



**BEFORE THE SENATE HEALTH COMMITTEE  
THE OHIO SENATE  
SENATOR STEVE HUFFMAN, CHAIR  
SENATE BILL 198**

**JOINT TESTIMONY OF  
JAMES LEE  
THE OHIO MANUFACTURERS' ASSOCIATION**

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Chairman Huffman, Vice Chairman Johnson, Ranking Member Liston, and members of the Senate Health Committee, thank you for the opportunity to provide the perspective of Ohio's employers and manufacturing sector on Senate Bill 198.

My name is James Lee, and I serve as the Managing Director of Public Policy Services for the Ohio Manufacturers' Association (OMA). The OMA represents nearly 1,300 manufacturers across the state. Founded in 1910, our organization exists for a single purpose: to protect and grow Ohio's manufacturing industry.

Our member companies, ranging from large enterprises to small and mid-sized businesses, contribute nearly \$133 billion to Ohio's GDP, far outweighing that of any other industry sector, while employing 700,000 Ohioans.

The OMA appreciates the Committee's dedication to improving healthcare access across our state.

As an association representing healthcare purchasers, we are concerned that this legislation will increase healthcare costs for employers, fail to enact needed transparency measures, and weaken accountability within the healthcare system.

### **I. The Problem with Program Expansion**

First – I want to emphasize that our members strongly support Ohio's low-income and rural hospitals, which play a vital role in helping our communities and workforce thrive.

We also respect the intent behind the federal 340B Drug Pricing Program — to help uninsured and low-income patients access affordable, life-saving medications. Unfortunately, over time, the program has expanded well beyond its original charitable purpose.

Our primary concern is that legislative efforts such as Senate Bill 198, which seek to expand the program even further, may worsen existing challenges — namely, rising healthcare costs for Ohio's working families and employers — without providing a clear or measurable benefit to the vulnerable patients the program was designed to serve.

### **II. The Burden on Ohio Businesses and Employees**

Our members, particularly small and mid-sized manufacturers across Ohio, are already struggling with persistently rising healthcare costs. These costs directly impact business profitability and limit their ability to invest in hiring, capital improvements, and wage increases.

The 340B program, in its current opaque form, is contributing directly to this burden. According to a study conducted by IQVIA, a prominent health industry consulting firm, the current structure of the 340B program results in an additional 275 million in annual

costs borne by Ohio employers. Expanding a program that already imposes such a significant, hidden tax on our businesses is simply untenable.

### **III. A Lack of Accountability and Patient Benefit**

Additionally, there remains a serious lack of transparency and accountability within the 340B system—one that too often fails to ensure patients receive the intended benefit.

Compounding the cost issue is the severe lack of transparency regarding how the program's substantial savings are utilized. When drug discounts are not clearly traceable, the program risks benefiting large hospital systems and Pharmacy Benefit Managers (PBMs) more than the low-income patients it was created to serve.

This is evidenced by a recent study from the non-partisan Congressional Budget Office (CBO), which reported that there is no evidence suggesting the savings generated by the 340B program are reliably passed on to patients.

Without transparent accounting, we cannot verify that the massive discounts are being reinvested in the community or patient care, leaving Ohio businesses paying higher costs for insurance premiums that subsidize an unaccountable system.

### **IV. Recommendation: Prioritize Transparency Over Expansion**

Before implementing sweeping changes that expand the 340B program, the OMA urges this Committee and the General Assembly to prioritize transparency and accountability. We recommend a pause on expansion legislation like S.B. 198 until fundamental questions about the program's operation in Ohio are answered.

One solution would be to restore the original 340B transparency language that was enacted in Ohio's biennial budget. Key provisions were lined vetoed by Governor DeWine. Restoration of this transparency language would provide necessary information required policy reforms.

Ohio could also look at models successfully implemented in other states, such as Indiana, which recently passed legislation to require more visibility into how 340B dollars are being spent. We must gather the essential data—understanding exactly where the money goes, who benefits, and how the program impacts premium costs for our businesses—to ensure that every healthcare dollar serves Ohioans wisely.

### **The OMA's Position**

The Ohio Manufacturers' Association stands in opposition Senate Bill 198 in its current form because it proposes expansion before accountability, paving the way for potential abuse and increased healthcare costs on employers.

We urge the Committee to instead focus its efforts on developing robust transparency measures that protect vulnerable patients while safeguarding the economic health and competitiveness of Ohio's manufacturing industry and the business community at large.

Before concluding the OMA's testimony, I would like to introduce William Smith, from the Pioneer Institute, as a subject matter expert who can speak more on the 340b program to provide his testimony and answer any questions from the committee.

William is a Senior Fellow and Director with the Pioneer Institute. I first learned about his expertise when he provided testimony on 340B transparency bills with both the Kentucky Association of Manufacturers and the Indiana Manufacturers' Association. Both organizations spoke very highly of his deep knowledge, especially regarding transparency issues and the broader challenges surrounding the 340B program.

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Thank you, Chairman Huffman and members of the Committee, for the opportunity to testify.

Let me say at the outset that I am generally a supporter of the 340B program as many 340B institutions struggle with low government reimbursement and face significant financial challenges. That said, the 340B program needs reform largely because the incentives in the program are misplaced.

How does the program work? 340B institutions get access to significant discounts on drugs and they can arbitrage those discounts to generate revenue. Arbitrage means they can buy low and sell high. So, for example, imagine an oncology drug with a price of \$100,000. A 340B institution may be able to buy that drug for \$25,000 and then bill an Ohio employer for \$100,000 and pocket the spread of \$75,000. On one prescription. For-profit PBMs and pharmacies also can benefit from this transaction by taking a percentage of that \$75,000 spread. There are many winners in this transaction. But there are also losers such as employers who are substantially overpaying for drugs and taxpayers who will overpay for Medicare drugs dispensed by 340B institutions. Another group that loses is patients because studies show that most 340B institutions do not pass along these deep discounts to patients.

You should also notice that under this arbitrage system, 340B institutions have greater incentives to treat wealthier patients with good insurance coverage or Medicare since they can pocket the spread between the discounted price and the reimbursement from insurance. At Pioneer Institute, we studied the placement of 340B contract pharmacies in Ohio, and what we discovered is that 55 percent of 340B pharmacies in Ohio are in

upper income neighborhoods. This confirms our suspicion that the 340B program is increasingly serving wealthier patients with good insurance in order to arbitrage the discounts.

How should this program be reformed? Because I am sensitive to the financial pressures that 340B institutions are under, I would not advocate cutting the program. What is needed is some transparency. The program was created to help these institutions better serve low-income patients. Therefore, a simple place to start would be requiring that 340B institutions disclose exactly how much revenue they secure from the program and exactly what they spend it on. If they take in \$50 million from 340B and spend every dime on free healthcare for indigent patients, they should be commended. However, if they take in \$50 million and spend it on executive salaries and for-profit pharmacy reimbursements, they should be criticized. The problem is that, under the current program, we do not know which institutions are doing the right things and which ones are not. Transparency would help us sort out the good actors and bad actors.

I am grateful to partner with the Ohio Manufacturers' Association on this hearing. While I know 340B institutions face financial pressures, I also know that many employers also face immense financial pressure due to healthcare costs. In this economic environment, it is difficult to justify the significant overpayments for drugs that are inflicted on employers.

I am not sure if some committee members are aware of so-called "penny priced" drugs in the 340B program. When a drug is penny priced, a 340B institution can buy it for one penny. I know of one penny priced drug whereby employers can be billed \$7000 per month. Given the financial challenges of employers, pocketing a \$6999.99 spread on one prescription seems hard to justify to employers.

Thank you for the opportunity to testify, I am happy to answer any questions.