

2026 Issue Brief

Improving the 340B Drug Pricing Program

Issue

The 340B Drug Pricing Program provides savings to federal grantee organizations and several types of hospitals, including critical access hospitals (CAHs), sole community hospitals (SCHs), rural referral centers (RRCs), and public and nonprofit disproportionate share hospitals (DSH) that serve low-income and indigent populations that need them most. Established in 1992 under the Veterans Health Care Act, the program is administered by the Health Resources and Services Administration (HRSA) under the Department of Health and Human Services (HHS). The HHS Secretary enters into purchase price agreements (PPAs) with pharmaceutical manufacturers for outpatient drugs at a reduced cost. Participating organizations are prohibited from receiving duplicate discounts on the same drugs (e.g., 340B discount and Medicaid fee-for-service rebate). In 2023, 340B covered entities purchased \$66.3 billion in covered outpatient drugsⁱ as national prescription drug spending reached \$449.7 billion.ⁱⁱ

These covered entities serve a substantial share of low-income and uninsured patients, which is made more affordable by purchasing outpatient drugs below list cost. These safety-net providers serve vulnerable populations across the U.S., and the 340B program allows them to maximize limited federal resources, lowering the price of outpatient pharmaceuticals for patients and enhancing health services for patients and communities.ⁱⁱⁱ

Last year, HRSA announced the 340B Rebate Model Pilot Program, which proposed a shift from an upfront discount to a post-sale rebate model. The potential Pilot poses serious financial, operational, and other mission-threatening challenges for safety-net providers and the vulnerable patients AMGA members serve. On February 10, 2026, the U.S. District Court for the District of Maine vacated and remanded to HHS the 340B Rebate Model Pilot Program. HHS is reconsidering whether to implement a 340B Rebate Model Pilot Program consistent with its statutory authority. HRSA issued a Request for Information (RFI) to gather input from interested parties regarding the potential use of rebates to effectuate the ceiling price under the 340B Program. The comment period for the RFI closed on April 20, 2026, and the agency is currently reviewing the comments and determining next steps.

Assuming HRSA develops a new model largely based on the Program, AMGA believes critical flaws in this type of model include:

- **Severe financial strain and cash flow disruptions:** Forcing safety-net providers to purchase drugs at wholesale acquisition cost before receiving rebates would drain limited operating funds, delay care, and threaten the viability of hospitals and clinics.

- **Increased complexity and administrative burden:** The proposed rebate model would have imposed new reporting, tracking, and claims processes under unrealistic timelines, diverting staff time and resources from direct patient care.
- **Risk of greater manufacturer control over the 340B Program:** Allowing manufacturers to dictate payment terms and data requirements would have eroded statutory protections and shifted program governance.
- **Insufficient safeguards for providers:** Vague enforcement guidelines and rebate requirements would only increase providers' financial and operational risks.
- **Threat to the safety net:** Delayed savings from rebates would undermine the 340B Program's stated intent and ability to support uncompensated care, particularly in low-income, rural, and underserved communities.

AMGA asks Congress to:

- **Preserve, protect, and improve the 340 Drug Pricing Program so that safety net providers continue to expand care to the vulnerable populations they serve using 340B savings**
- **Include independent medical groups that serve a significant, underserved patient population in the 340B Pricing Program so that all who provide high-quality care to those who need it most can afford to**
- **Oppose the implementation of any model that transforms the 340B program from an up-front discount program to a rebate model run by manufacturers**



ⁱHRSA (2024), "2023 340B Covered Entity Purchases", <https://www.hrsa.gov/opa/updates/2023-340b-covered-entity-purchases#5>

ⁱⁱCMS (2024), "NHE Fact Sheet", <https://www.cms.gov/data-research/statistics-trends-and-reports/national-health-expenditure-data/nhe-fact-sheet>

ⁱⁱⁱ HRSA (2025), "340B Drug Pricing Program", <https://www.hrsa.gov/opa>