

A Closer Look at 340B in Your Community

Under the federal 340B program, manufacturers reduce prices of outpatient medicines by tens of billions of dollars each year for safety-net clinics and qualifying non-profit hospitals (“covered entities”). The expectation is that those entities use the profit they generate from the program to help vulnerable patients access more affordable medicines, but a lack of transparency and oversight has led to abuse of the 340B program.

Today, the 340B program is broken. 340B has become less about patients and more about boosting the bottom lines of hospitals and middlemen through excessive markups and extensive networks of contract pharmacies. After a decade of more than 20% annual growth, 340B sales at the discounted prices totaled \$81 billion in 2024.

Here’s what the program looks like in **South Dakota**



Fast Facts: 340B in South Dakota

- 42 hospitals participate in 340B.
- Since 2015, the government has only conducted 15 audits of covered entities (CEs) in the state, with 6 returning adverse findings like illegal distribution of 340B purchased drugs.
- There are currently 601 arrangements between for-profit contract pharmacies and 340B CEs. 280 are with pharmacies outside the state.

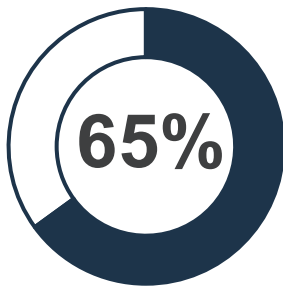


Are South Dakota 340B hospitals providing adequate charity care?

- Charity care is free or reduced-cost care provided to qualifying patients.
- Charity care, on average, accounts for **just 1.8%** of total operating costs at 340B hospitals in the state, with 81% falling *below* the national average of all hospitals (2.5%).
- From 2014 to 2022, these 340B hospitals saw assets increase by 53%, more than twice the growth rate of uncompensated care.

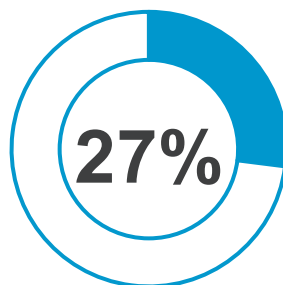
Employers in South Dakota pay an estimated \$57M more in health care costs due to foregone rebates (which reduce the price of medicine) as a result of the 340B program. State and local governments similarly lose \$13.1M in lost rebates.

340B hospitals and their middlemen partners prioritize wealthy areas where they can maximize profit, rather than underserved areas 340B was meant to serve.



Of the 110 340B in-state contract pharmacy locations, just 65% are in rural areas, despite 86% of the state’s zip codes being considered rural.

Only 27% of 340B in-state contract pharmacy locations are in zip codes with an average household income lower than the state median (\$79,850).



What is the deal with 340B contract pharmacies?

- **LOST REBATES:** Proposed contract pharmacy legislation in South Dakota is estimated to increase health care costs for employers and state and local governments by \$26.8M due to additional foregone rebates.
- **UNCONSTRAINED GROWTH:** Contract pharmacy arrangements increased 12,000% since the government expanded their use in 2010, with 69% of arrangements now with one of the three largest pharmacy benefit managers.
- **RISK TO ACCESS:** As 340B hospitals drive business to their contract pharmacies (~70% are large chains), independent pharmacies struggle to stay open, putting patient access to care at risk.