340B: Big, Tax-exempt Hospitals are Pocketing Billions by Exploiting a Federal Safety-Net Program at the Expense of Taxpayers

The 340B Hospital Markup Program has become a multi-billion-dollar profit center for large, tax-exempt hospitals, clinics, PBMs and for-profit pharmacies

The 340B Hospital Markup Program

340B was never intended to function as a big hospital profit center the way it does today. In 1992, Congress established the 340B program to help lower medicine costs for providers serving low income and uninsured patients. But according to the Congressional Budget Office, the program is now driving up costs for taxpayers and the government.

Hospitals and clinics are taking advantage of the program's lax rules and lack of transparency, buying medicines at deep discounts, charging patients, employers and the government the full price or more, and pocketing the difference. **This program has morphed into a massive hospital markup program, boosting big hospital systems' bottom lines while patients, taxpayers, and employers foot the bill.**

Private Equity's New Play? Become a Nonprofit to Profit off of 340B

A private equity-backed hospital chain is transforming into a nonprofit to tap into the unchecked profits generated from the 340B hospital markup program. When private equity-owned hospitals are incentivized to convert to a nonprofit to access 340B revenue, it's clear: The program has become a financial strategy for hospitals to line their pockets.

Fraud and Abuse

What was originally a small federal program has ballooned into the second-largest federal drug program without evidence that patients benefit. The reason? Fraud and abuse by tax-exempt hospitals, clinics and for-profit partners.

Abusive Markups:

- **1,000%+** hospital markups on some medicines in the commercial market
- **$20 billion** increased costs to Medicaid and Medicare due to lost rebates on 340B priced medicines in one year
- **$13,617** per claim average on markups for cancer drugs paid for by North Carolina for its employees

Extraneous Spending:

- There are no requirements for 340B hospitals to use program profits to benefit patients, and there is minimal program oversight. This means that despite massive profits going to 340B hospitals, their patients rarely see lower costs on their drugs. **Meanwhile, hospitals spend revenue on:**

Michelin Star Chefs

Stadium Naming Rights

Drives Consolidation:

- 340B is a major force driving hospital systems to buy other hospitals and physicians offices, creating a ripple effect that reduces the number of physician practices in an area, limiting competition and pushing patients into more expensive care settings.
- Covered entities contract with unlimited number of pharmacies to dispense 340B priced medicines, which has rapidly expanded the program and exponentially increased the opportunity for fraud and abuse.
- Five for-profit companies — CVS Health, Walgreens, Walmart, Cigna and UnitedHealth Group — control 77% of all 340B contract pharmacy relationships, further rewarding vertically integrated pharmacy and PBM giants as the program grows.

Increased Scrutiny on 340B

340B abuse is gaining the attention of policymakers and the media:

WSJ Editorial The great 340B healthcare grift

Fox Business Federal drug program ROCKED by fraud and abuse allegations

New York Times This is the biggest culprit for high health care spending

WaPo Editorial How corporate welfare for hospitals is raising health care costs

Senate HELP Committee Congress must act to bring needed reforms to the 340B drug pricing program

North Carolina Treasurer 340B hospitals overcharged state employees for cancer drugs, reaped thousands of dollars in profits per claim

Congressional Budget Office Growth in the 340B drug pricing program

Breitbart Medicare fraud, kickbacks rampant at 340B hospitals

New York Times How a company makes millions off a hospital program meant to help the poor

Washington Post This $1.3 trillion industry deserves to be taxed

340B by the Numbers

340B purchases reached **$100 billion** in 2025, more than double the amount purchased through the program in 2021

Employers spend an **extra $36 billion** per year due to 340B

340B costs Medicare Part D and Medicaid **$20 billion each year** due to lost rebates

Only 0.3% of entities participating in 340B are audited each year

$64.4 billion: How much big hospitals, clinics and their for-profit partners made off of the 340B program in 2023

Contract pharmacies make an average **profit of 72%** on 340B purchased drugs

Medicare pays **nearly 200% more** for drugs at 340B hospitals compared to non-340B hospitals

340B Costs Americans Billions Every Year

If the administration and policymakers are serious about lowering costs for American taxpayers by cutting out fraud and abuse in our health care system, they must reform the 340B Hospital Markup Program.

We can return billions of wasted dollars back to taxpayers, employers and patients, but only if we reform the 340B program at the federal level. It's time for hospitals, clinics and their third-party middlemen to be held accountable for the costs they impose on the rest of the health care system.

Learn more at PhRMA.org/340B

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