

# A Closer Look at 340B in Your Community

Under the federal 340B program, manufacturers reduce prices of outpatient medicines by tens of billions of dollars each year for safety-net clinics and qualifying non-profit hospitals (“covered entities”). The expectation is that those entities use the profit they generate from the program to help vulnerable patients access more affordable medicines, but a lack of transparency and oversight has led to abuse of the 340B program.

**Today, the 340B program is broken.** 340B has become less about patients and more about boosting the bottom lines of hospitals and middlemen through excessive markups and extensive networks of contract pharmacies. After a decade of more than 20% annual growth, 340B sales at the discounted prices totaled \$66 billion in 2023.

## Here’s what the program looks like in Vermont



### Fast Facts: 340B in Vermont

- 14 hospitals in VT participate in 340B.
- Since 2015, the government has only conducted 13 audits of covered entities (CEs) in the state, with 8 returning adverse findings like illegal distribution of 340B purchased drugs.
- There are currently 1,065 arrangements between for-profit contract pharmacies and 340B CEs. 681 are with pharmacies outside the state.

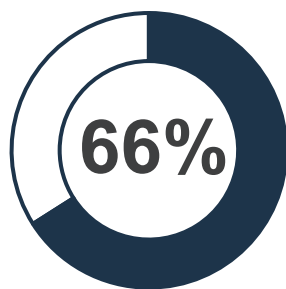


### Are Vermont 340B hospitals providing adequate charity care?

- Charity care is free or reduced-cost care provided to qualifying patients.
- Charity care, on average, accounts for **just 0.7%** of total operating costs at 340B hospitals in the state, with 100% falling *below* the national average of all hospitals (2.5%).
- From 2014 to 2022, these 340B hospitals saw assets increase by 19%, while charity care *decreased* by 83%.

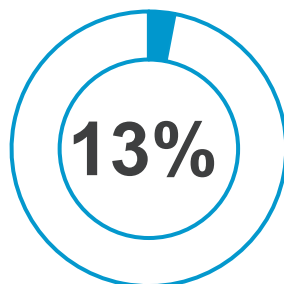
**Employers in Vermont pay an estimated \$43.9M more in health care costs due to foregone rebates (which reduce the price of medicine) as a result of the 340B program. This leads to a \$1.1M reduction in state and local tax revenue.**

**340B hospitals and their middlemen partners prioritize wealthy areas where they can maximize profit, rather than underserved areas 340B was meant to serve.**



Of the 119 340B in-state contract pharmacy locations, just 66% are in rural areas, despite 85% of the state’s zip codes being considered rural.

Only 13% of 340B in-state contract pharmacy locations are in zip codes with an average household income lower than the state median (\$85,190).



### What is the deal with 340B contract pharmacies?

- **LOST REBATES:** Proposed contract pharmacy legislation in Vermont is estimated to increase health care costs for employers and state and local governments by \$20.8M due to additional foregone rebates.
- **UNCONSTRAINED GROWTH:** Contract pharmacy arrangements increased 12,000% since the government expanded their use in 2010, with 69% of arrangements now with one of the three largest pharmacy benefit managers.
- **RISK TO ACCESS:** As 340B hospitals drive business to their contract pharmacies (~70% are large chains), independent pharmacies struggle to stay open, putting patient access to care at risk.