The 340B Hospital Markup Program is Costing Taxpayers & Employers Billions

The non-partisan Congressional Budget Office (CBO) released a new report stating 340B increases health care costs in the U.S. and includes no evidence that patients benefit.

The 340B program, originally aiding around 100 safety-net hospitals, has expanded into a **$66 billion profit machine for tax-exempt hospitals and clinics and their for-profit partners**—with more than half of all hospitals now participating. Hospitals exploit the program by marking up medicines, raising costs for patients, taxpayers and employers.

Now the **second-largest federal drug program** after Medicare Part D, 340B is projected to become the largest by 2027. Markups from the program contribute nearly $65 billion to drug spending, benefiting hospitals and clinics rather than patients. This cost burden increases drug expenses for the government and Americans nationwide.

The Federal and State Governments: 340B is cutting into the federal and state budgets and is driving up costs for taxpayers through lost rebates, incentivizing higher cost treatments, and hospital medicine markups. The program is leaving less funding for health care and other critical services like schools or community development programs.

$23.8 billion
Amount of 340B drug spending fueled by unnecessary program expansion from 2010-2021 by hospitals and clinics trying to maximize program profits.

$20 billion
Increased cost to Medicare and Medicaid in 2024 from lost rebates.

$1.8 billion
Lost federal and state tax revenue due to higher employer spending on health care from lost rebates on 340B prescriptions in 2021.

200%
Average drug spending per Medicare patient is nearly 200% higher at 340B hospitals than non-340B hospitals.

$14 billion
Lost federal revenue in 2023 as estimated by former CBO Director Dan Crippen.

$65 billion
Amount hospitals, clinics and their for-profit partners collect in annual medicine spending.

"There is financial incentive at hospitals participating in the 340B program to prescribe more drugs or more expensive drugs to Medicare beneficiaries."
– Non-partisan Government Accountability Office

"… reductions in rebate revenue for managed care beneficiaries due to 340B program use generate a substantial federal and state budgetary impact."
– Berkeley Research Group

Employers: More than 160 million workers and their families across the country rely on their employers to provide health care coverage for them and their families. When 340B hospitals mark up prices for commercially insured patients, their employers are often the ones left with the bill. These 340B markups put a greater strain on employers and can then raise premiums for patients.

$6.6 billion
Increased employer costs in 2023 from lost rebates on 340B prescriptions filled by their employees. 340B contract pharmacy mandate bills would further increase this cost by $1.9B.

4.2%
Estimated direct increase in health care cost to employers per year due to reduced rebates as a result of the 340B program.

200%
The average per patient spending on outpatient medicines for a commercially insured patient is 200% higher at a 340B hospital than at a non-340B hospital.

$36 billion
Employer spending at 340B hospitals due to higher prices.

Learn more at **PhRMA.org/340B**

PhRMA
RESEARCH • PROGRESS • HOPE