

The 340B Program is Under Attack

Mounting Actions by Drugmakers, Middlemen, and CMS Undermine 340B Program

PHARMA DEMANDS

In addition to contract pharmacy restrictions, drugmakers have unlawfully been demanding claims level data from 340B hospitals as an excuse to deny 340B discounts. Drugmakers have also successfully lobbied HRSA to begin a burdensome rebate pilot, after initially trying to unilaterally force providers to accept rebates instead of up-front discounts.

MIDDLEMEN FRAUD

Several health systems recently sued the large for-profit conglomerate CVS Health alleging it fraudulently diverted \$250 million in hospital 340B savings into its own coffers. In testimony to the U.S. Senate Finance Committee, the lead attorney estimated the vertical integration of these middlemen has diverted over 50% of intended 340B drug discounts away from providers.

CMS REIMBURSEMENT CUTS

CMS's proposed 2027 Outpatient Rule proposes to reduce reimbursements from ASP+6% to ASP-33.4% to 340B DSH hospitals. This amounts to \$138 million in lower 340B reimbursements for Wisconsin hospitals in 2027 and an overall loss of \$42 million for Wisconsin hospitals after CMS redistributes the "savings" through budget neutrality.

April 2026 Study Confirms Drug Manufacturers want Rebates to Deny Legitimate Discounts

An April 2026 Study by University of Kentucky Professor Charles J. Courtemanche found that drugmakers stand to gain \$7 billion annually in denials for legitimate discounts via a rebate model! They stand to gain an additional \$2.3 billion by developing derivative data products, targeting and influencing health care providers, and selling data licenses. Meanwhile, the study estimated the overall number of duplicate discounts to be only 2.3% of all 340B fills - much lower than drug manufacturers have alleged and used as the justification for a rebate model.



Drug Companies Continue to Rack Up Enormous Profits While Many Hospitals and Health Systems Struggle to Stay Above Water

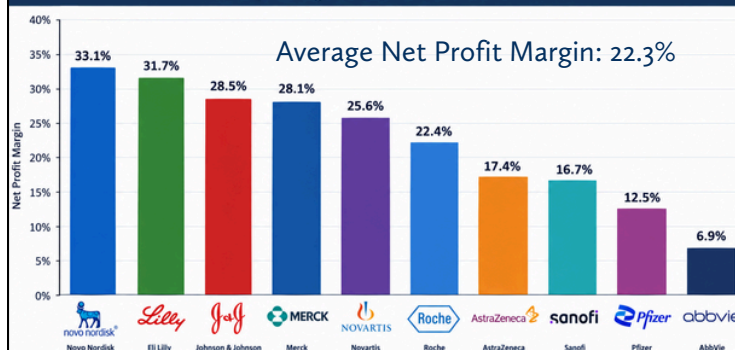
Median Health System Operating Margins
Nationally, Year-to-Date



Source: Comparative Analytics
stratadecision.com

Top 10 Drug Manufacturers – 2025 Net Profit Margin

Net profit margin = Net income ÷ Total revenue



Source: Company 2025 financial results (reported net income and revenue)

340B Helps Wisconsin Communities

The 340B Prescription Drug Discount Program helps hospitals extend care!

Wisconsin hospitals use 340B savings to benefit their local communities by expanding access to important health care services, including:



Low-cost or free dental clinics



Low-cost or free health care clinics



Behavioral health services



RX remote dispensing sites for rural areas

Drugmakers' Actions are Harming 340B Hospitals

↑\$500K

Average annual cost increase for a small Critical Access Hospital

↑\$3M

Average annual cost increase for a Disproportionate Share Hospital

↑\$10M

More than 10% of hospitals saw RX costs increase by more than \$10 million annually

*Impact of Contract Pharmacy Restrictions; November 2022 AHA Report

How Can Lawmakers Help?

The SUSTAIN 340B Act was recently introduced by the bipartisan "gang of 6" senators including Sens. Moran, Baldwin, Capito, Kaine, Mullin, and Hickenlooper.

The legislation would fix drug company data & contract pharmacy restrictions, end discriminatory PBM reimbursement, and conclude HRSA's rebate pilot after 1 year. Congress should work quickly to pass the reforms in this legislation that fix aspects of 340B which Pharma and PBMs have broken.

340B



Costs the federal government nothing and requires no taxpayer support.



Is one of the few tools hospitals have to offset skyrocketing drug costs.



Saves Medicare money by lowering costs for Critical Access Hospitals.

Program Integrity



Hospitals devote significant resources toward complying with federal 340B requirements.

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