

The 340B Program

Mission drift in the 340B Program explained.

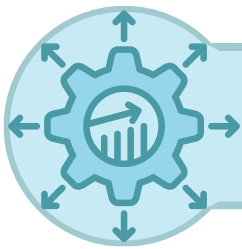


What is the 340B Program?



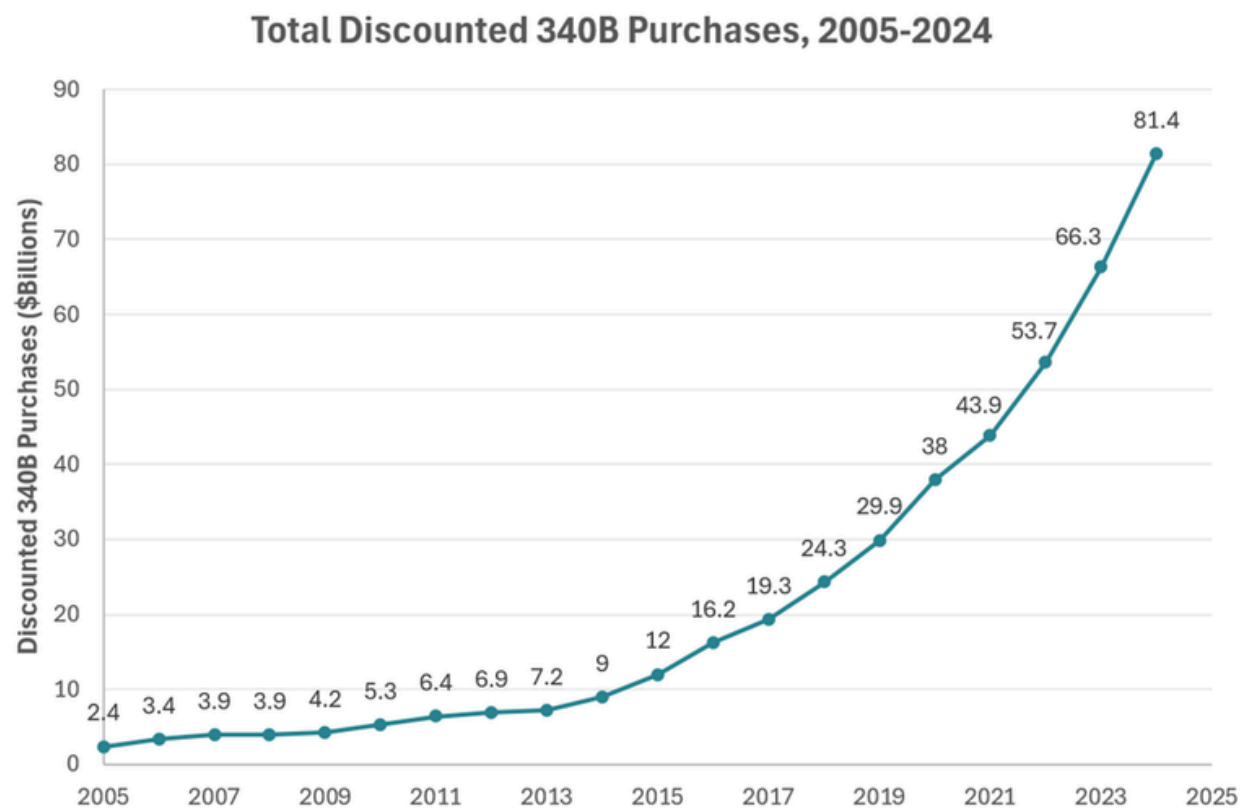
In 1992, Congress created the [340B program](#), requiring drug manufacturers participating in Medicaid to provide steep discounts for outpatient drugs to eligible safety-net providers, including certain hospitals and federally qualified health centers.

However, as the program has expanded rapidly in recent years, it has become a significant revenue source for participating hospitals, often at the [expense of other stakeholders](#).



340B's Rapid Expansion Over Recent Years

Total discounted 340B purchases grew from **\$2.4 billion** in 2005 to **\$81.4 billion** in 2024, reflecting an average annual growth rate of over **20%**.



60,000

the number of covered entities participating in the 340B program as of February 2025, a 600% increase since 2000.

44%

the proportion of all U.S. hospitals participating in the 340B program as of 2026.

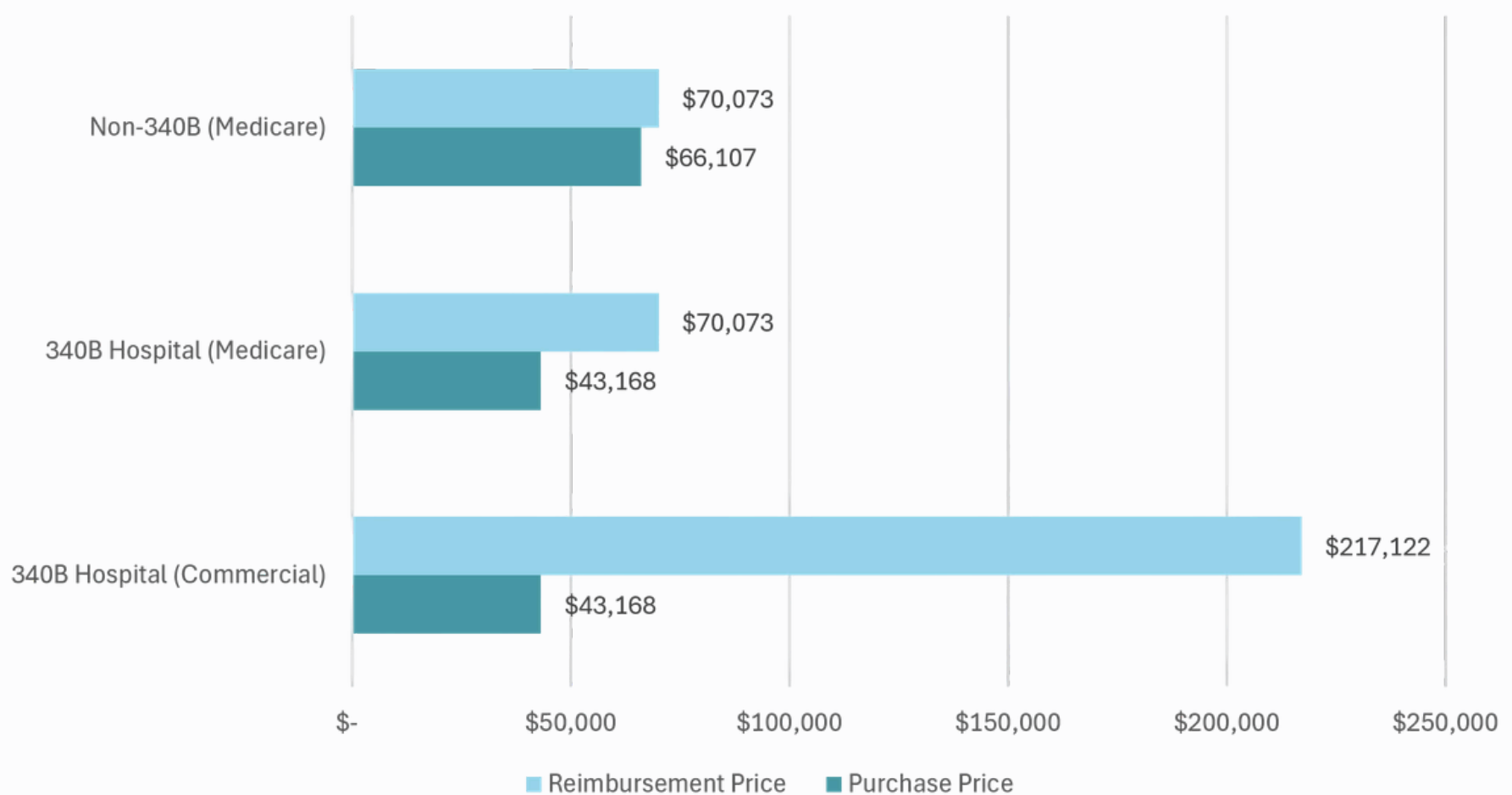


Misaligned Incentives

As the 340B program has expanded, its financial incentives may have become increasingly misaligned with its original safety-net mission.

Under current policy, covered entities can purchase drugs at **steep 340B discounts** while often receiving **standard reimbursement** from Medicare and commercial payers. Because the statute does not require entities to pass these savings directly to patients, the program can generate substantial spread revenue for participating hospitals, known as the 340B margin.

Herceptin Purchase vs. Reimbursement by Site (One Year of Therapy)



The margins for treating patients with Herceptin are substantially higher in 340B settings.

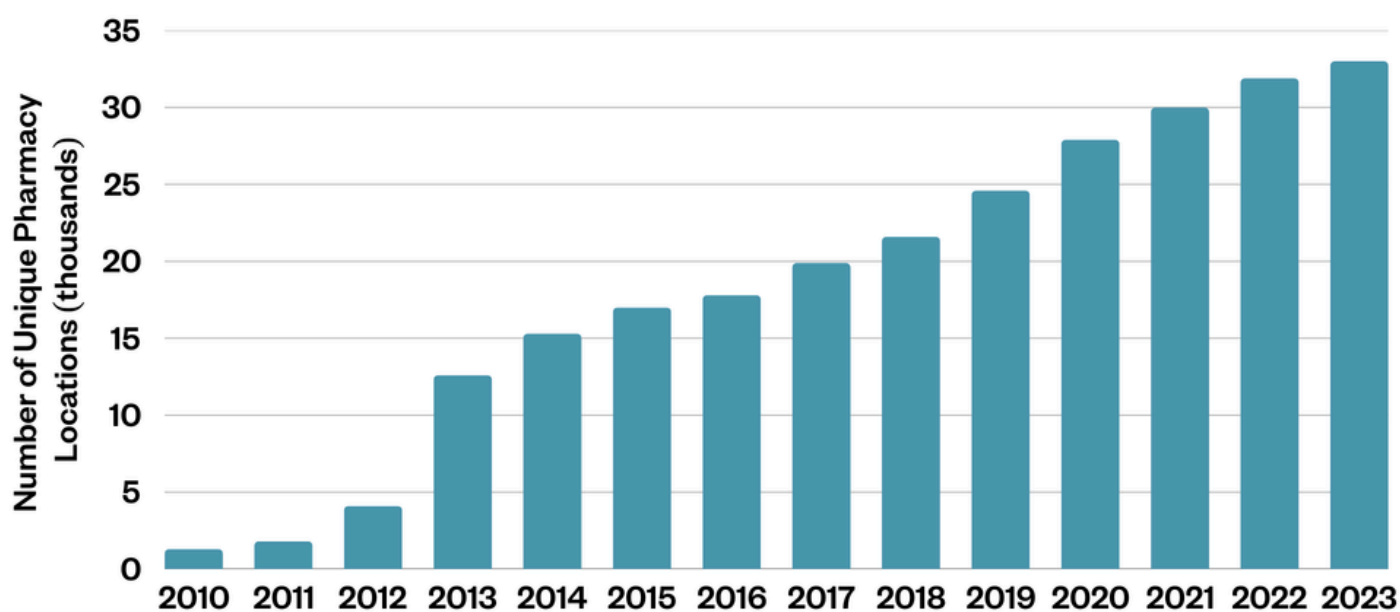
Compared with a non-340B Medicare margin of **~\$4,000**, margins rise to **~\$27,000** for Medicare patients and **~\$174,000** for commercially insured patients treated at 340B hospitals.

Contract Pharmacy Expansion and Neglected Low Income Communities



The rise of contract pharmacy arrangements with 340B-covered entities should lead to improved access to discounted prescription drugs for low-income patients. Instead, 340B prescription growth has been most noticeable in higher-income neighborhoods.

340B CONTRACT PHARMACY LOCATIONS, 2010 TO 2023



Between 2010 and 2023, the number of contract pharmacies increased by more than **25 times**, from 1,300 to 33,000.

Limited 340B Presence in Underserved Communities

A majority of 340B pharmacies are located outside of medically underserved areas. As of 2023, New York 340B hospitals have more than 6,000 contracts with pharmacies nationwide, just **24%** of those contract pharmacies are in medically underserved communities. Similarly, California's 340B Disproportionate Share Hospitals have more than **15,000** contract pharmacy partners as of 2022, yet only **11%** are in medically underserved areas.

