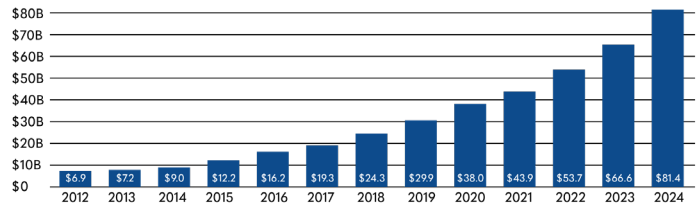
Massachusettsans Deserve 340B Transparency and Accountability

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

In Massachusetts 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.[1]

340B Covered Entity Purchases since 2012



Source: Health Resources & Services Administration: 2024 340B Covered Entity Purchases

340B Drives Higher Costs for Massachusettsans

The Congressional Budget Office (CBO) found that 340B "encourages behaviors that tend to increase federal spending." It leads to higher costs for Massachusetts 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.[2]

$391

340B hospital and grantee participation between 2014 and 2021 increased overall Medicaid spending by $391 per enrollee.[3]

$36B

Increased prices on 340B drugs leads to $36 billion a year in extra hospital spending by employers.[4]

$240M

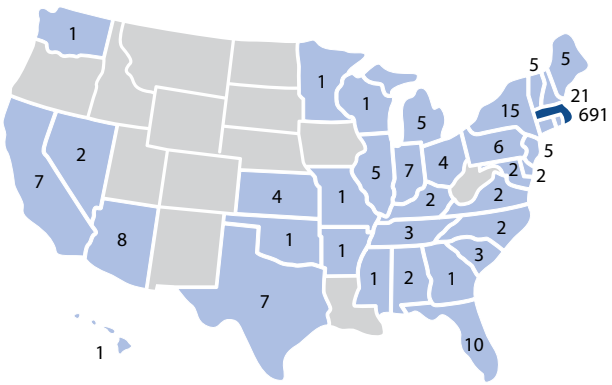
IQVIA reports that the 340B Program costs Massachusetts employers $240 million and state and local governments $33 million in lost rebates each year.[5]

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

- Massachusetts 340B hospitals earned more than 5 times as much in profits from the 340B Program than they spent on charity care.[6] Meanwhile, underinsured patients are often not offered charity care because they are redirected into 340B channels.
- Massachusetts 340B hospitals provide charity care at a rate of only 0.88%, below the national average of 2.15%.[7]

Massachusetts Contract Pharmacies: Where Are They?[8]

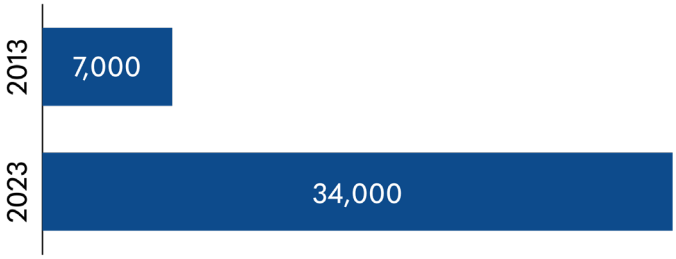
In Massachusetts, 64% of contract pharmacies intended to serve poor patients are in affluent neighborhoods. In fact, 22% of contract pharmacies registered with covered entities in Massachusetts are located outside of the state.[9] This drives profit for out-of-state PBMs, which own a large share of 340B 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.[10] 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.[11]

Growth in 340B Child Sites 2013-2023[12]



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.[13] 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.[14]

Estimates suggest that 85% of DSH hospitals earned more in 340B profit than they incurred in charity care costs.[15] 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.

Massachusetts 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.

IInstead, 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 Massachusetts
6. AIR340B: Are Massachusetts' 340B Hospitals Putting Profits Over Patients?
7. Pioneer Institute: 340B in Massachusetts
8. Pioneer Institute: Growth of the 340B Program
9. Pioneer Institute: 340B in Massachusetts
10. Health Affairs Scholar: Income, Health, and Racial Gaps Between 340B Hospitals, Child Sites, and Nearby Neighborhoods
11. Health Affairs Scholar: Income, Health, and Racial Gaps Between 340B Hospitals, Child Sites, and Nearby Neighborhoods
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13. Congressional Budget Office: Growth in the 340B Drug Pricing Program
14. AIR340B: DSH Hospitals' 340B Profit Often Exceeds Charity Care Spending
15. AIR340B: DSH Hospitals' 340B Profit Often Exceeds Charity Care Spending