MACKINAC CENTER VIEWPOINTS

“If 340B was designed to lower drug costs for vulnerable patients, why do hospitals and corporate middlemen seem to be its biggest beneficiaries?”

The 340B drug discount program has lost its way

Hospitals and pharmacies profit from program designed to reduce drug prices

By Naomi Lopez | March 2025

The federal government created the 340B Drug Discount Program in 1992 to help safety-net hospitals and clinics serve low-income and uninsured patients. By requiring pharmaceutical companies to sell medications at steep discounts, the program aimed to expand access to care and lower drug costs for people who need it most.

But over time, hospitals, pharmacy benefit managers and large retail chains have turned 340B into a massive revenue stream. Instead of ensuring that 340B savings help vulnerable patients, hospitals and their contract pharmacies cash in while patients struggle to afford their medications.

Discounted 340B drugs are being sold across state lines. Hospitals in Michigan, for example, have resold 340B drugs to pharmacies in some of the nation’s wealthiest zip codes and in dozens of states. Meanwhile, patients in Michigan communities those discounts were intended for face high out-of-pocket costs.

Hospitals are profiting. In one example exposed in The New York Times, one hospital charged $27,200 for a cancer drug that carried a list price of $2,700 under the 340B program. Where did the extra $20,000 go? Pharmacy benefit managers such as Express Scripts, along with retailers, including Walmart, purchase and resell 340B drugs. In one case, three PBMs in New Jersey serve as contract pharmacies for 100 different Michigan providers. These companies profit from a program meant to help the underserved.

Lawmakers should ask: If 340B was designed to lower drug costs for vulnerable patients, why do hospitals and corporate middlemen seem to be its biggest beneficiaries?

Continued on back

State leaders can bring transparency and accountability back to 340B. They should:

Require hospitals to disclose where 340B savings go. Hospitals should prove that they're using these discounts to expand care, not boost the bottom line.

Limit out-of-state sales of 340B drugs. Discounted drugs should stay in the communities they were meant to serve, not sold across the country for profit.

The 340B program was built to help underserved communities — not to boost the profits of hospitals, PBMs and major retailers. Since the program doesn't have adequate oversight, the most vulnerable patients struggle to afford medications while powerful institutions benefit.

State lawmakers can fix this.

Available online at: www.mackinac.org/v2025-08

Naomi Lopez is an adjunct scholar at the Mackinac Center for Public Policy and a visiting healthcare policy fellow at the State Policy Network.