AMERICA'S ESSENTIAL HOSPITALS

Statement Submitted to U.S. Senate Committee on Health, Education, Labor, and Pensions Regarding "Perspectives on the 340B Drug Discount Program" Thursday, October 23, 2025 By America's Essential Hospitals

America's Essential Hospitals appreciates the opportunity to submit this statement for the consideration of the Senate Committee on Health, Education, Labor, and Pensions regarding its Oct. 23, 2025, hearing on the 340B Drug Pricing Program. The association appreciates the committee's focus on the 340B Drug Pricing Program and commends the collective expertise, leadership, and commitment to engaging stakeholders in strengthening the program.

Essential hospitals are diverse: from large academic medical centers with statewide or regional scope and unique specialty services, to multihospital systems with extensive outpatient networks, and city and county public hospitals that anchor communities. Yet, our nearly 400 member hospitals all share a mission to care for people facing financial and social hardships—including low-income working families, Medicaid and Medicare beneficiaries, and the uninsured—while also providing complex, lifesaving services that benefit the communities in which they operate. *The 340B program is essential to sustaining that mission.*

In the 30 years since the 340B program was created by Congress, the same issues that gave rise to the program—the challenging financial position of providers serving a safety net role and increasing drug prices—persist. A strong 340B program is critical for essential hospitals that rely on 340B discounts to overcome narrow margins and help them keep their doors open at nearly no cost to taxpayers.

Growth in 340B Program

Recent reports about program growth must be viewed in context. We must acknowledge that the growth manufacturers often highlight is in part due to their own actions and is not within the control of 340B covered entities. The size of 340B discounts is tied directly to manufacturer pricing. As manufacturers increase the prices of drugs—especially high-cost specialty drugs—the absolute value of 340B discounts naturally rises.

Moreover, if the program's growth reflects more patients gaining access to the drugs they need, that is something to celebrate—not to criticize. That is, after all, the explicit congressional intent of the 340B program: "to stretch scarce Federal resources as far as possible, reaching more

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eligible patients and providing more comprehensive services."[1] Perhaps, as was noted by a committee member in the Oct. 23 hearing, Congress should consider expanding, not reforming the program.

For many essential hospitals, 340B savings mean the difference between offering critical services to entire communities or being forced to operate without them. In fact, data show that disproportionate share hospitals (DSH) just above the 340B eligibility threshold had 230% more hematologist-oncologists practicing in hospital-owned facilities than those hospitals just below the threshold to qualify for the program.[2] This highlights the kind of life-saving infrastructure that essential hospitals can sustain when they are able to fully leverage 340B for their communities. Expanding access to treatment for Leukemia and other blood cancers is definitionally an example of "providing more comprehensive services," and National Cancers Institute data shows 5-year survivorship for leukemia has seen a corresponding increase: survival rates for leukemia patients have increased from 51.6% in 2000, to 68.3% in 2017.[3] 340B is key to expanding access to services like hematology at essential hospitals, whose outpatient payer mix in 2023 was more than 68% Medicare, Medicaid, dually eligible beneficiaries, and self-pay/uninsured.[4] The value of these services—to patients who might otherwise lack access to such advanced care—is immeasurable.

Finally, before proposing any changes to the 340B program based on concerns about the impact of program growth, we urge the Committee to ensure that the evidence indeed supports such concerns. When considering the Congressional Budget Office (CBO) report, it is important to note that CBO explicitly stated it does not have the data to distinguish among those factors impacting "growth in spending on 340B purchases in excess of market wide spending," and one factor it *did* identify was "faster growth in the prices of drugs" across the broader market. We would also urge the Committee to note the sponsor or author of research on the 340B program; for example, the Committee cited a study conducted by the National Pharmaceutical Council, which is an organization with a clear industry stake in the issue.

Patient Access

It is entirely appropriate that the 340B program supports broader patient access to the full continuum of care through savings on discounted drugs. Patients will not receive prescription drugs if they cannot access care in the first place to diagnose their conditions and identify and prescribe medications, as well as receive education or assistance with administration and ongoing care to support adherence and monitor their condition. Essential hospitals use 340B savings to ensure meaningful access for their patients, including primary and specialty clinics, behavioral health services, language interpretation, transportation, and other programs that connect patients to needed medications.

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[1] H.R. REP. 102-384(II), p. 12.

[2] Long R, et al. *Cui Bono? Misaligned Incentives in the 340B Program.* USC Leonard D. Schaeffer Institute for Public Policy & Government Service. September 2025. https://schaeffer.usc.edu/research/misaligned-incentives-340b/. Accessed October 30, 2025.

[3] Surveillance, Epidemiology, and End Results Program (SEER)*Explorer: An interactive website for SEER cancer statistics [Internet]. Surveillance Research Program, National Cancer Institute; 2025 Jul 2. [cited 2025 Nov 17]. Available from: https://seer.cancer.gov/statistics-network/explorer/. Data source(s): SEER Incidence Data, November 2024 Submission (1975-2022), SEER 21 registries (excluding Illinois). Expected Survival Life Tables by Socio-Economic Standards.

[4] Miu R, Kelly K, Nelb R. Essential Data 2025: Our Hospitals, Our Patients—Results of America's Essential Hospitals 2023 Annual Member Characteristics Survey. America's Essential Hospitals. November 2025. essentialdata.info. Accessed November 15, 2025.

Many patients served by 340B providers—particularly Medicaid beneficiaries—already face minimal or no out-of-pocket costs. At essential hospitals, more than 75% of inpatient days are federal payer or self-pay, and government payers, including Medicaid and Medicare, pay lower than the cost of care.[5] Thus, the true value of 340B lies not just in lowering the price of a prescription, but in sustaining the care infrastructure that makes access to those drugs possible in the first place—and ensuring patients continue receiving care well beyond a single visit.

At one essential hospital, 340B savings fund a mobile mammography unit that delivers life-saving screenings to patients who might otherwise go without it.[6] In this case, the savings generated through discounted drugs are reinvested to detect disease earlier, prevent progression, and reach individuals who might not realize they are in need of care. The result in this case, and others regarding community impact made possible through the 340B program, is a far greater community and public health impact than could ever be achieved through point-of-sale discounts alone. 340B savings have allowed essential hospitals to invest in preventive care programs that improve patients' lives and save the taxpayer money.

In 2023, America's Essential Hospitals members operated at an average margin of –7.0%, compared with –2.3% at other U.S. hospitals.[7] This stark difference underscores how vital programs like the 340B Drug Pricing Program are to sustaining access to high-quality, convenient, and reliable care for vulnerable patients. Without the support of 340B, many of the essential services that deliver immeasurable benefits to their communities would be at serious risk.

Contract Pharmacies

As with the considerations of overall program growth, the growth in use of contract pharmacies and the value of the related discounts must be viewed in context.

Contract pharmacies play a crucial role in expanding the 340B program's reach and impact. Growth in contract pharmacies thus also means growth in access. These arrangements allow essential hospitals to extend their services to underserved communities, remote rural areas, and patients who face transportation challenges or other social drivers of poor health. Without the ability to partner with contract pharmacies, many essential hospital patients would be forced to either return to the hospital for retail drugs or not refill their medications at all. Especially for patients who receive specialty care at a trauma level I or academic medical center, a return trip could be lengthy and burdensome. Some covered entities have service areas covering several states, for example, because the entity is a regional academic medical center with expertise not otherwise available or because of a lack of providers in a neighboring rural area. Even for patients who receive care in their community, a return trip to that originating facility instead of their local pharmacy requires access to reliable transportation, childcare, and time off work or away from family responsibilities. This is especially significant for patients who have limited means or are in poor health. In addition, some areas would be pharmacy deserts if not for the

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[5] Miu R, Kelly K, Nelb R. Essential Data 2025: Our Hospitals, Our Patients—Results of America's Essential Hospitals 2023 Annual Member Characteristics Survey. America's Essential Hospitals. November 2025. essentialdata.info. Accessed November 15, 2025.

[6] WVU Medicine. 340B Program. *WVU Medicine*. https://wvumedicine.org/info/wvu-health-system-340b/. Accessed November 15, 2025.

[7] Miu R, Kelly K, Nelb R. Essential Data 2025: Our Hospitals, Our Patients—Results of America's Essential Hospitals 2023 Annual Member Characteristics Survey. America's Essential Hospitals. November 2025. essentialdata.info. Accessed November 15, 2025.

willingness of covered entities and contract pharmacies to collaboratively provide access points for low-income patients who other entities are unable or unwilling to serve.

Furthermore, a significant part of the spending growth attributed to contract pharmacies involves specialty drugs and decisions about their pricing and distribution that are not within covered entities' control. The number of specialty pharmacy contracts is not driven by covered entities. It is driven by manufacturers and/or insurers and their pharmacy benefit managers (PBMs) identifying how particular drugs must be accessed. If hospitals want to provide their patients with access to these drugs, they have no choice but to engage in contract pharmacy relationships to do so.

And, of course, the decision that drugs must be dispensed by specialty pharmacies is driven by quality and safety concerns. These drugs often require special handling, patient education, and adherence support—services that are critical for complex or chronic conditions.

Hospitals do not control these manufacturer and payer requirements, yet their patients depend on access to these lifesaving therapies. Restricting 340B participation through contract pharmacies is not consistent with the intent of the 340B statute or with our shared goal of ensuring affordable access to care.

Compounding Challenges: H.R. 1

The passage of H.R. 1 will reduce federal health care spending by $1 trillion and is projected to cause coverage losses for more than 11 million Americans. As a result, hospitals will see declines in their disproportionate share hospital (DSH) adjustment percentages, resulting in the loss of 340B eligibility for some; several member hospitals have expressed concern about this risk. In this context, Congress has already taken steps that effectively slow the growth in 340B participation that followed the Affordable Care Act's Medicaid expansion. Implementing additional changes now would introduce new uncertainty before the full impact of H.R. 1 is understood—potentially creating serious challenges for essential hospitals and the vulnerable communities they serve.

Rebate Model Pilot Program

The congressional debate around 340B is unfolding against the backdrop of HRSA's Rebate Model Pilot Program, slated to launch January 1. The pilot would fundamentally alter the 340B program's structure for the first time in more than 30 years. Under the model, drug manufacturers would provide rebates rather than upfront discounts on eligible drugs, and hospitals would shoulder new administrative and financial burdens while drug manufacturers stand to benefit. The rebate model would force already cash-strapped hospitals to front the cost and strain their ability to deliver patient care, as was noted by one member in the Oct. 23 hearing.

America's Essential Hospitals continues to urge HRSA to abandon these rebate models and instead focus on strengthening the 340B program to better serve patients and communities.

Conclusion

The 340B Drug Pricing Program continues to achieve its original purpose: helping safety-net providers stretch scarce resources to serve vulnerable patients and communities. The statute clearly requires pharmaceutical manufacturers to contribute to the care of Americans served by federal programs as a condition of having their drugs covered under Medicare and Medicaid—a

participation that delivers enormous financial benefit to those manufacturers. Weakening or altering the program would undercut the very spirit of that agreement.

Growth in the 340B program reflects growth in patient need and access and the rising cost of prescription drugs—not abuse or misuse by those complying with the regulations set by the law and overseen by HRSA. Essential hospitals provide 29% of all charity care nationwide, despite making up only 6% of all hospitals nationwide.[8] Essential hospitals' ability to provide such care depends on the support of the 340B program, and our member hospitals are doing excellent work in their communities. For example, at Baystate Health, the system provided $244 million in unreimbursed and free care to patients last year compared to an approximate annual $111 million in 340B savings. Similarly, thus far in 2025, East Alabama Health has provided almost $100 million in uninsured care while receiving only $70 million in 340B savings over the same period. At member hospital Denver Health, 76% of patients are underinsured or uninsured, including Medicaid and Medicare recipients. These data points represent a small sample of our hospitals, but they illustrate how our members are engaging across the nation to support the communities in which they operate, with no regard for ability to pay.

America's Essential Hospitals urges Congress to protect and strengthen 340B, ensuring hospitals can continue delivering the care and access that millions of patients depend on every day.

[8] Miu R, Kelly K, Nelb R. Essential Data 2025: Our Hospitals, Our Patients—Results of America's Essential Hospitals 2023 Annual Member Characteristics Survey. America's Essential Hospitals. November 2025. essentialdata.info. Accessed November 15, 2025.