

March 5, 2025

Senate Committee on Health Care

Oregon State Senate

900 Court St. NE

Salem, OR 97301

Dear Chair Patterson & Senate Health Care Committee Members,

On behalf of Johnson & Johnson (“J&J”), I want to bring attention to troubling abuses and a lack of transparency within the Federal 340B Drug Pricing Program (the 340B Program) that is harming vulnerable Oregonians. **We urge you to stand up for Oregon’s most vulnerable patients by strongly opposing SB 533, which would lead to further abuse of the program that drives the program’s benefit away from vulnerable patients and increases costs for states and employers.**

Established in 1992, the 340B Program was created to require discounts on “covered outpatient drugs” to certain types of safety-net entities providing direct clinical care to large numbers of low-income and uninsured patients. J&J strongly supports this purpose; however, the 340B Program has expanded well beyond what Congress envisioned in 1992. The 340B Program could better execute its core safety net and public health mission with clearly defined rules and proper oversight enforced by the Federal government. Unfortunately, the 340B Program is fundamentally broken and is not serving patients in the way that it was intended.

The program has grown out of control as pharmacy chains, large corporate-like health systems and vertically integrated pharmacy benefit managers (PBMS) are using 340B as a profit driver. This profiting happens in two distinct ways:

- 340B covered entities, including many hospitals, purchase drugs at significant discounts but bill patients and insurers at higher prices. There is no requirement that 340B hospitals use these profits to benefit vulnerable patients.
- For-profit national chain pharmacies’ and PBMS’ buy-low/sell-high arbitrage approach allows them to leverage low 340B prices, charge patients full price, in turn generating high profits at the expense of state employees, taxpayers, and businesses.

There has also been a rapid growth of contract pharmacies and contract pharmacy arrangements (4,228% increase from 2010 to 2020¹). Within Oregon, this growth in contract pharmacy arrangements appears to not generally serve the interest of the most vulnerable patients the 340B Program was intended to serve. Recent data analysis shows:

- Nearly half – 48% - of contract pharmacies are located in affluent neighborhoods, and

¹ Johnson and Johnson. Janssen’s Policy Rx Brief – The 340B Program. How Arbitrage, Opportunism and Opacity Undermine the Program’s Original Purpose. 2022.

- Twenty-six percent of 340B contract pharmacies are outside the state - as far away as Florida.²

At the same time, there has not been a corresponding increase in charity care. In fact, Oregon 340B hospitals provided 1.78% charity care as a percent of operating expenses, which was less than the national average of 2.28%.

The current lack of transparency in the 340B Program makes it unclear whether vulnerable patients are truly benefiting from 340B discounts. It is also concerning that a recent analysis showed that employers are paying nearly \$5.2 billion in higher healthcare costs because the 340B Program is broken.³ In Oregon, 340B is costing employers and workers \$131 million annually, and that is projected to increase to \$166 million if contract pharmacy legislation like SB 533 passes.⁴

We support the original intent of the 340B Program and believe increased transparency and accountability in the Program will improve access to care in vulnerable communities and help ensure patients directly benefit from discounts.

We urge you to stand against SB 533 and support federal reforms that require 340B discounts be shared directly with vulnerable patients at the pharmacy counter and prevent PBMs and for-profit contract pharmacies from further abusing the 340B Program.

We thank you for your leadership and commitment to protecting the most vulnerable Oregonians.

Sincerely,

Terrell Sweat

Terrell Sweat
Director, US State Government Affairs
Johnson & Johnson Services, Inc.

² Pioneer Institute, 340B State One Page Fact Sheets, <https://pioneerinstitute.org/wp-content/uploads/Oregon-2024.pdf>

³ Sun C, Zeng S, Martin R. "The Cost of the 340B Program Part 1: Self-Insured Employers." IQVIA, March 2024. <https://www.iqvia.com/-/media/iqvia/pdfs/us/white-paper/2024/the-cost-of-the-340b-program-part-2-340b-revenue-sharing.pdf>

⁴ IQVIA, <https://www.iqvia.com/-/media/iqvia/pdfs/us/white-paper/2025/iqvia-cost-of-340b-to-states-whitepaper-2025.pdf>