Press Release

Primer: The 340B Drug Pricing Program

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In order for a manufacturer's drugs to be covered by Medicaid, the manufacturer must agree to participate in the ?340B Drug Pricing Program ?(340B). Under 340B, manufacturers provide discounts on outpatient drugs to eligible health care providers, who may then resell the drugs to patients or be reimbursed by payers at higher rates. In a new primer, Health Care Policy Analyst Jackson Hammond reviews the history of 340B and how the program functions.

Key points:

- The stated intent of 340B, implemented in 1992 as a part of the Public Health Service Act, is to "stretch scarce federal resources as far as possible, reaching more eligible patients and providing more comprehensive services."
- The program originated after the Medicaid Best Price rule had the unintended effect of dramatically reducing charity prescription drug donations.
- The 340B Program involves numerous parts of the U.S. health care system both directly and indirectly—and at a value of over $38 billion a year, has become an integral part of the financial model for health systems across the country.

Read the analysis