



The Hospital + Healthsystem
Association of Pennsylvania

Talking Points: 340B Drug Pricing Program

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Established by Congress in 1992, the 340B program allows certain hospitals and clinics that serve low-income and rural patients to purchase outpatient drugs at discounted prices from pharmaceutical manufacturers and reinvest the savings into the community. The program operates at no cost to taxpayers and enables providers to stretch limited resources to better serve vulnerable populations.

Top Messages

- The 340B program is a critical lifeline for hospitals and clinics that serve Pennsylvania’s most vulnerable patients. Protecting it is essential to maintaining access to care in rural and underserved communities.
- Pharmaceutical manufacturers are increasingly limiting how hospitals and clinics can use 340B pricing, which limits patients’ access to medications.
- HAP urges state and federal policymakers to protect the integrity of the 340B program by preventing manufacturer restrictions on contract pharmacies.

Supporting Messages and Data

340B Undermined: Pharmaceutical manufacturers have imposed restrictive policies that limit covered entities to one contract pharmacy, jeopardizing patient access.

- Under federal guidance, covered entities may dispense 340B drugs through in-house pharmacies or contract pharmacies.
- Many hospitals and clinics in rural and underserved areas do not have in-house pharmacies or cannot stock the full range of medications patients need, especially complex and high-cost specialty drugs. These covered entities therefore rely on contract and specialty pharmacies to ensure patient access.
- Limiting 340B pricing to a single contract pharmacy significantly constrains participation in the program by limiting points of access for patients and making it increasingly difficult for them to get their medications.

Eligibility: Since its inception, the 340B program has supported critical rural and urban health care providers by helping covered entities maintain access and provide critical services in underserved areas. Covered entities can include:

- Children’s hospitals,
- Disproportionate share hospitals,
- Cancer hospitals,
- Rural referral centers, and
- Community health centers and other federally funded programs.

Scale: The 340B program plays a critical role in Pennsylvania’s health care landscape:



- 30 percent of the 235 hospitals (72) qualify to participate in the program.
- 49 percent are rural providers; 53 percent operate with a negative margin; 49 percent provide labor and delivery services.
- While critical to providers, drugs purchased through the 340B program account for only **7 percent** of the total U.S. drug market, according to a report by the Commonwealth Fund.

Pennsylvania Safeguards Prevent Duplicate Discounts: Drug manufacturers are not required to provide a discounted 340B price and a Medicaid drug rebate for the same drug (duplicate discounts).

- Pennsylvania maintains strong protections to prevent duplicate discounts under the 340B program. The Department of Human Services (DHS) administers a 340B Medicaid Exclusion File to track which covered entities are dispensing 340B purchased drugs to ensure DHS does not invoice manufacturers for rebates for these drugs.
- DHS also maintains a Drug Exclusion List.
- Covered entities may not dispense 340B-priced drugs to Medical Assistance beneficiaries for drugs on this list, ensuring manufacturers are not subject to duplicate discounts.
- Compliance is also assessed through The Health Resources and Services Administration (HRSA) audits, internal audits, and manufacturer audits.
- 340B entities follow strict compliance requirements to prevent diversion, duplicate discounts, and maintain accuracy in reporting of HRSA database.

Community Benefit: 340B hospitals reinvest savings that extend far beyond charity care.

- In 2024, Pennsylvania's 340B hospitals provided \$7.95 billion in benefits to their communities.
- Savings provided by the 340B program help to fund charity care and offset other costs such as Medicare and Medicaid shortfalls and bad debt that accrues from bills that go unpaid.
- Even under immense financial and regulatory stressors, Pennsylvania's hospitals continue to increase their investments in community health. Total community benefits provided by 340B hospitals increased from \$7.30 billion in 2023 to \$7.95 billion in 2024, an over \$650 million or nine percent increase showing their ongoing and increased commitment.
- Other examples include mobile clinics, prescription assistance, free cancer screenings, and labor and delivery services in rural and underserved communities.

Share Your Story: Hospital-specific 340B experience is key. Share examples of the following:

- What does the 340B drug pricing program mean to your facility in terms of approximate dollar impact?
- How would patient and community-related programs be impacted by the loss of 340B savings?
- What types of communication has your facility received from drug manufacturers imposing 340B drug program restrictions?
- How do contract pharmacies provide broad access across hospitals' service regions?
- Why are a variety of contract pharmacies needed to meet patient needs?
- What internal and external reporting processes are in place to maintain the integrity of the program?