

# Washingtonians Deserve 340B Transparency and Accountability

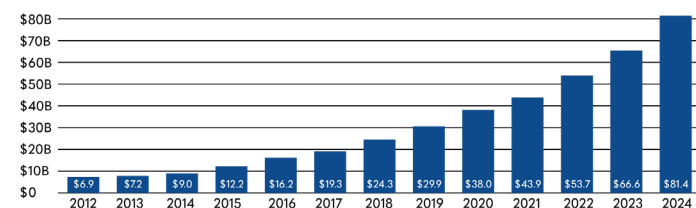
Washington state legislation would raise costs for government programs, payors, and patients.



In Washington state, 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, unions, public employees, and taxpayers with little evidence that patients benefit.<sup>1</sup>

## 340B Covered Entity Purchases since 2012



Source: [Health Resources & Services Administration: 2024 340B Covered Entity Purchases](#)

## \$↑ 340B Drives Higher Costs for Washingtonians

The Congressional Budget Office (CBO) found 340B “encourages behaviors that tend to increase federal spending.” It leads to higher costs for Washington state employers, unions, 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>

### \$218M

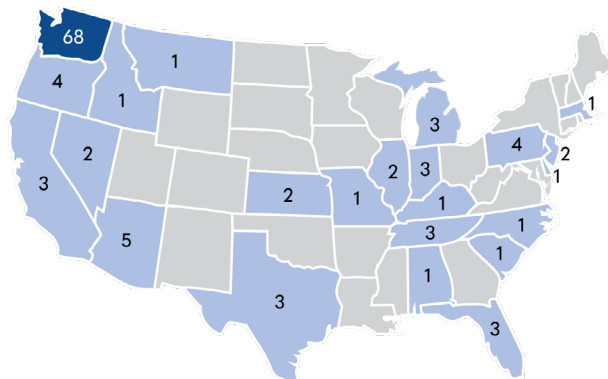
IQVIA reports that the 340B Program costs Washington state employers \$218 million and state and local governments \$37 million in lost rebates each year.<sup>5</sup>

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

- Washington state 340B hospitals earn almost three times as much in profits from 340B than they spend on charity care.<sup>6</sup>
- Meanwhile, five hospital CEOs earned more than \$1.5 million in 2022<sup>7</sup>, and the top 15 hospital executives in the state collectively earned more than \$42 million.<sup>8</sup>

## + UW Medical Center Contract Pharmacies: Where Are They?<sup>9</sup>

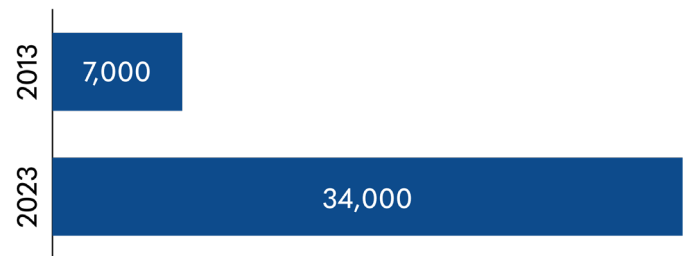
In Washington state, 47% of contract pharmacies intended to serve poor patients are in affluent neighborhoods. For UW Medical Center that number is 42%. In fact, 25% of contract pharmacies registered with covered entities in Washington state are located outside of the state.<sup>10</sup> This drives 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 able to place 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>12</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>13</sup>

### Growth in 340B Child Sites 2013-2023<sup>11</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>14</sup> It also drives consolidation, reducing patient choice while driving up costs.



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

- Disproportionate-share hospitals (DSH) which serve a certain percentage of low-income patients accounted for 78% of 340B Program sales in 2023.<sup>15</sup> 85% of DSH hospitals earned more in 340B profit than they incurred in charity care costs.<sup>16</sup>
- In contrast, federally qualified health centers (FQHCs) more frequently pass on discounts to patients. For example, Yakima Valley Farm Workers Clinic, an FQHC in Yakima, was found by the Senate HELP Committee to provide "significant discounts to patients on 340B drugs."<sup>17</sup>

**Washington state lawmakers should not reinforce 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.

- [IQVIA: Are Discounts in the 340B Drug Discount Program Being Shared with Patients at Contract Pharmacies?](#)
- [Congressional Budget Office: Growth in the 340B Drug Pricing Program](#)
- [Health Capital Group: The 340B Drug Purchasing Program and Per-Enrollee Medicaid Costs](#)
- [National Alliance of Healthcare Purchasers Coalition: The 340B Premium](#)
- [IQVIA: The Cost of 340B to Washington](#)
- [AIR340B: Are Washington's 340B Hospitals Putting Profits Over Patients?](#)
- [Puget Sound Business Journal: What Do Washington's Top Healthcare Executives Earn?](#)
- [Puget Sound Business Journal: What Do Washington's Top Healthcare Executives Earn?](#)
- [Pioneer Institute: Growth of the 340B Program](#)
- [Pioneer Institute: 340B in Washington](#)

- [Health Affairs Scholar: Income, Health, and Racial Gaps Between 340B Hospitals, Child Sites, and Nearby Neighborhoods](#)
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- [Congressional Budget Office: Growth in the 340B Drug Pricing Program](#)
- [AIR340B: DSH Hospitals' 340B Profit Often Exceeds Charity Care Spending](#)
- [AIR340B: DSH Hospitals' 340B Profit Often Exceeds Charity Care Spending](#)
- [Senate HELP Majority Staff Report: Congress Must Act to Bring Needed Reforms to the 340B Drug Pricing Program](#)