New Study: 340B Rebate Model Pilot Wouldn't Have Hurt Cash Flow for Providers

New IQVIA analysis confirms that under the rebate model pilot announced last year but suspended by court order before launch (Pilot Program) would have given 340B hospitals and clinics no reason to worry about cash flow. The data shows the Pilot Program wouldn't have financially strained providers, debunking alarmist claims from big hospitals and clinics and their for-profit partners who oppose it.

It's also worth noting that the Pilot Program would have applied to only ten drugs, which make up only 2% of the entire $81 billion program purchases, according to the Health Resources and Services Administration (which runs the 340B program).

What you need to know about how the Pilot Program would have worked:

- **Cash flow would have remained largely unchanged.** Under the Pilot Program, providers would have paid less than 0.2% of the medicine's list price in annual financing costs, even with conservative assumptions. On average, this means that providers' financing costs would not have gone up due to the Pilot Program, and in many cases would have decreased.
- **Payment timing protects providers.** Providers typically have 30 days to pay their wholesalers. The Pilot Program would have required manufacturers to pay rebates within 10 days of submission of a valid rebate claim, meaning these providers typically would have received rebates before their invoices are due.
- **No operational delay.** Claims that products would have been sitting on the shelf while waiting for payment are unfounded. Under the Pilot Program, a hospital or health center would have been able to dispense a medicine, then determine the script is 340B eligible, restock with a replacement purchase and claim the rebate on that replacement. There would have been no waiting while a medicine sits on the shelf because a rebate filing would be available at the time of purchase.
- **Prevents abuse, saves taxpayer dollars.** The Pilot Program would have introduced necessary program requirements and transparency measures, helping prevent potential fraud and duplicate discounts. The Pilot Program also would have helped spur a larger private sector role in addressing administrative challenges created by the Inflation Reduction Act, lessening federal involvement and saving taxpayers money. Without it, duplicate discounts could reach $4 billion in 2026.
- **Same inventory practices, more accountability.** The Pilot Program would have maintained some of the current practices used by many providers: hospitals and clinics dispense 340B medicine, are reimbursed for that medicine at their usual rate, and then purchase new stock to replace it. Today covered entities purchase replacement stock at the 340B price without providing any data to track which units received the 340B discount prices. The lack of data often makes it nearly impossible to avoid illegal duplicative discounts.

Bottom line: The Pilot Program as designed would have maintained provider cash flow, added accountability, and prevented abuse without creating financial hardship or undue administrative burdens for covered entities.

Learn more at PhRMA.org/340B

PhRMA
RESEARCH + PROGRESS = HOPE