



The 340B Program and Considerations for PDABs

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Disclaimer and Conflict of Interest Disclosure

My comments today are my own and **do not represent the Minnesota Prescription Drug Affordability Board**, of which I am **Vice Chair**

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340B is Complicated but PDABs Need to Understand

The **objectives of PDABs and 340B** organizations may **directly conflict** because the size of the 340B subsidy depends on **drug prices**

Research suggests the **340B subsidy does not always translate to better access** for patients because the program is **poorly targeted**

The 340B Drug Discount Program Defined

Manufacturers provide **upfront discounts** on **outpatient drugs** to qualifying **clinics and hospitals** in exchange for coverage in Medicaid.

HRSA states the goal is to “stretch scarce federal resources as far as possible **reaching more eligible patients** and providing **more comprehensive services.**”

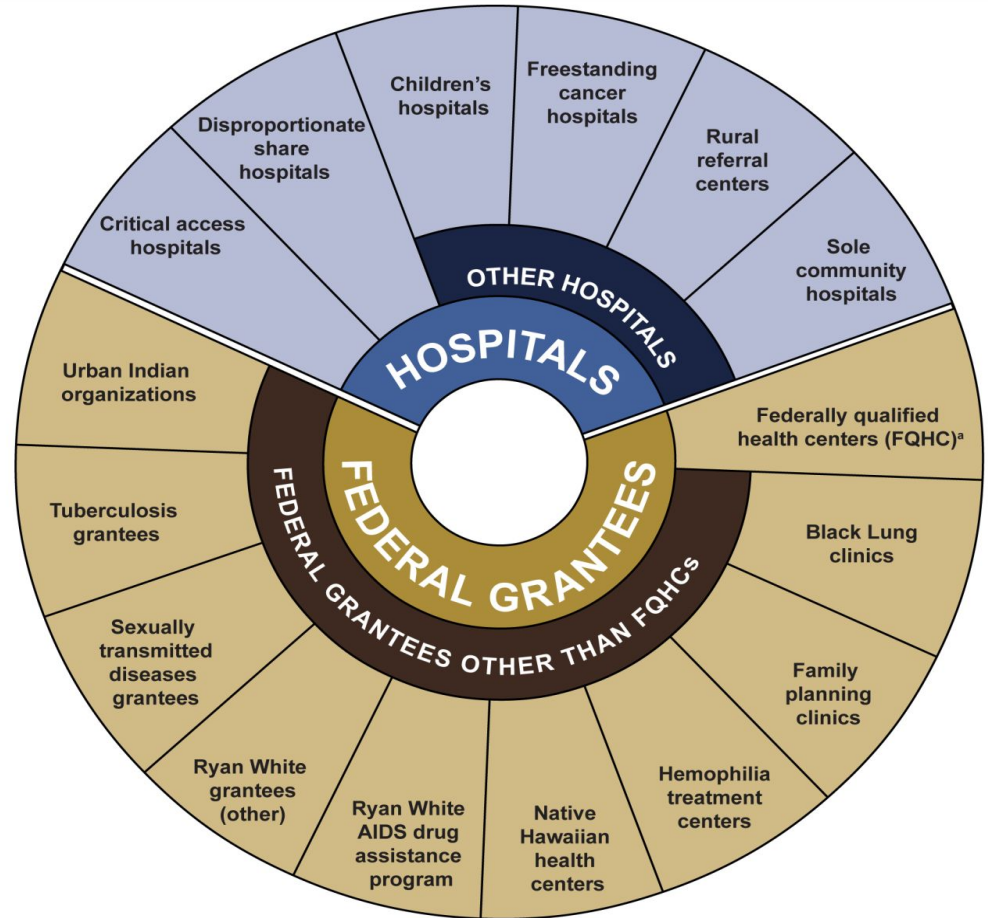
Source: [HRSA](#)

An Accident of History?

1990 **Medicaid Drug Rebate** granted Medicaid agencies “**best price**,” triggering significant **price increases** on other payers, especially **safety-net organizations**.

340B intended to **extend discounts similar to Medicaid rebates** to safety-net organizations to **prevent loss of services to patients who rely on the safety-net**.

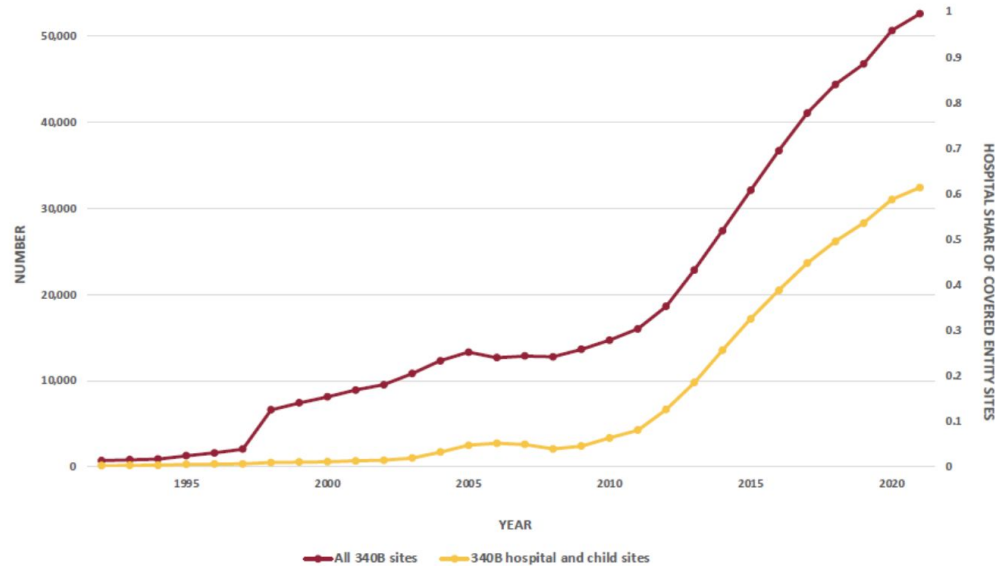
“Covered Entities”



Source: [GAO](#)

340B Program Scope has Grown Significantly

Figure 3: Number of 340B Covered Entity Sites, 1992–2021



Sources: Authors calculations using HRSA data. Sites that participated for at least one month in a calendar year were included in calculations. 2021 data includes covered entity sites registered as of June 7, 2021.

Began with
~5,600 Federal
clinics and ~100
public hospitals

Today it's about
 $\frac{1}{3}$ Federal clinics
and $\frac{2}{3}$ hospitals

340B Accounted for \$66B in Purchases in 2023

340B DRUG PRICING PROGRAM, PURCHASES BY COVERED ENTITIES, 2022

Entity type	Total 2022 purchases at 340B discounted prices	Share of total 2022 purchases	Change in total purchases vs. 2021
Hospital			
• Disproportionate Share Hospitals	\$41,818,751,617	77.9%	+22.0%
• Children's Hospitals	\$1,662,587,169	3.1%	+25.0%
• Rural Referral Centers	\$1,327,392,962	2.5%	+13.1%
• Critical Access Hospitals	\$743,195,969	1.4%	+19.7%
• Sole Community Hospitals	\$516,652,406	1.0%	+14.4%
• Free-standing Cancer Centers	\$420,119,631	0.8%	+38.2%
<i>Subtotal</i>	\$46,488,699,754	86.5%	+21.8%
Federal Grantee			
• Consolidated Health Center Programs	\$2,766,861,692	5.2%	+24.9%
• Ryan White HIV/AIDS Program Grantees	\$2,583,009,095	4.8%	+18.5%
• Sexually Transmitted Disease Clinics	\$1,200,458,142	2.2%	+37.8%
• Comprehensive Hemophilia Treatment Center	\$317,598,376	0.6%	+65.3%
• All other	\$359,191,705	0.7%	+26.2%
<i>Subtotal</i>	\$7,227,119,010	13.5%	+25.8%
Total	\$53,715,818,764	100.0%	+22.3%

Mostly through hospitals

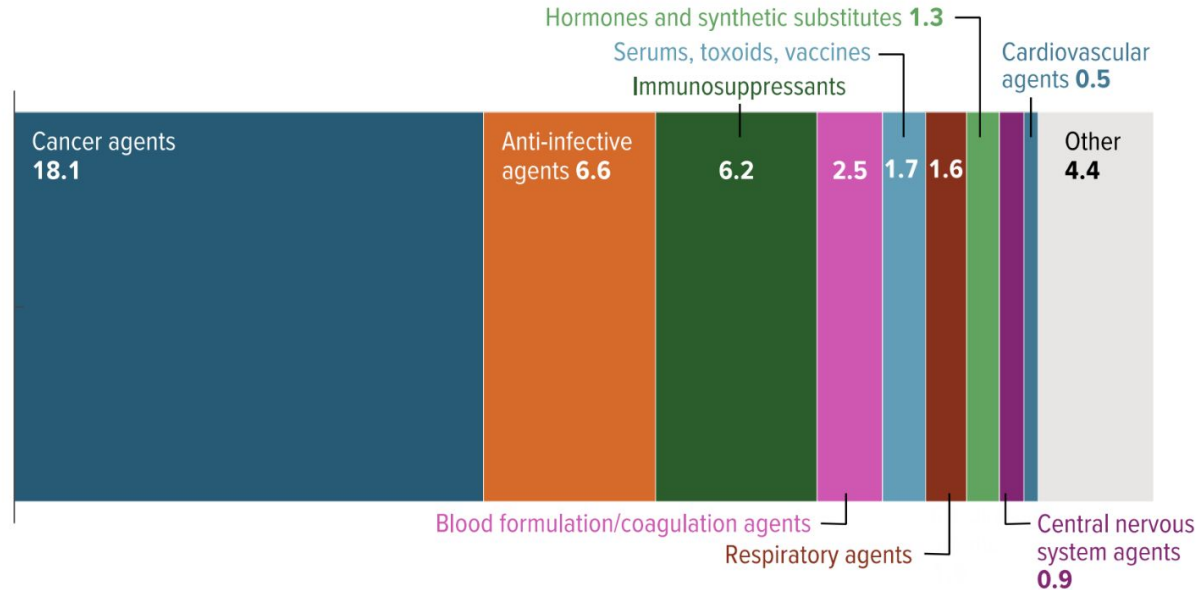
Far less through grantees

Source: Drug Channels Institute analysis of data from Health Resources and Services Administration. Purchases exclude sales made directly to healthcare institutions by manufacturers and some sales by specialty distributors. Data for purchases at discounted prices show value of purchases at or below the discounted 340B ceiling prices.

Source: HRSA 2023, 2024 via [Drug Channels](#)

340B Concentrated in Certain High-Cost Drugs in 2021

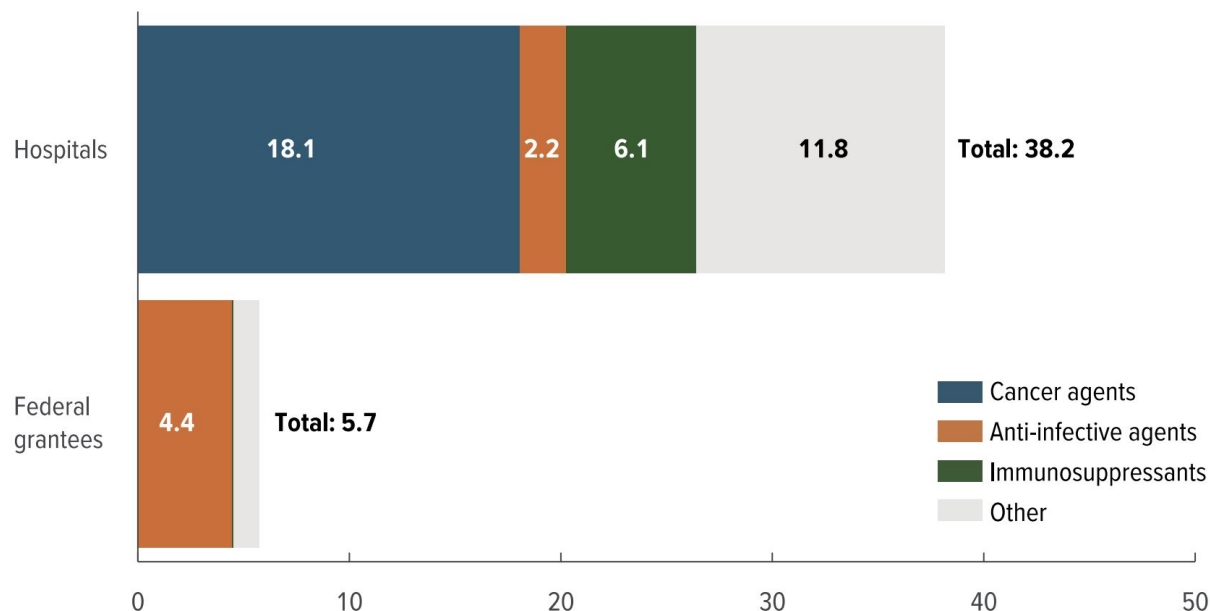
Billions of dollars



Source: CBO 2024

340B Concentrated in Certain High-Cost Drugs in 2021

Billions of dollars

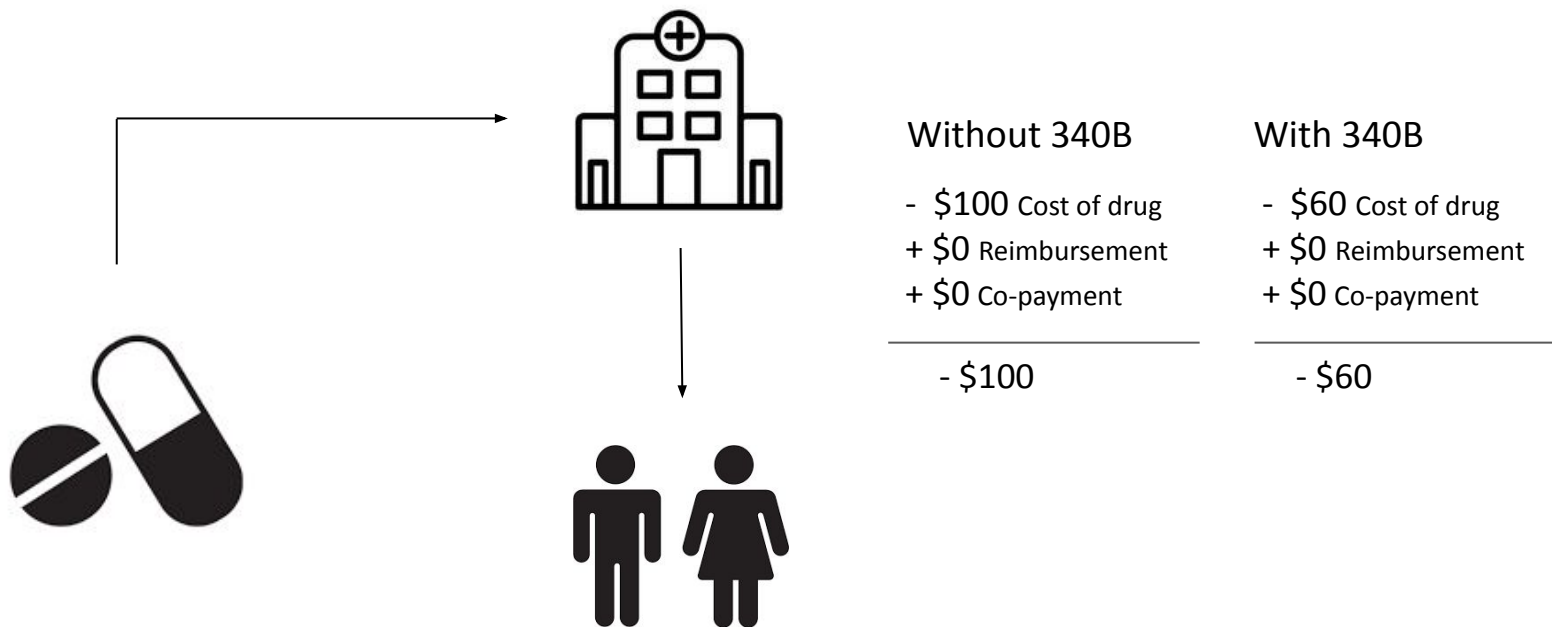


Higher cost drugs
mostly through
hospitals

Lower cost drugs
mostly through
grantees

Source: CBO 2024

How the 340B Subsidy Benefits Participants



How the 340B Subsidy Benefits Participants



How Much Revenue does 340B Generate?

62J.461 340B COVERED ENTITY REPORT.

§ Subdivision 1. **Definitions.** (a) For purposes of this section, the following definitions apply.

(b) "340B covered entity" or "covered entity" means a covered entity as defined in United States Code, title 42, section 256b(a)(4), with a service address in Minnesota as of January 1 of the reporting year. 340B covered entity includes all entity types and grantees. All facilities that are identified as child sites or grantee associated sites under the federal 340B Drug Pricing Program are considered part of the 340B covered entity.

(c) "340B Drug Pricing Program" or "340B program" means the drug discount program established under United States Code, title 42, section 256b.

(d) "340B entity type" is the designation of the 340B covered entity according to the entity types specified in United States Code, title 42, section 256b(a)(4).

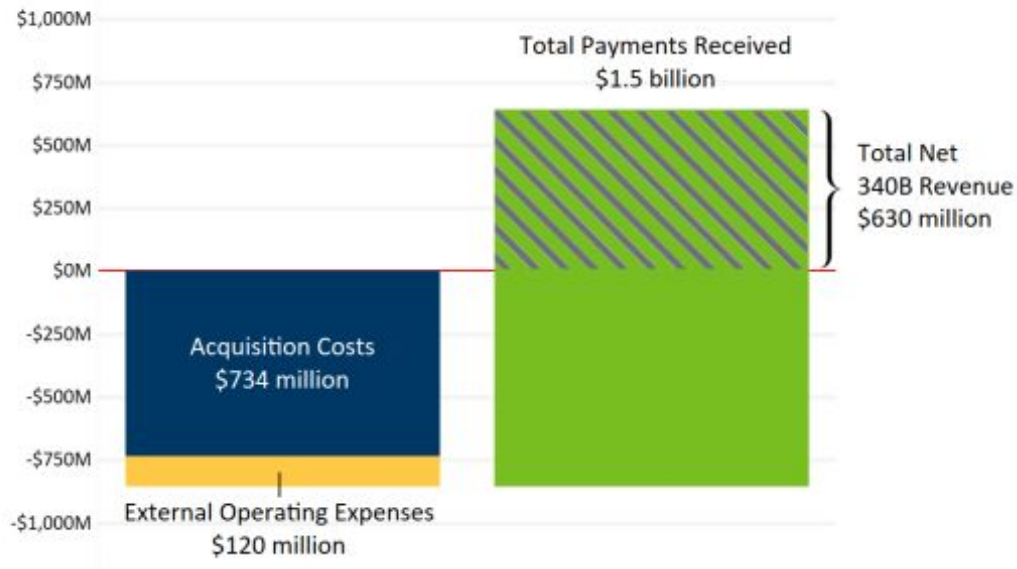
(e) "340B ID" is the unique identification number provided by the Health Resources and Services Administration to identify a 340B-eligible entity in the 340B Office of Pharmacy Affairs Information System.

(f) "Contract pharmacy" means a pharmacy with which a 340B covered entity has an arrangement to dispense drugs purchased under the 340B Drug Pricing Program.

(g) "Pricing unit" means the smallest dispensable amount of a prescription drug product that can be dispensed or administered.

Source: MN Statute

Results from Minnesota's 2023 Covered Entity Report



**\$766M in gross
340B revenue
generated in
Minnesota in 2023**

Source: MDH, Health Economics Program analysis of 2023 data reported by Covered Entities under the Minnesota 340B Covered Entity Report.

Source: [Minnesota](#), [HHS](#)

340B Revenue by Payer

Payer Type	Drug Fills (Count)	% of Drug Fills	Payments Received (\$)	Net 340B Revenue (\$)	% of Net 340B Revenue	Average Net 340B Revenue Per Drug Fill (\$)
Commercial	1,921,639	42%	908,854,110	343,236,687	54%	179
Medicare	1,107,475	24%	351,595,699	197,064,198	31%	178
Minnesota Health Care Programs (MHCP)	932,441	20%	169,854,222	86,587,184	14%	93
Other	640,023	14%	53,538,210	3,374,283	1%	5
Total	4,601,577	100%	1,483,842,241	630,262,352	100%	137

Source: MDH, Health Economics Program analysis of 2023 data reported by Covered Entities under the Minnesota 340B Covered Entity Report.

Source: [MN MDH](#), [HRSA](#)

340B Revenue by Entity Type

Major Entity Type	Covered Entity (CE) Grouping	Covered Entities (count)	Drug Fills (Count)	Acquisition Costs (\$)	External Operating Costs (\$)	Payments Received (\$)	Net 340B Revenue (\$)	Average Net 340B Revenue per CE (\$)	Average Net 340B Revenue per Drug Fill (\$)
Hospital	General Acute Care Hospitals (DSH)	24	2,707,505	566,390,065	86,038,210	1,158,173,156	505,744,881	21,072,703	187
Hospital	Critical Access Hospitals	72	940,380	39,684,338	12,493,446	111,802,360	59,624,576	828,119	63
Hospital	Other Hospitals	8	406,605	32,011,520	5,937,312	74,252,756	36,303,924	4,537,990	89
Grantee	Disease Specific Federal Grantees	66	232,763	86,270,048	11,488,781	118,490,487	20,731,659	314,116	89
Grantee	Safety-Net Federal Grantees	19	314,324	9,193,241	4,072,928	21,123,482	7,857,313	413,543	25
Total		189	4,601,577	733,549,211	120,030,677	1,483,842,241	630,262,352	3,334,721	137

Source: MDH, Health Economics Program analysis of 2023 data reported by Covered Entities under the Minnesota 340B Covered Entity Report.

Source: [MN MDH](#), [HRSA](#)

Mixed Peer Review Findings on if 340B Benefits Patients

Federal grantee clinics increase provision of safety-net care
(Watts et al. 2024, Nikpay et al. 2022)

New 340B participation among hospitals is **not associated with safety-net engagement** on average (Nikpay et al. 2021, Desai et al. 2022)

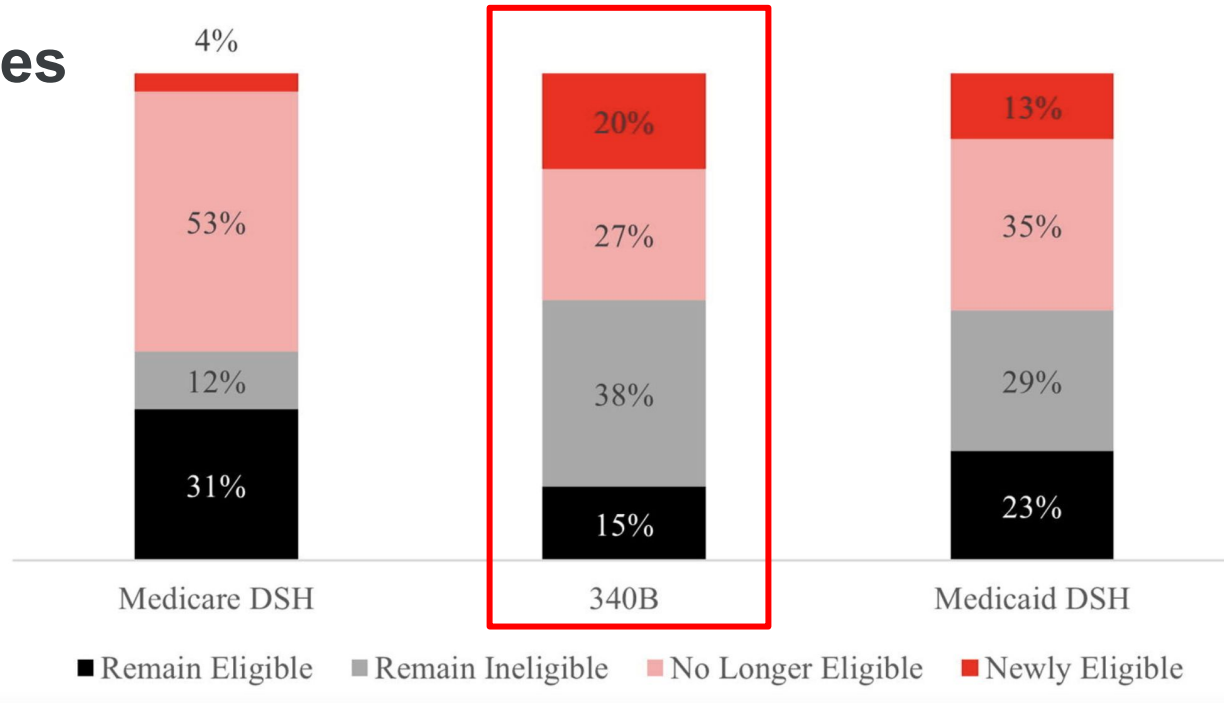
Public hospitals are an exception (Owsley et al. 2023)

Source: [Watts et al. 2024](#), [Owsley et al. 2024](#), [Nikpay et al. 2020](#), [Desai et al. 2021](#)

Why Mixed Results? Poor Program Targeting

Most federal grantees **must** provide care regardless of cost

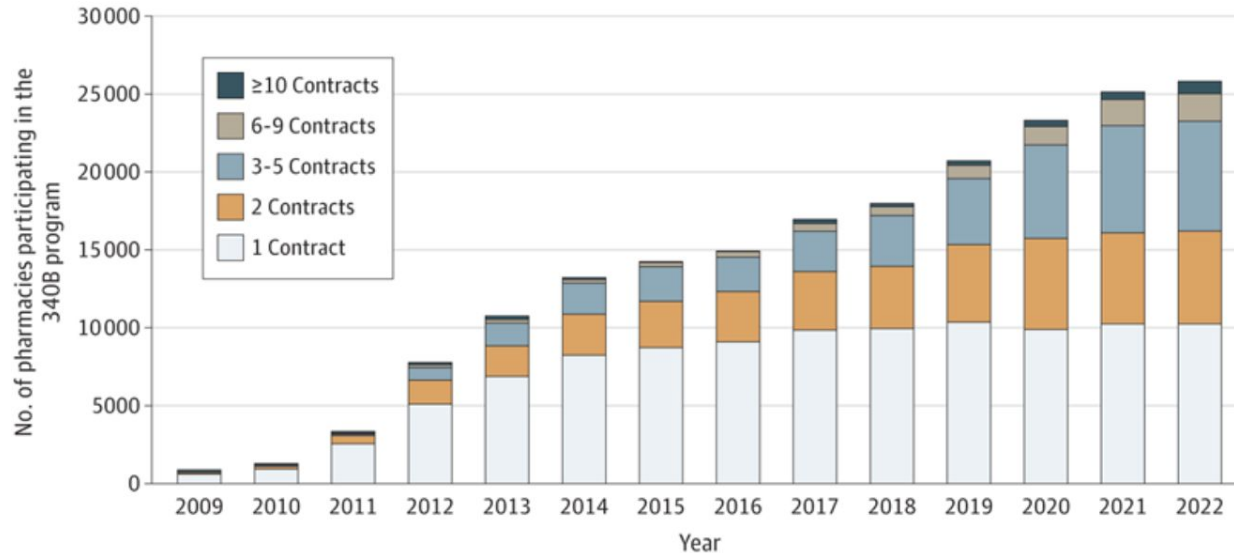
Most hospitals face **weaker**, voluntary requirements



Source: [Nikpay 2022](#)

Increasing Role of Large, Outside, For-Profit Parties

Figure 1. Distribution of Contract Pharmacy Depth Among Retail Pharmacies From 2009 to 2022

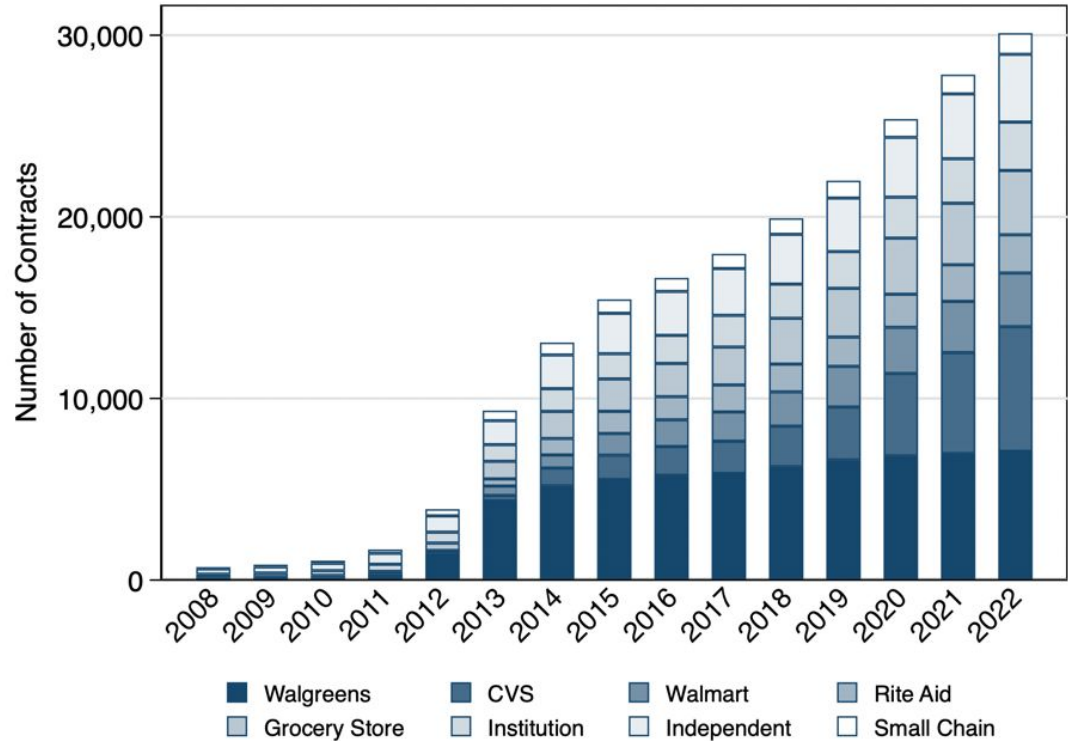


~40% of US retail pharmacies have ≥ 1 contract

Source: [Nikpay et al. 2022](#)

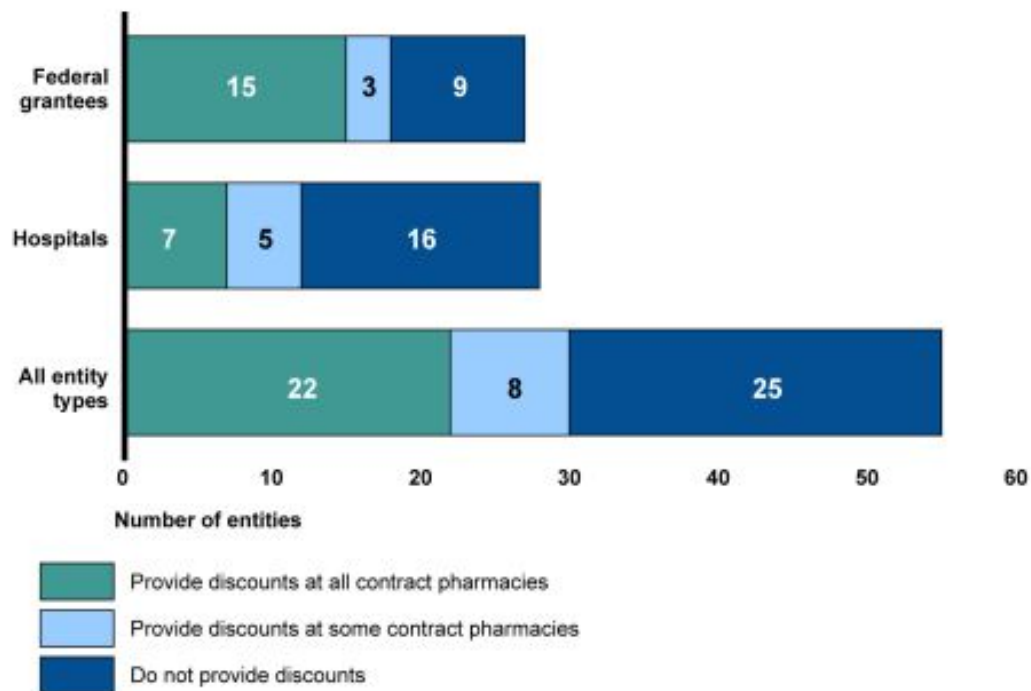
Increasing Role of Large, Outside, For-Profit Parties

~ $\frac{2}{3}$ of contract
pharmacy relationships
with top 4 pharmacy
chains



Source: [McGlave et al. 2024](#)

Contract Pharmacies Don't Always Pass Discounts to Indigent Patients

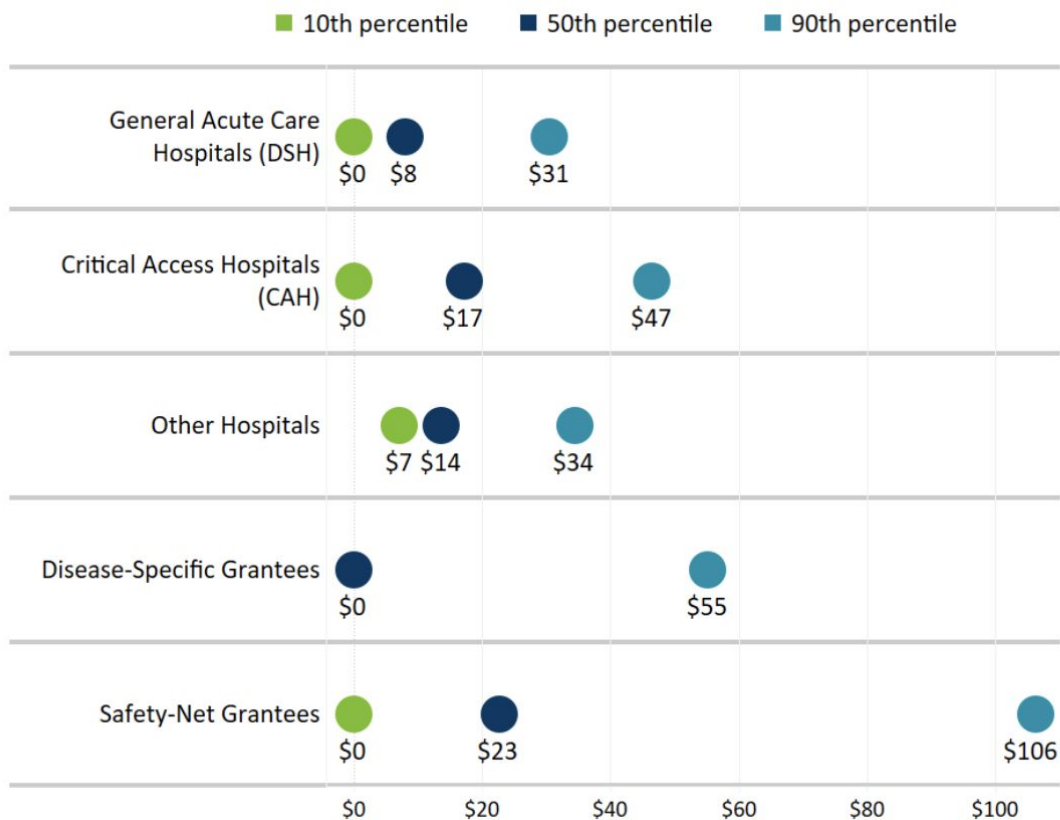


Source: Responses to GAO's questionnaire to covered entities. | GAO-18-480

Note: We sent a questionnaire to 60 covered entities; 55 entities responded.

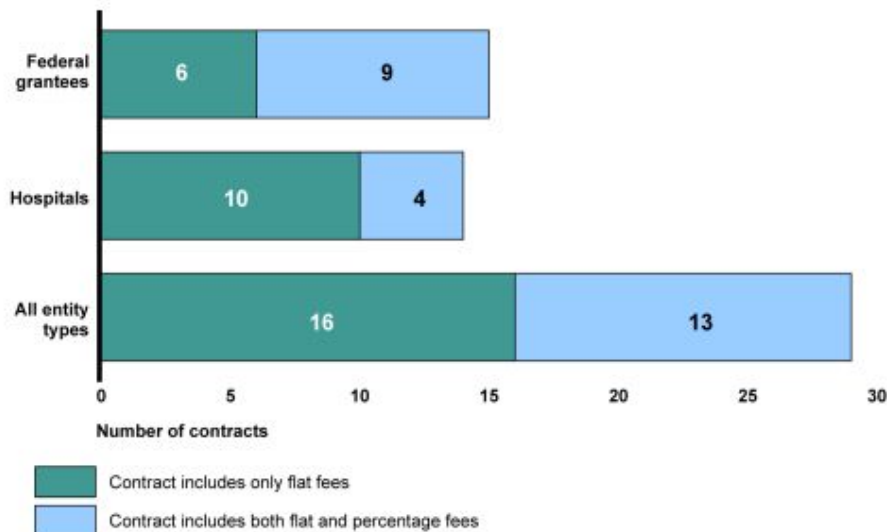
Source: [GAO 2018](#)

Outside Fees Paid per \$100 of 340B Revenue from the Minnesota Covered Entity Report



Source: [MN MDH](#), [HRSA](#)

Contract Pharmacies Also Take Fees



Source: GAO review of selected 340B contracts. | GAO-18-480

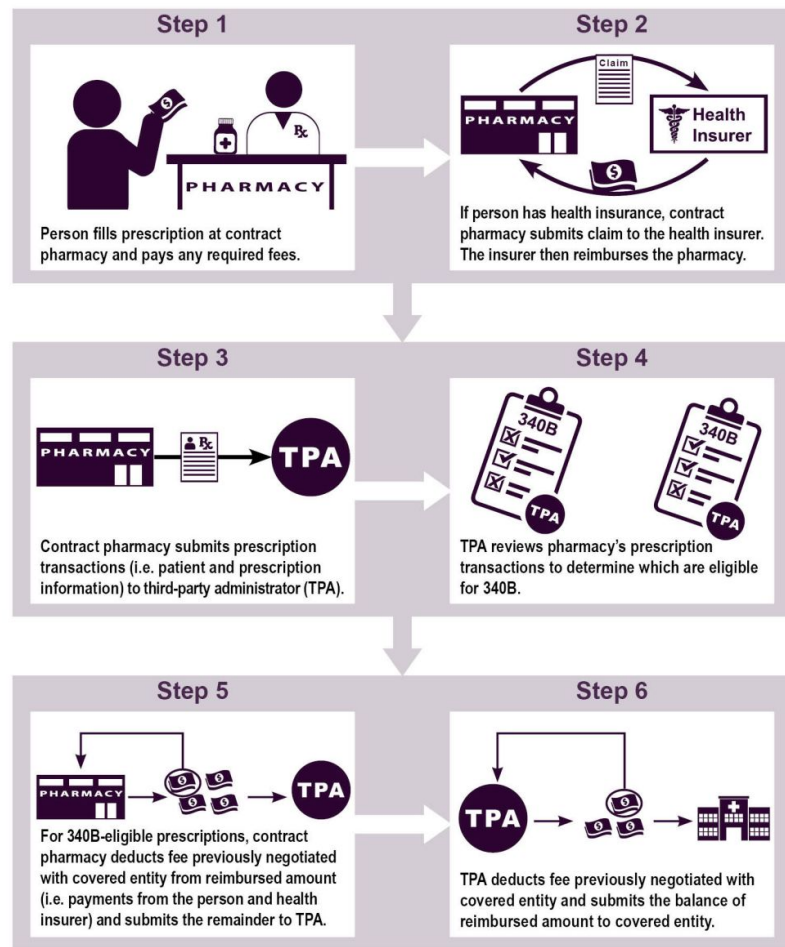
GAO Sample of 30 Contracts
Flat fee range: \$6 - \$15
+ for branded drugs: \$5 - \$7
+ for specialty drugs: \$75 - \$1,750
Fees higher for insured patients

Fees negotiated with pharmacies

Source: [GAO 2018](#)

Third Party Administrators also Also Take Fees

80% of providers use TPAs
Fees per prescription: \$3.50 - \$10
Fees per contract too

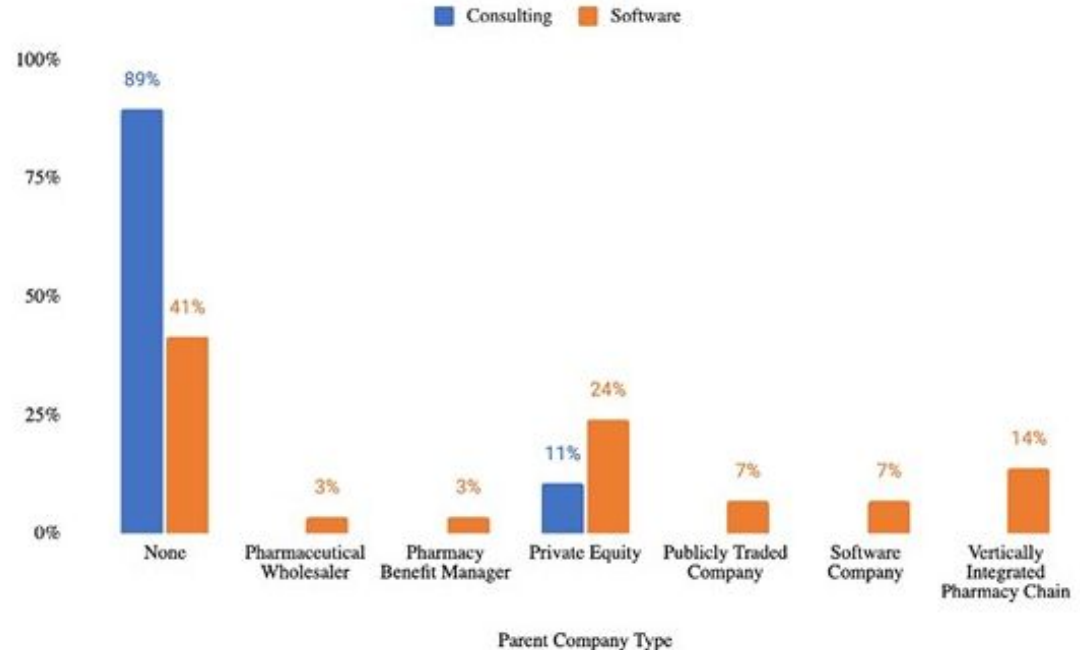


Source: [GAO 2018](#)

Third Party Administrator Ownership

TPAs that provide software solutions often owned by private equity or vertical health care entities

Figure 1.



Source: [Nikpay and Halvorson 2023](#)

Should UPLs Exempt 340B Covered Entities?

PDABs must weigh:

Increased affordability of specific prescription drugs targeted for the UPL against *possible* **decreased affordability of care** overall

The answer should depend on whether covered entities **pass discounts to patients** or **provide significant amounts of safety-net care**



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