

Drugmakers sue government over 340B discounts to STD clinics

by Max Bayer on December 23rd, 2024

Amgen, Eli Lilly and UCB sued the federal government, claiming that several STD clinics getting drug discounts under the federal 340B aren't actually eligible.

In their [joint lawsuit filed Friday](#), the companies said the Department of Health and Human Services and the Health Resources and Services Administration (HRSA) unlawfully authorized certain STD clinics to qualify for 340B discounts and that “millions of dollars have improperly been funneled to ineligible entities.”

The lawsuit contends that nine “subdivisions” of Sagebrush Health Services, a Nevada-based company, were authorized for 340B payments by HRSA, despite being ineligible. The pharma companies said in the lawsuit that some of these entities exclusively practice other kinds of medicine that don't include STDs, and that medicines the pharmas provided discounts for also don't treat STDs.

The companies claimed that some of the Sagebrush entities also didn't directly receive local or state grants involving STD treatment, another requirement to qualify under 340B as an STD clinic. The state or local funds that some of these clinics did receive were in the forms of goods or services, like condoms or marketing materials, which the pharmas argue would disqualify them.

Sagebrush “epitomizes abuse of the 340B program by supposed STD subgrantees,” the lawsuit states, though the company is not a defendant in the lawsuit. Across the companies, the discounts totaled \$27 million since 2022. UCB's made up most of that, exceeding \$20 million in price reductions across eight of the subunits.

“HRSA's certifications and recertifications of these nine entities are final agency actions that are arbitrary, capricious, and not in accordance with law, and that exceed the agency's statutory authority,” according to the legal challenge.

HRSA declined to comment on the lawsuit, and Sagebrush didn't respond to multiple requests for comment.

In a statement to *Endpoints News*, Lilly said the authorizations were “yet another example of the unchecked profiteering and rampant abuse permitted by HRSA in the 340B program.” Amgen said its goal with the lawsuit is to uphold “the integrity of the program.” UCB wasn't available for immediate

comment.

The latest legal action follows more aggressive pushback by the drug industry against the 340B program. Companies including [Lilly](#) and [J&J](#) have sued the federal government over their own proposed rebate models and the government's refusal to embrace them.

Nicole DeFeudis contributed reporting.

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