340B: The Hospital Markup Program

Big, tax-exempt hospitals and clinics are abusing a little-known federal program to **charge huge markups on medicines – sometimes up to 7x or more – to boost their profits,** while they pass the bill to patients, taxpayers and employers through higher drug costs. They get away with this by exploiting, sometimes illegally, the 340B hospital markup program.

Congress created 340B in 1992 to help patients access more affordable medicines. Today, the program has become less about low-income patients and more about boosting the bottom lines of large hospital systems and for-profit pharmacies.

How does 340B work? Expectation vs. reality:

The 340B program allows hospitals to buy medicines at steeply discounted prices and charge patients whatever they want. The expectation is that hospitals' savings on medicines will help uninsured and low-income patients afford the care they need, but this rarely happens.

Instead, 340B has strayed far from its safety net purpose to become a profit engine for hospitals, PBMs, private equity firms and big chain pharmacies. **These entities exploit loopholes to maximize profits. For patients, taxpayers and employers, it's a hidden tax.**

By the numbers:

$64 billion[i]

Profits from 340B markups, now accounting for 10% of all brand medicine spending and growing unchecked

$6.6 billion[ii]

Higher employer health care costs from lost rebates on 340B prescriptions in 2023

94,000+[iii]

Contracts between 340B providers and pharmacies with financial ties to one of the three largest PBMs

$1.8 billion[iv]

State and federal tax revenue lost due to 340B in 2021

200%[v]

The average cost per prescription for commercially insured patients is nearly 200% higher at 340B hospitals than at non-340B hospitals

Zero

Meaningful 340B reporting requirements to ensure the program is working as it should

Learn more at PhRMA.org/340B

i. Berkeley Research Group, "The Pharmaceutical Supply Chain, 2013–2023," 2025
ii. IQVIA, "The Cost of the 340B Program to States," 2025
iii. 340B Industry Roundtable, "For-Profit Pharmacy Participation in the 340B Program: 2025 Update," January 2025
iv. Magnolia Market Access, "How The 340B Program Impacts Federal & State Tax Liability" January 2025
v. Milliman, "Analysis of commercial and Medicare outpatient drug spend at 340B participating hospitals," August 2025

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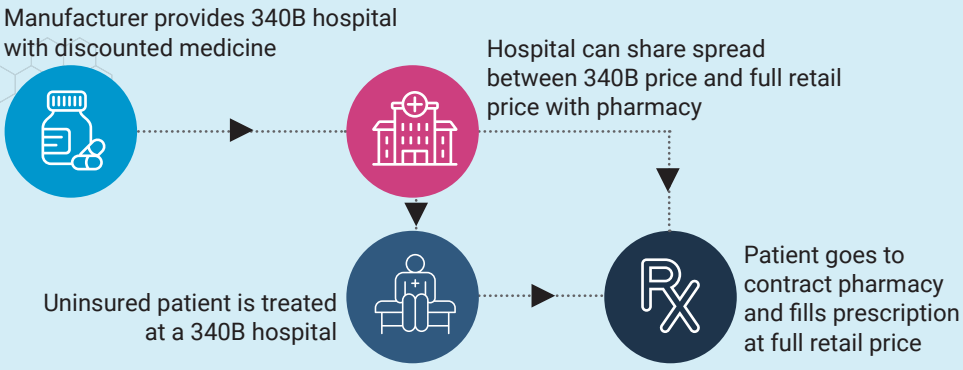
See it in practice – here's an example of how hospitals are siphoning off 340B profit

When 340B discounted medicines are shipped to contract pharmacies, the hospital and pharmacy profit while the patient may see no direct benefit from the 340B discount.



(Retail Prescription Medicine for Uninsured Patient)

Example assuming $100 medicine with 50% discount:

-$50	Discounted 340B purchase price paid by hospital
+$100	Full retail price paid by uninsured patient
$50	Profit for 340B hospital, which is shared with contract pharmacy

How are profits used?

Fixing 340B

If the money isn't going to help patients, where is it going? Policymakers need to hold 340B hospitals and clinics accountable for their greedy behavior. Congress should fix 340B and:

Ensure benefits reach low-income patients. All hospitals in the program and their contract pharmacies should be required to pass through 340B savings to reduce the cost of medicines for low-income and uninsured patients. Congress needs to clarify who is an eligible "patient" to help ensure the benefits of 340B are reaching those most in need.

Confirm true safety-net participation. Many hospital participants are not located in medically underserved communities, provide very little charity care and, alarmingly, engage in aggressive debt collection practices aimed at patients who are least able to afford care. Congress needs to ensure that only true safety-net entities are participating in 340B and require 340B hospitals to provide meaningful levels of charity care to uninsured and low-income patients.

Strengthen accountability measures. This includes requiring hospitals to publicly report basic information. Creating a neutral, third-party clearinghouse for claims-level data will help ensure 340B prices are being properly claimed by hospitals and clinics, and that all participants are complying with key program safeguards. Congress should also clarify that 340B is a federal program governed by the federal government exclusively.

340B medicine markups are a hidden tax on patients, employers and taxpayers. Where's the money going? **Congress should fix 340B.**