

10/12/2025

Chairman Lampton, Vice Chair Craig, Ranking Member Hall, and members of the House Insurance Committee,

Thank you for the opportunity to testify today on behalf of the National Alliance of Healthcare Purchaser Coalitions and the employers we represent across Ohio and the nation about House Bill 276.

The National Alliance is the only nonprofit, purchaser-led organization with both national and regional reach. Through more than 40 employer coalitions, including the Ohio Health Policy Alliance and Greater Cincinnati Employers Group on Health, our members represent public and private employers, nonprofits, and labor unions that provide health benefits to over 90 million Americans, spending more than \$850 billion every year on healthcare. Employers play a vital role in maintaining access to affordable, high-quality coverage for working families and the policies you consider here have a direct impact on those costs.

The 340B Program

Let me begin by saying that we at the National Alliance support the original intent of the 340B Drug Pricing Program. It was designed to provide additional resources to core safety net providers including a small subset of hospitals and community health centers. Many hospitals and community health centers continue to use 340B savings exactly as intended to expand services and improve access for vulnerable populations.

Unfortunately, over the past three decades, the program has expanded far beyond that original mission. With minimal guardrails and outdated eligibility criteria, 340B has become a powerful, but often misused, market force that is now driving up drug costs for employers and working families.

Recent research by IQVIA, a leading healthcare consulting and research firm, estimates that the 340B program is already costing Ohio employers and families \$275 million annually, and that number could rise to \$326 million if House Bill 276 moves forward.¹ Those costs are not just absorbed by large corporations—they are passed down through higher premiums, higher deductibles, and smaller paychecks. When 340B discounts are captured by large hospitals and pharmacy chains instead of being passed along to patients or payers, employers lose access to negotiated rebates and discounts, meaning Ohio businesses are effectively subsidizing profits for entities that were never the intended beneficiaries of the program.

¹ <https://www.iqvia.com/-/media/iqvia/pdfs/us/fact-sheet/340b-fact-sheets/ohio--cost-of-340b-fact-sheet.pdf>

Impact of Contract Pharmacies on Rising Costs

A key driver of these rising costs is the unlimited expansion of contract pharmacy arrangements. The original 340B statute never envisioned extending discounts to pharmacies not owned by covered entities. Yet today, covered entities can contract with an unlimited number of pharmacies—more than 30,000 nationwide.² About 75% of these contracts involve just five large, for-profit pharmacy chains, which collectively generated an estimated \$3 billion in gross profits in 2023.³ In Ohio alone, there are nearly 6,800 active arrangements between for-profit pharmacies and 340B entities, including almost 2,800 pharmacies located outside the state.

Even more concerning, a study published in the *Journal of the American Medical Association* study found that contract pharmacy growth has been concentrated in affluent, predominantly White neighborhoods, not in the low-income communities the program was meant to serve. That means much of the 340B revenue does not help the patients most in need, but instead enriches covered entities and national pharmacy chains. This expansion has created what amounts to a price-arbitrage system, where covered entities purchase drugs at steep discounts and sell them at full market rates through for-profit pharmacies. That margin, shared between hospitals and large chains, ultimately drives up costs for employers and working families through higher premiums and out-of-pocket expenses.

Our Concerns with House Bill 276

While the National Alliance appreciates the Committee's efforts to improve access and affordability, we have two primary concerns with the legislation as written. First, the savings generated would not reach the low-income patients or community health centers the program was designed to support. Instead, much of the financial benefit would flow to pharmacy benefit managers (PBMs) and other intermediaries in the pharmaceutical supply chain—entities already profiting substantially from 340B arrangements. The Minnesota Department of Public Health 340B report found that 10% of safety-net federal grantees reported negative net 340B revenue due to payments made to middleman.⁴

Second, the bill risks creating opportunities for gaming the system, as seen in other states where large hospital systems have contracted with community health centers to route all 340B purchasing through them. In those cases, the hospitals, not the community health centers or patients, captured the benefit, undermining the program's original mission.

Conclusion

Ohio's employers believe in fair and sustainable healthcare. We support transparency and accountability—principles that ensure dollars intended for vulnerable patients are actually used for that purpose. The National Alliance appreciates the Committee's interest in reforming the 340B Drug Pricing Program, however, we believe true reform of the program should be done at the federal

² Drug Channels Institute, "For 2023, Five For-Profit Retailers and PBMs Dominate an Evolving 340B Contract Pharmacy Market," 2023: <https://www.drugchannels.net/2023/07/exclusive-for-2023-five-for-profit.html>

³ Ibid.

⁴ <https://www.health.state.mn.us/data/340b/docs/2024report.pdf>

level and we are strongly supportive of the work Senate HELP Committee Chair Cassidy is doing to better understand the issue and increase transparency. We respectfully urge the Committee to carefully evaluate the unintended consequences of House Bill 276 and ensure that any state action strengthens, not weakens, the integrity and affordability of our healthcare system.

Thank you again for your time and consideration. I'd be happy to answer any questions.

Respectfully submitted,

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