

340B Bill Would Raise Healthcare Costs for Texas Businesses

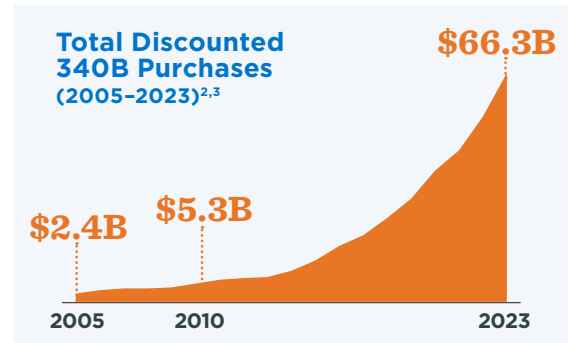
The 340B Drug Pricing Program has grown from a small program for safety-net providers into a massive arbitrage opportunity for corporate health care systems to drive up costs without meaningfully benefiting the vulnerable communities it was intended to serve.

Today, 340B is the second-largest federal drug program behind Medicare Part D.¹ Providers purchased over \$66B of medicines in 2023 at discounted 340B prices. The full price of those medicines was \$124B, meaning 340B providers received approximately \$58B in 340B profits.²

With no transparency in the program for hospitals, it is impossible to know whether these funds are benefiting patients—even as they drive up costs for employers and working families.

340B COSTS EMPLOYERS BILLIONS

340B allows participating hospitals to “buy low and sell high.” The program allows them to purchase medicines at a steep discount and charge insured patients the full price, which results in profits at the expense of employers and working families. This practice increases health care costs and encourages consolidation³ since hospitals can acquire outpatient physician practices and contract with PBMs and chain pharmacies to boost profits.



5.4x the average markup to oncology drugs billed to a state health plan—averaging profits of \$6,026 per claim according to the North Carolina state treasurer.⁴

\$5.2B annual cost of 340B to employers in lost rebates alone.⁵



340B HOSPITALS IN TEXAS

- 153 Texas hospitals – one in four – participate in the 340B program.^{6,7}
- TX hospitals have 3,654 contracts with pharmacies, 33% of which are out of state.⁸
- 25-50% of Texas 340B hospitals earn more from 340B discounts than they spend on charity care.⁸
- As Texas hospitals’ profits soar, Tarrant and Dallas counties – home to numerous 340B hospitals – also lead the nation’s 20 most populous counties in medical debt, exposing the disconnect between financial success and patient affordability.^{8,9}



EMPLOYERS IN TEXAS

- 340B encourages providers to prescribe more and higher-priced drugs.¹⁰
- 340B increases health care costs by \$26 per beneficiary in Texas due to lost rebates, raising overall health care costs by over \$353 million per year for Texas businesses and families.¹¹



LAWMAKERS SHOULD CONSIDER TRANSPARENCY, NOT FLAWED HB 3265

Proposed legislation would exacerbate the impact of 340B on working families in Texas. Hospitals are seeking to pass a bill that would further increase profits for themselves and their PBM and chain pharmacy partners at the expense of employers.

HB 3265 would cost employers an additional \$26 per beneficiary or \$78 million a year in lost rebates.¹¹ Instead, lawmakers should seek to introduce more transparency to better understand the 340B program and its impact on families in Texas.