

— LEGISLATIVE —  
**TESTIMONY**

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**Mackinac Center  
Opposition to 340B  
Expansion**

Michigan House Health Policy Committee

# Support of House Bill 4878

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The federal 340B program requires drug makers to sell their products to some hospitals at a discount. Hospitals and contract pharmacies can then resell them and pocket the difference. It's a case of the government picking winners (hospitals) and losers (drug manufacturers) among private market participants.

Hospitals argue that they need the money to help patients. That is, they use the extra revenue from the program to cut costs or provide free care for those in need. But these claims are dubious.

The 340B program has massively expanded nationally — from \$6 billion in 2010 to \$66 billion today. During this same period, hospitals have also benefited from the expansion of Medicaid in Michigan, with taxpayer subsidies covering 600,000 more people today than a decade ago.

Medicaid was supposed to cut down on the uninsured and mean less need for charity care schemes like the 340B program. That was the key argument for expanding Medicaid — I was here during that debate. But if we expanded Medicaid to cut down on hospital charity care, why has the 340B program grown so much?

The reason is that the purpose of the program is no longer charity. A study from the Pacific Research Institute found that hospitals allowed to take advantage of the 340B program — in Michigan and across the nation — spend less on charity care and make more in profits.

House Bill 4878 aims to increase transparency on drug pricing and ensure hospitals use 340B savings for community benefit while preventing manufacturers and wholesalers from restricting access to discounted drugs. But this type of micromanaging of the relationship between two private actors is an inappropriate use of government power.

A new report from the Congressional Budget Office shows massive growth in this program as hospitals and pharmacies exploit loopholes in the laws. But the piper must always be paid, and the result will be higher costs and fewer drugs for everyone else. The 340B program causes huge market distortions in health care. Limiting its use and realigning it to its intended purpose would be a good move.

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