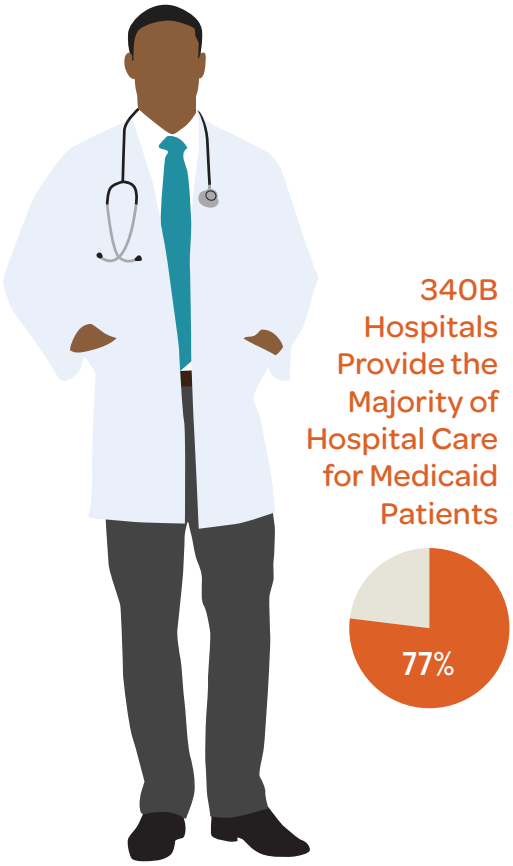
What is 340B?

Section 340B of the U.S. Public Health Service Act provides that pharmaceutical manufacturers that choose to participate in Medicare and Medicaid sell certain outpatient drugs to safety-net providers at a discount. It was enacted with strong bipartisan support in Congress and signed into law by President George H.W. Bush.



340B At a Glance

Who is eligible for 340B discounts?

The 340B statute specifies the list of "covered entities" that are eligible for drug price discounts. These includes certain public and private nonprofit hospitals, health centers, and clinics. Congress chose these providers for 340B because they serve high percentages of people with low incomes, those living in rural areas, and patients with certain chronic illnesses.

How much are 340B drug price discounts?

Congress specified discounts from the average manufacturer price ranging from 13% for eligible outpatient generic drugs to 23.1% for brand-name drugs. Larger discounts are triggered when manufacturers raise their prices by more than the rate of inflation or offer deeper discounts in the market.[1]

How do hospitals use 340B savings?

340B covered entities use their savings to stretch resources to provide more comprehensive services to more patients, consistent with the purpose of the program as specified by Congress.[2] Many hospitals use 340B savings to cover the cost of uncompensated and unreimbursed care for uninsured and low-income patients. In 2020, 340B DSH hospitals provided 77% of hospital care to Medicaid patients[3]. 340B hospitals provide 67% of all uncompensated and unreimbursed care in the United States.[4] Three-quarters of rural hospitals report they use their 340B savings to keep their doors open.[5]

continued ▶

What is 340B?

Savings from 340B help fund free and low-cost medications as well as HIV/AIDS, diabetes, cancer, dental, and primary care clinics that serve our patients most in need.

340B At a Glance

How do 340B savings help patients?

340B savings help serve the needs of patients who have low incomes or live in rural communities, including those who are uninsured, underinsured, or on Medicaid. 340B hospitals enable a wide range of services, including free or heavily discounted prescription drugs, trauma care, care for HIV/AIDS, and treatment for opioid and other substance use disorders.[6]

What is the cost of 340B care to taxpayers?

Care provided through 340B savings does not cost taxpayers any money. The care is paid for with the money saved through the price discounts from manufacturers.

How does 340B help rural hospitals?

In 2010, Congress extended 340B eligibility to many rural hospitals to help them provide care in their communities and remain open. More than half of the hospitals in 340B are rural providers.[7] Since 2010, more than 130 rural hospitals have closed and more than one in four are struggling to stay open.[8] More than half of rural hospitals surveyed say cuts to 340B savings could force them to close.[9]

Who oversees 340B?

The Health Resources and Services Administration (HRSA) oversees 340B. HRSA requires all covered entities to be recertified each year to assure integrity, compliance, transparency, and accountability. Providers and manufacturers are subject to audits to ensure they are in compliance with 340B program requirements. Since 2012, HRSA has conducted more than 1,800 audits of 340B providers and 36 audits of pharmaceutical manufacturers.[10] In 2019, HRSA finalized a rule authorizing the Department of Health and Human Services Office of Inspector General to impose civil monetary penalties on manufacturers that "knowingly and intentionally" overcharge 340B providers.[11]

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