

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 \$66 billion in 2023.

Here’s what the program looks like in **California**



Fast Facts: 340B in California

- 177 hospitals participate in 340B.
- Since 2015, the government has only conducted 170 audits of covered entities (CEs) in the state, with 123 returning adverse findings like illegal distribution of 340B purchased drugs.
- There are currently 27,952 arrangements between for-profit contract pharmacies and 340B CEs. 6,994 are with pharmacies outside the state.

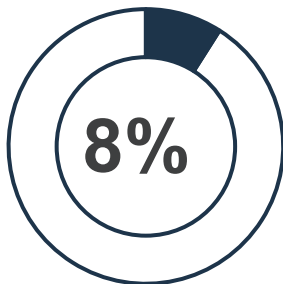


Are California 340B hospitals providing adequate charity care?

- Charity care is free or reduced-cost care provided to qualifying patients.
- Charity care, on average, accounts for **just 1.7%** of total operating costs at 340B hospitals in the state, with 83% falling *below* the national average of all hospitals (2.5%).
- From 2014 to 2022, these 340B hospitals saw assets increase by 73% while charity care *decreased* by 49%.

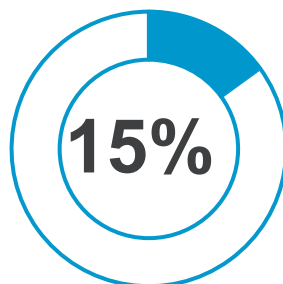
Employers in California pay an estimated \$586M more in health care costs due to foregone rebates (which reduce the price of medicine) as a result of the 340B program. This leads to a \$76.6M reduction in state and local tax revenue.

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 2,968 340B in-state contract pharmacy locations, just 8.6% are in rural areas, despite 22% of the state’s zip codes being considered rural.

Only 15% of in-state 340B contract pharmacy locations are in zip codes with an average household income lower than the state median (\$89,870).



What is the deal with 340B contract pharmacies?

- **LOST REBATES:** Proposed contract pharmacy legislation in California is estimated to increase health care costs for employers and state and local governments by \$152.5M 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.