

# 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 **New York**



### Fast Facts: 340B in New York

- 114 hospitals participate in 340B.
- Since 2015, the government has only conducted 112 audits of covered entities (CEs) in the state, with 82 returning adverse findings like illegal distribution of 340B purchased drugs.
- There are currently 12,929 arrangements between for-profit contract pharmacies and 340B CEs. 3,861 are with pharmacies outside the state.

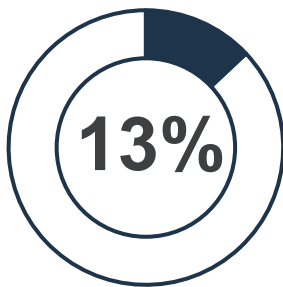


### Are New York 340B hospitals providing adequate charity care?

- Charity care is free or reduced-cost care provided to qualifying patients.
- Charity care remains low for 340B hospitals in the state, with 85% falling *below* the national average of all hospitals (2.5% of total operating costs).
- From 2014 to 2022, these 340B hospitals saw assets increase by 38% while uncompensated care *decreased* by 29%.

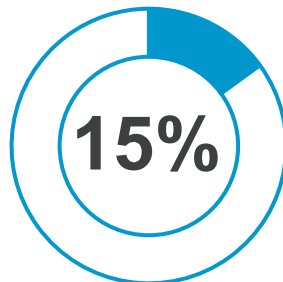
**Employers in New York pay an estimated \$445M more in health care costs due to foregone rebates (which reduce the price of medicine) as a result of the 340B program. This leads to a \$32M reduction in state and local tax revenue.**

**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 1,937 340B in-state contract pharmacy locations, just 13% are in rural areas, despite 31% of the state’s zip codes being considered rural.

Only 15% of 340B in-state contract pharmacy locations are in zip codes with an average household income lower than the state median (\$81,600).



## What is the deal with 340B contract pharmacies?

- **LOST REBATES:** Proposed contract pharmacy legislation in New York is estimated to increase health care costs for employers and state and local governments by \$138.9M 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.