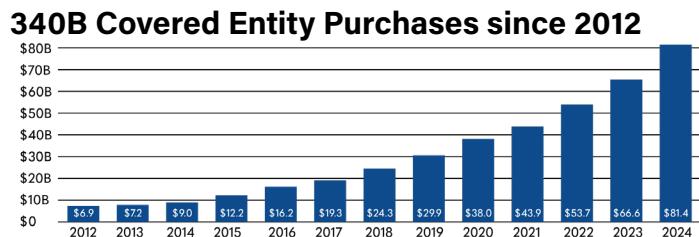


# **Michiganders Deserve 340B Transparency and Accountability**

**Michigan legislation would raise costs for government programs, payors, and patients.**



In Michigan, large tax-exempt hospitals, pharmacy benefit managers (PBMs), and retail pharmacies increasingly use the program to pad their bottom lines. They profit by getting huge 340B discounts on drugs and selling them at full price at the expense of Medicaid, employers, public employees, and taxpayers with little evidence that patients benefit.<sup>1</sup>



## \$ 340B Drives Higher Costs for Michiganders

The Congressional Budget Office (CBO) found that 340B "encourages behaviors that tend to increase federal spending." It leads to higher costs for Michigan employers, patients, and taxpayers because they don't get other discounts that would benefit them directly, and because PBMs push drugs that increase 340B profits.<sup>2</sup>

**\$391**

340B hospital and grantee participation between 2014 and 2021 increased overall Medicaid spending by \$391 per enrollee.<sup>3</sup>

**\$36B**

Increased prices on 340B drugs leads to \$36 billion a year in extra hospital spending by employers.<sup>4</sup>

**\$272M**

IQVIA reports that the 340B Program costs Michigan employers \$272 million and state and local governments \$86 million in lost rebates each year.<sup>5</sup>

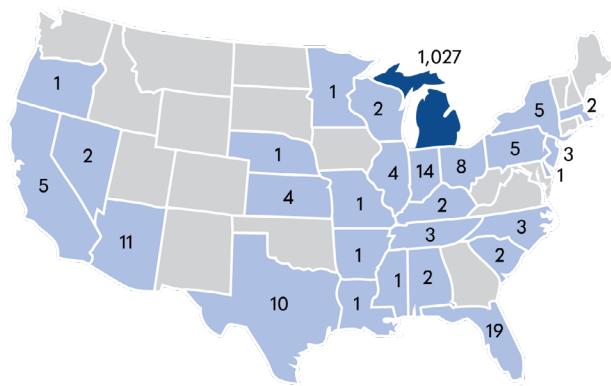


## Hospitals Rake in Revenue from 340B – While Failing to Provide Charity Care to Patients

- Michigan 340B hospitals provide charity care at a rate of only 0.75%, below the national average of 2.15%.<sup>6</sup>
  - Meanwhile, hospital CEOs earn millions of dollars each year. For example, the President and CEO of McLaren Health made more than \$11 million in 2024.<sup>7</sup> The President and CEO of Henry Ford Health made more than \$7 million in 2024.<sup>8</sup> The President of Corewell Health made more than \$5 million in 2024.<sup>9</sup>
  - Henry Ford Health is redeveloping its Detroit campus, a project which has a budget of nearly \$5 billion. HFH acquired eight hospitals from Ascension Health in 2024, per Crain's Detroit.<sup>10</sup>

## Michigan Contract Pharmacies: Where Are They?<sup>11</sup>

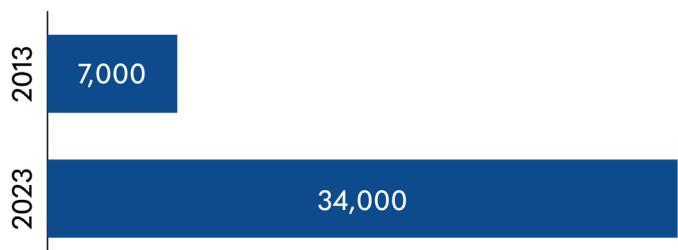
In Michigan, 59% of contract pharmacies intended to serve poor patients are in affluent neighborhoods. In fact, 10% of contract pharmacies registered with covered entities in Michigan are located outside of the state.<sup>12</sup> This drives profit for out-of-state PBMs, which own a large share of 340B contract pharmacies.



## 340B Hospitals Place Child Sites in Healthier, Wealthier Communities

Large hospital systems are placing 340B child sites - or clinics, infusion centers, and other outpatient treatment centers, and contract pharmacies, or offsite pharmacy locations - in healthier, wealthier, and better insured communities.<sup>13</sup> The massive growth of the program and these entities, including an increase from 7,000 child sites in 2013 to 34,000 in 2023 has allowed hospitals to capture massive profits from wealthier, healthier patients while disadvantaging those in low-income, underinsured communities.<sup>14</sup>

### Growth in 340B Child Sites 2013-2023<sup>15</sup>



## Independent Providers Struggle While Large Hospital Systems Consolidate and Profit

340B incentivizes hospitals to buy up independent practices, turn them into 340B child sites, and benefit from 340B pricing on drugs. When that happens, patients have fewer independent, community-based options for personalized, relationship-based care.<sup>16</sup> It also drives consolidation, offering patients fewer choices. This drives consolidation, reducing patient choices while driving up costs.

## Large Hospital Systems Derive More Profit from 340B than Federally Qualified Health Centers

- The problems with a lack of transparency and consolidation in the 340B Program largely involve disproportionate-share hospitals (DSH), or hospitals that serve a certain percentage of low-income patients. In 2023, DSH hospitals accounted for \$42 billion, or 78%, of 340B Program sales<sup>17</sup>
- Estimates suggest that 85% of DSH hospitals earned more in 340B profit than they incurred in charity care costs.<sup>18</sup> In contrast, federally qualified health centers (FQHCs), or hospitals that are granted federal funds to provide care to underinsured patients in underserved areas, more frequently pass on discounts to patients.

**Michigan lawmakers should reject legislation that reinforces the flaws of a broken program that raises costs for Medicaid and patients, employers, unions, public employees, and taxpayers.**

Instead, lawmakers should demand transparency, prevent duplicate discounts, protect independent providers, and ensure the program benefits patients, not large hospitals, PBMs, and retail pharmacy chains.

1. [IQVIA: Are Discounts in the 340B Drug Discount Program Being Shared with Patients at Contract Pharmacies?](#)
2. [Congressional Budget Office: Growth in the 340B Drug Pricing Program](#)
3. [Health Capital Group: The 340B Drug Purchasing Program and Per-Enrollee Medicaid Costs](#)
4. [National Alliance of Healthcare Purchasers Coalition: The 340B Premium](#)
5. [IQVIA: The Cost of 340B to Michigan](#)
6. [Pioneer Institute: 340B in Michigan](#)
7. [ProPublica: McLaren Health Care Corporation Tax Form 990 - 2024](#)
8. [ProPublica: Henry Ford Health System Tax Form 990 - 2024](#)
9. [ProPublica: Corewell Health Tax Form 990 - 2024](#)
10. [Crain's Detroit Business: Michigan's hospital executives are earning more as health systems consolidate](#)
11. [Pioneer Institute: Growth of the 340B Program](#)
12. [Pioneer Institute: 340B in Michigan](#)
13. [Health Affairs Scholar: Income, Health, and Racial Gaps Between 340B Hospitals, Child Sites, and Nearby Neighborhoods](#)
14. [Health Affairs Scholar: Income, Health, and Racial Gaps Between 340B Hospitals, Child Sites, and Nearby Neighborhoods](#)
15. [Health Affairs Scholar: Income, Health, and Racial Gaps Between 340B Hospitals, Child Sites, and Nearby Neighborhoods](#)
16. [Congressional Budget Office: Growth in the 340B Drug Pricing Program](#)
17. [AIR340B: DSH Hospitals' 340B Profit Often Exceeds Charity Care Spending](#)
18. [AIR340B: DSH Hospitals' 340B Profit Often Exceeds Charity Care Spending](#)