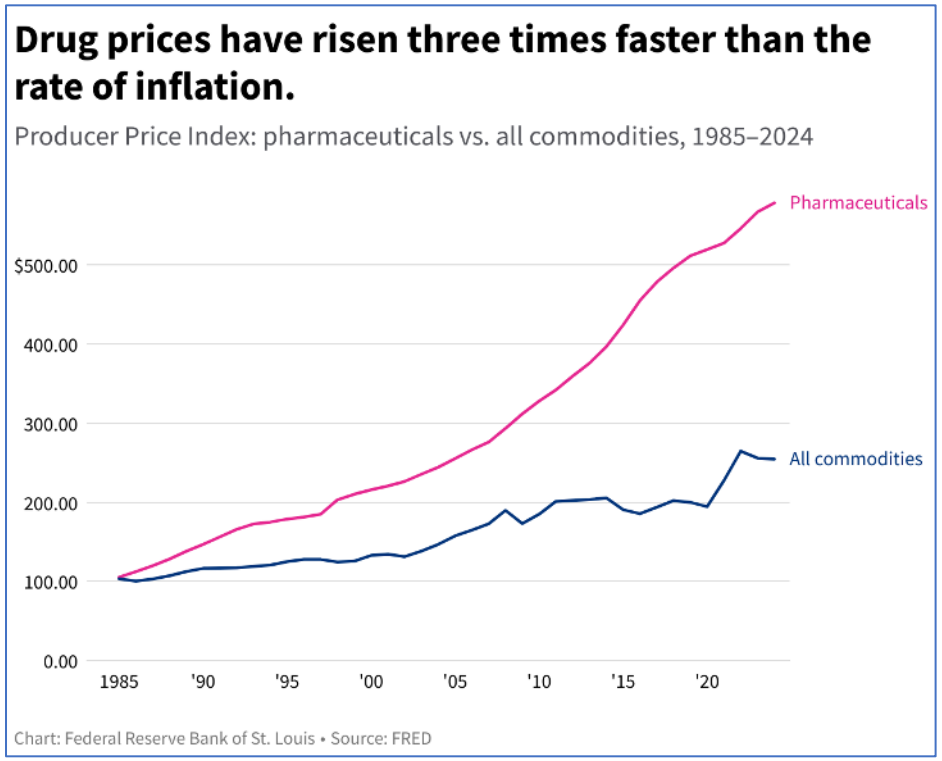
340B Drug Pricing Program

July 16, 2026
NCOIL Summer Meeting

Why Was the 340B Program Created?

Congress created – *and subsequently expanded* – the 340B program to help alleviate the budget pressures of high and rising drug costs. Policymakers were concerned that providers were having to incur more expenses for drugs, limiting their ability to spend in other areas to improve patient care.



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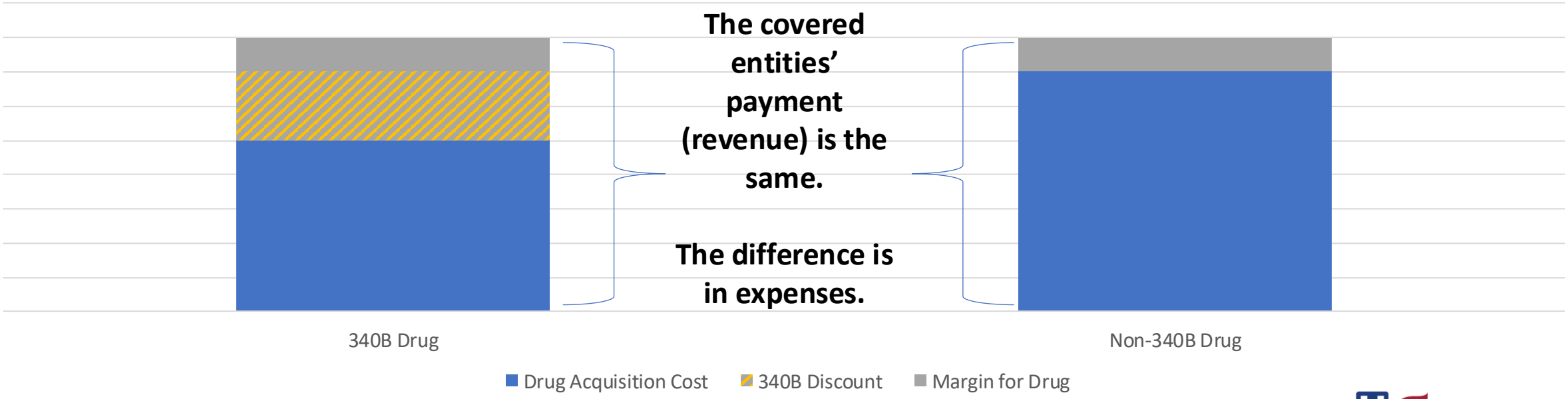
What the 340B Program Does

The 340B program reduces covered entities' drug ***expenses*** so they can use the saved dollars on other things that help them expand access to care for more patients.



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What the 340B Program Does Not Do

Common misperceptions about the program are that it increases costs for payers and that covered entities are supposed to use the savings for a specific purpose.

However, the 340B program does not:

- ×Change a covered entity's reimbursement from payers
- ×Increase costs for payers (employers, public payers)
- ×Dictate a specific use for the savings

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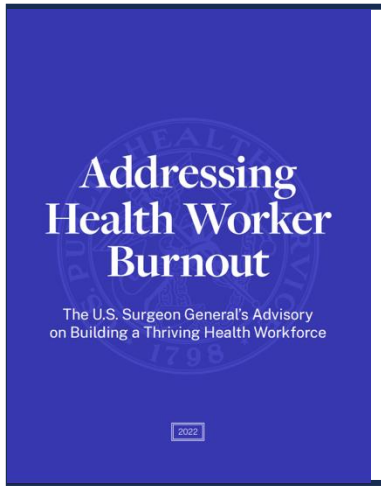
Model Act Would Duplicate Reporting

The Model Act would substantially increase 340B hospital reporting burden for unclear benefit given existing reporting specific to 340B, financial status and community benefit.

340B Reporting	Financial Reporting	Community Benefit
• Federal annual registration and recertification • Federal audits • Voluntary compliance with 340B Good Stewardship Principles (value of savings, use of savings, compliance with program rules)	• Audited financial statements (federal and, often, state) • Medicare cost reports	• IRS 990s • Medicare cost reports (S-10 worksheet) • Triennial community health needs assessments, incl. execution plans • In some states, licensure filings

Increased Reporting Comes At a Cost

Reporting is one of the biggest drivers of hospital staff and financial burden.



"Burnout among health workers has **harmful consequences for patient care and safety**, such as decreased time spent between provider and patient, increased medical errors and hospital-acquired infections among patients, and staffing shortages. In addition, health worker burnout can have **costly repercussions for the health care system**, with the best estimates linked to the costs of replacing staff.

→ **What governments can do:** Reduce administrative burdens contributing to health worker burnout."

"…administrative expenses account for approximately **15% to 25% of total national health care expenditures**…."

"…policy needs to **pay more attention to the administrative cost ramifications** of different actions."

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Sources: https://www.hhs.gov/surgeongeneral/reports-and-publications/health-worker-burnout/index.html and Administrative Expenses in the US Health Care System: Why So High? | Health Care Reform | JAMA | JAMA Network

Recommendations

The AHA recommends policymakers:

- Avoid duplicative reporting requirements to reduce burden on staff and hospital resources
- Look to existing reporting, especially audited financial statements, to understand the financial status of hospitals in your states when evaluating policy proposals
- Work with 340B covered entities in your state to assess how any potential changes to the program would impact access to care in your communities

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Be In Touch

Molly Smith
Group Vice President, Public Policy
American Hospital Association
mollysmith@aha.org

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