

# Debunking the Drug Industry's Myths Regarding the 340B Drug Pricing Program

Via AHF

The drug industry and the interest groups they finance are on a campaign to persuade the American people that the 340B Drug Pricing Program, a vital safety net program that costs taxpayers nothing (the savings in 340B come from discounted drug prices from the drug companies) is an out-of-control boondoggle which is being abused by nonprofit hospitals and safety net medical providers.

The drug industry is wrong. 340B works exactly as the U.S. Congress intended and must not be changed just to appease drug companies' greed. Here are just some of the myths about 340B propagated by the drug companies:

## MYTH: The continuing growth in the 340B program is not sustainable.

### FACT:

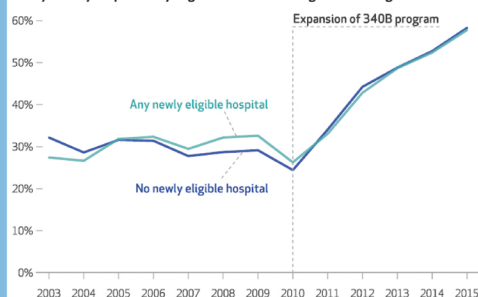
A condition of the drug companies gaining access to the \$73.4 billion Medicaid drug market is that they agree to participate in the 340B program. As long as the drug industry wants access to that \$73.4 billion market they will participate in the 340B program, which will continue well into the future.

## MYTH: 340B is incentivizing industry consolidation, driving up prices.

### FACT:

While the health care industry is consolidating, it is consolidating everywhere, even in places without 340B (think the merger of CVS and Aetna). While the drug industry likes to use hospital purchases of oncology practices as its prime example, hospital oncology acquisitions with 340B are occurring at the same rate as hospital oncology practices without 340B.

Trends in hospital or health system ownership of oncology practices 2003-15, by whether a county has any hospital newly eligible for the 340B Drug Discount Program



SOURCE: Authors' analysis of data from SK&A and American Hospital Association (AHA). NOTE: The 340B Drug Discount Program was expanded to include more hospitals in 2010 as part of the Affordable Care Act.

## MYTH: Congress did not clearly identify the intent of the 340B program, thereby allowing nonprofit entities to abuse it.

### FACT:

The intent of the 340B program is stated quite clearly in its legislative history. The purpose of 340B is to give safety net providers relief from high drug prices, so they have the resources to provide more and better services to their clients:

"The 340B Program was created to allow covered entities "to stretch scarce Federal resources as far as possible, reaching more eligible patients and providing more comprehensive services."

Further the 340B law clearly anticipates that prescriptions could and would be reimbursed by insurers like Medicaid, because there is specific language dealing with how 340B entities should bill Medicaid. See 42 U.S.C. Section 265 (a) (5).

## MYTH: 340B has experienced out of control, exponential expansion.

### FACT:

Congress intentionally expanded the program, with the full knowledge and tacit approval of the drug industry. In 2010, as part of the Affordable Care Act (ACA), Congress increased the number and types of nonprofit hospitals that can participate. The growth in the 340B program was intended and was completely expected.

The drug companies actively pushed for the ACA because they knew that, between Medicaid expansion and the individual mandate, they would have a payer source for their drugs for millions of new people. They have made out like bandits:

According to the Congressional Justification of the U.S. Health Resources and Services Administration's request for the fiscal year Fiscal Year 2023 Budget, 340B drug sales in 2020 were \$39 billion. But since 2010, Medicaid drug sales increased 119% to \$73.4 billion in 2020 and total drug company sales in the U.S. have increased 77% to \$515 billion in 2020.

Furthermore, drug companies raked in a whopping \$1.27 trillion in global drug sales.

Largely due to the ACA, the drug industry gets an extra \$73.4 billion per year and gives up very little. And now they want to renege on that.

For more information visit:

Let340B.org

1. <https://www.kff.org/medicaid/issue-brief/medicaid-outpatient-prescription-drug-trends-during-the-covid-19-pandemic>
2. H.R. Rep. No. 102-384 (Part 2), at 12 (1992)(Conf. Rep.).
3. <https://www.govinfo.gov/content/pkg/USCODE-2010-title42/html/USCODE-2010-title42.htm>
4. <https://www.hrsa.gov/sites/default/files/hrsa/about/budget/budget-justification-fy2023.pdf>
5. <https://www.statista.com/statistics/272181/world-pharmaceutical-sales-by-region/>
6. <https://www.statista.com/statistics/263102/pharmaceutical-market-worldwide-revenue-since-2001/>