

THE 340B DRUG PRICING PROGRAM BY STATE: HOW COVERED ENTITIES ARE FAILING TO INVEST IN PATIENT CARE

ISSUE BRIEF

EXECUTIVE SUMMARY

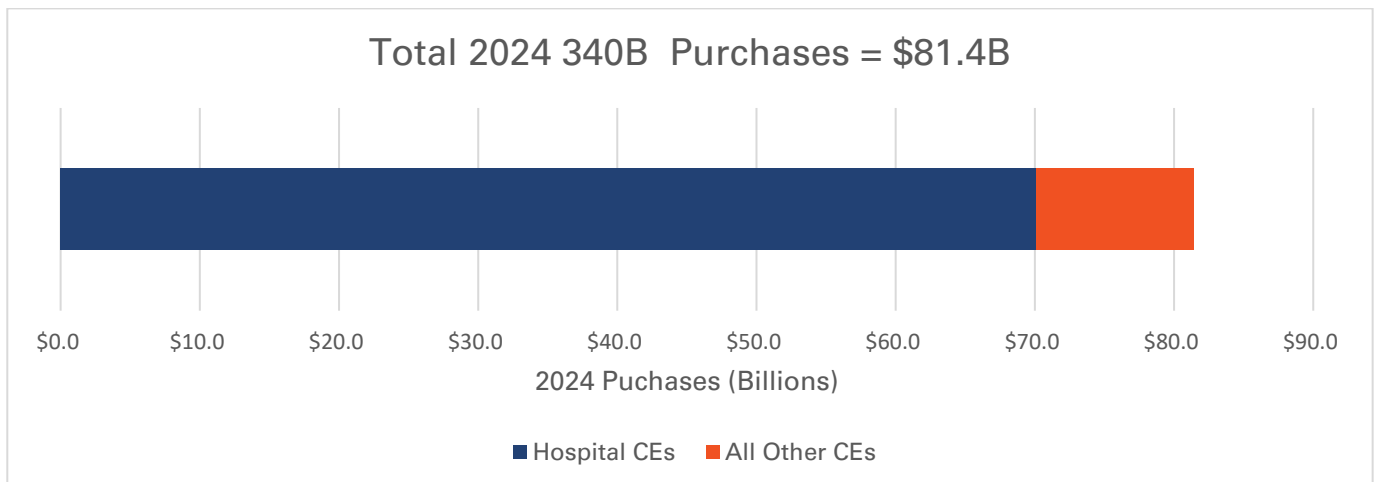
- The 340B program has grown exponentially with little benefit to vulnerable populations. The 340B program is the second-largest federal prescription drug program, second only to Medicare Part D, and is now larger than Part B, Medicaid, and TRICARE. ⁱ
- The number of sites eligible for 340B has dramatically increased since 2010 due to the Affordable Care Act's (ACA) expansion of the definition of "covered entity" and loose Health Resources and Services Administration (HRSA) guidance.
- Between 2014 and 2022, 340B hospitals' assets – defined as any resource with financial value that the hospital controls (e.g., cash, stock, bonds, etc.) – evaluated on a per-bed basis increased by an average of almost 40%.
- Over this same period, uncompensated care per bed provided by these hospitals decreased by nearly 15%, on average.

340B Introduction and Context

Since 1992, Section 340B of the Public Health Service Act has required drug manufacturers to provide discounted prices on outpatient drugs to eligible covered entities (CEs). The program was initially designed for a limited group of federal grantees—such as Federally Qualified Health Centers, Black Lung Clinics, Family Planning Clinics- and Disproportionate Share Hospitals (DSHs), which serve a disproportionate share of Medicaid and low-income Medicare patients. ^{ii iii} Through 340B, CEs are able to purchase medicines at a reduced price; in 2021, the average 340B price was 59% lower than the list price. ^{iv} CEs can then charge patients and insurers the full price, or much more, when dispensing the medicine, and keep the difference.

Purchases by 340B CEs now comprise more than 18% of US outpatient drug sales, growing from \$9B in 2014 to over \$81B in 2024. ^{v,vi,vii} Most 340B sales are to hospital CEs. (Figure 1). With a roughly 23% year-over-year increase in program sales, 340B is expected to surpass Medicare Part D as the largest government-run drug purchasing program in 2027. ^{viii}

Figure 1. 340B Purchases Exceeded \$81B in 2024.

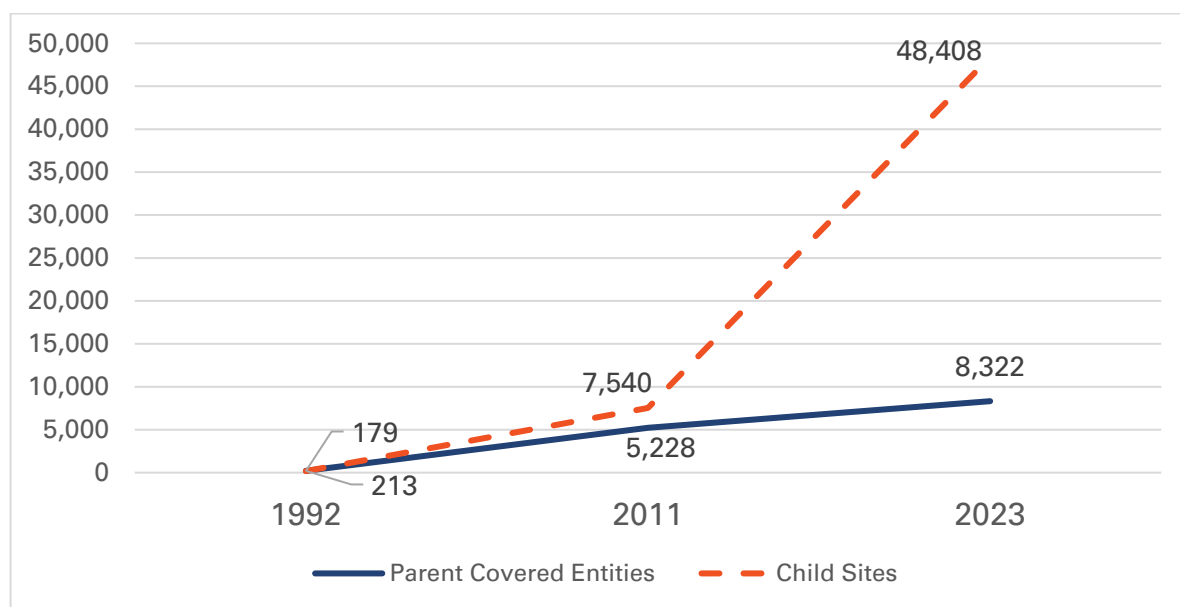


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Just 213 “parent” covered entities (31 hospitals and 182 grantees) initially qualified for the 340B program when it was established. Since then, multiple factors, including the passage of the Affordable Care Act and HRSA’s lax 340B guidance, have resulted in a significant expansion of program eligibility. Along with the growth in parent sites came an increase in the number of “child sites” – separate facilities affiliated with the parent site that are not required to qualify for the program independently, but nonetheless expand their distribution footprint. In 1992, there were only 179 child sites, but their total number now eclipses parent entities by almost six times, at 48,408. (Figure 2).

Figure 2. 340B Covered Entities and Child Sites Exploded between 1992 and 2023.



340B Intent vs Reality: Are Hospitals Using 340B Funds as Intended?

The 340B program requires manufacturers to provide discounted drugs to CEs. However, there are no federal requirements for CEs to reinvest these funds in services that improve care for vulnerable populations or to pass savings to patients or payers. In a recent report published by the Senate HELP committee, responding hospitals claimed, “Congress did not design the 340B program to provide direct savings to patients.” This lack of accountability means billions of dollars flow through the program without transparency or clear patient benefit, raising concerns about oversight and the impact on the health care system as a whole.

Magnolia Market Access assessed hospitals’ financial data to estimate how 340B hospitals in each state are utilizing their increased revenue from participation in the 340B program. Our findings suggest that:

- **Assets per bed increased for 340B hospitals in most states, while uncompensated care spending per bed decreased.** Between 2014 and 2022, overall 340B hospitals’ assets per bed increased 40%. Over this same period, uncompensated care spending per bed at these hospitals decreased by 15%. (Table 1).

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Table 1. Percent Change in Assets and Uncompensated Care per Bed from 2014 to 2022 by US State

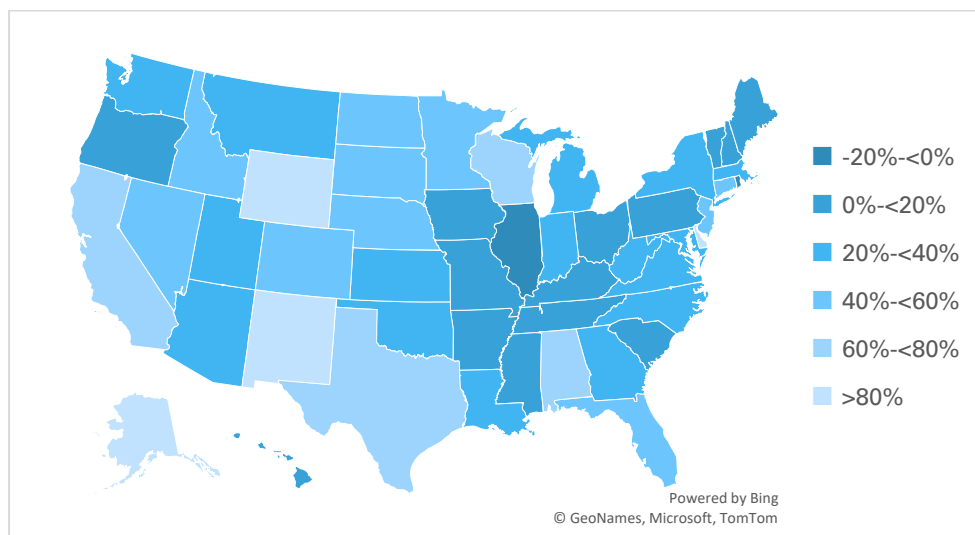
State	% Change Assets/Bed from 2014 to 2022	% Change Uncompensated Care/Bed from 2014 to 2022
AK	83.6%	-51.9%
AL	67.4%	22.6%
AR	4.5%	-22.6%
AZ	38.3%	-28.8%
CA	72.5%	-23.2%
CO	54.6%	-13.2%
CT	41.6%	5.7%
DC	190.2%	-56.2%
DE	89.6%	-46.4%
FL	57.2%	13.4%
GA	29.2%	6.2%
HI	16.4%	-61.8%
IA	16.6%	-25.5%
ID	47.7%	-15.8%
IL	-12.7%	-3.3%
IN	29.7%	-20.1%
KS	27.3%	36.8%
KY	11.8%	-25.5%
LA	22.5%	-41.0%
MA	31.8%	3.5%
MD	30.8%	-51.4%
ME	18.5%	29.5%
MI	29.6%	-26.4%
MN	48.0%	2.4%
MO	5.8%	-12.5%
MS	7.9%	-17.0%
MT	33.0%	-27.4%
NC	20.1%	11.0%
ND	55.0%	-36.0%
NE	53.9%	20.9%
NH	1.7%	-30.5%
NJ	45.2%	-32.2%
NM	110.2%	-28.9%
NV	47.8%	-10.3%
NY	37.9%	-28.9%
OH	7.2%	-18.6%
OK	21.7%	18.9%
OR	17.0%	-27.3%
PA	19.6%	-25.3%
RI	-9.1%	-25.6%
SC	18.7%	-7.5%
SD	53.3%	22.6%
TN	5.3%	-0.6%
TX	60.5%	-14.7%
UT	39.4%	-8.5%
VA	39.1%	-35.6%
VT	18.5%	26.9%
WA	24.6%	-12.5%
WI	65.2%	-6.4%
WV	22.6%	-0.1%
WY	82.3%	8.1%
Average	38.4%	-13.6%

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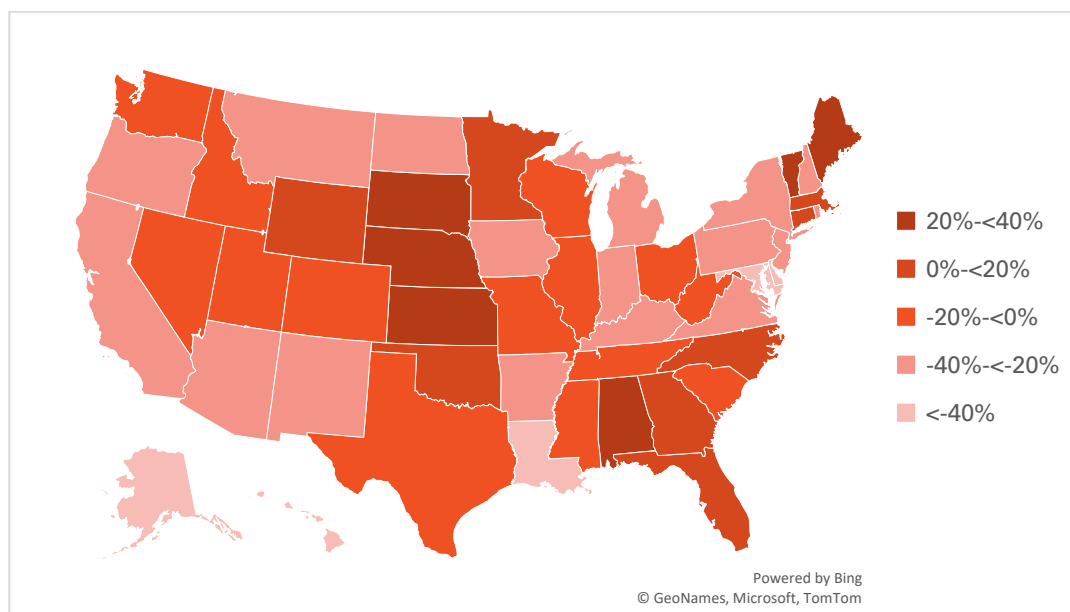
- **Assets per bed increased in 48 states and the District of Columbia (DC) between 2014 and 2022.** The increase in assets per bed ranged from 1.7% in NH to greater than 190% in DC. Just two states, IL and RI, experienced a modest decrease in assets per bed. (Map1).

Map 1. Percent Change in Assets per Bed by State Among 340B Hospital CEs from 2014 – 2022.



- **Uncompensated care spending per bed decreased in 36 states and DC.** This decrease ranged from less than 1% in West Virginia to approximately 62% in Hawaii (Map 2). For the 14 states with an increase in spending per bed on uncompensated care, the range was 3.5% to 36.8%. (Map 2).

Map 2. Percent Change in Uncompensated Care per Bed by State Among 340B CEs from 2014 – 2022.



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Conclusion and Policy Implications

Despite 340B providing discounted drugs to eligible hospitals to ensure access to care for vulnerable patient populations, 340B hospitals in most states are experiencing significantly more growth in assets than spending on uncompensated care, on a per bed basis. State policymakers should work with Congress and the Administration to reconsider the rules governing the program to ensure 340B revenue is being used appropriately.

Policymakers should work to ensure that 340B hospitals use the tens of billions of dollars they generate from the program to expand uncompensated care, rather than just expanding their bank accounts.

Methodology

340B Office of Pharmacy Affairs Information System (OPAIS) – Covered Entities database and National Academy for State Health Policy (NASHP) Hospital Cost Tool (HCT) of Medicare Cost Reports data were used to identify 340B CEs, assess hospital characteristics, including investments, hospital assets, uncompensated care, and charity care by hospital bed. Assets and uncompensated care per bed were calculated and aggregated at the state level for both 2014 and 2022. The percent change between these years was then determined for each metric.

ⁱ Blalock E. Measuring the relative size of the 340B program. May 2024. https://media.thinkbrg.com/wp-content/uploads/2024/05/13163125/340BProgram_Relative_Size_WP_2022Update.pdf

ⁱⁱ U.S. Government Publishing Office. 42 U.S. Code § 256b - Public Health Service Act; Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). Govinfo.gov. Published 2010. <https://www.govinfo.gov/content/pkg/USCODE-2010-title42/html/USCODE-2010-title42-chap6A-subchap11-partD-subpartvii-sec256b.htm>

ⁱⁱⁱ U.S. Government Publishing Office. 42 U.S. Code § 256b - Public Health Service Act; Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). Govinfo.gov. Published 2010. <https://www.govinfo.gov/content/pkg/USCODE-2010-title42/html/USCODE-2010-title42-chap6A-subchap11-partD-subpartvii-sec256b.htm>

^{iv} BRG (Bates White, LLC). *340B Program at a Glance - 2022*. Published December 2022. https://media.thinkbrg.com/wp-content/uploads/2022/12/06082105/340B-Program-at-a-Glance-2022_clean.pdf

^v A. Fein. "Exclusive: The 340B Program Soared to \$38 Billion in 2020—Up 27% vs. 2019." Drug Channels. June 17, 2021. Available at: <https://www.drugchannels.net/2021/06/exclusive-340b-program-soaredto-38.html>

^{vi} BRG (Bates White, LLC). *340B Program at a Glance - 2022*. Published December 2022. https://media.thinkbrg.com/wp-content/uploads/2022/12/06082105/340B-Program-at-a-Glance-2022_clean.pdf

^{vii} Health Resources and Services Administration. *340B Covered Entity Purchases*. HRSA.gov. Updated 2025. <https://www.hrsa.gov/opa/updates/2024-340b-covered-entity-purchases>

^{viii} BRG (Bates White, LLC). *340B Program at a Glance - 2022*.



This analysis and issue brief were sponsored by [HEAL Collaborative](#).