

FROM THE OFFICE OF
E. WERNER RESCHKE

February 18, 2025

To: Members of the Oregon House of Representatives

From: ALEC Action

Re: Oppose HB 2385

ALEC Action, the 501(c)4 affiliate of the American Legislative Exchange Council (ALEC), writes in opposition to HB 2385 which contains provisions requiring prescription drug manufacturers to extend 340B pricing to all contract pharmacies in the state. ALEC Action supports limited government and free market ideas, and these provisions in HB 2385 do not align with our principles.

The federal 340B program was designed to deliver necessary outpatient drugs to covered entities at a steeply discounted price, in an effort to help hospitals deliver higher quality care to low-income and uninsured patients. Poor government oversight and a lack of transparency has resulted in hospitals pharmacies, and other middlemen abusing this program. All these factors combined have driven up the cost of healthcare for the individual.

340B is a federal program and federal law governs the operation of that program. Reform is needed at the federal level to ensure that money is going to support the providers and populations for which it was intended. State efforts to require the sale of 340B drugs are well-intentioned, but misguided.

Instead, lawmakers should institute greater scrutiny and increase transparency within the pharmaceutical supply chain and ensure rebates are passed along to the patient, not the middlemen.

For the reasons stated above, along with ALEC Action's guiding principles of limited government, free markets and federalism, we ask you to oppose HB 2385.



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HEALTH

340B Program Should Be a Priority for DOGE

BROOKLYN ROBERTS / JANUARY 24, 2025

As efforts to make the federal government more efficient get underway, 340B is a great place to start. This federal program allows qualifying hospitals to buy drugs at steep discounts and charge insurers and patients high prices. 340B has grown exponentially in the last few years, and that growth is driving health care costs higher.

A recent article by the New York Times tells the story of a patient who went for a cancer treatment and was given a drug with a list price of \$2,700. The hospital that owned that facility (a participant in the 340B program) charged the patient's insurance company \$22,700. In the end, the patient was left with a hospital bill for \$2,500 – more than half her monthly take home pay. Sadly, this story is all too common across the country.

The program was designed to help safety-net hospitals serving large populations of low income and uninsured patients buy prescription drugs at pennies on the dollar. This was meant to help these hospitals continue to provide or even expand their care. With little oversight, lax eligibility requirements, and regulatory rule changes, participation in the program has skyrocketed.

Rule changes by the Health Resources and Services Administration (HRSA) allowed participating hospitals to contract with an unlimited number of outside pharmacies to fill 340B prescriptions—allowing the hospitals, pharmacies, and pharmacy benefit managers (PBMs) to share the profits. Patients, insurers, employers and taxpayers are bearing the brunt of the cost.

Hospitals have identified ways to maximize profits from the program, including through the state legislative process. Despite 340B being a federal program, bills have been introduced in states across the country to require drug manufacturers to sell to all pharmacies that participate in the program (called “contract pharmacies”) at 340B prices. These bills have been challenged in court by pharmaceutical manufacturers with varying degrees of success.

Ultimately, 340B is a federal program, and fixes have to come at the federal level. There has been greater scrutiny of the program and increasing calls for reform over the past few years. In early 2024, a bipartisan group of six US Senators introduced a reform bill called the SUSTAIN 340B Act, which would have increased transparency and oversight of the program.

The Trump administration has signaled that increasing government efficiency and eliminating waste is a top priority. The new Department of Government Efficiency won't have to look far for programs and departments that need work, but 340B should be near the top of its list.

More information about the 340B program:

Myths v Facts: 340B, Drug Discounts, and Price Fixing

340B Won't Save Rural Hospitals Either

The 340B Program and State Mandates

The Controversy Surrounding 340B

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