

May 6, 2025

Senate Committee on Health Care

Oregon State House

900 Court St. NE

Salem, OR 97301

Dear Chair Patterson, Vice Chair Hayden & Members of the Senate Committee on Health Care,

Johnson & Johnson (“J&J”) respectfully **opposes HB 2385-A** because it fails to protect Oregon patients, employers, workers and taxpayers. This bill would do nothing to protect vulnerable patients and prevent Pharmacy Benefit Managers (PBMs) and for-profit contract pharmacies from further abusing the Federal 340B Drug Pricing Program (the 340B Program).

The 340B Program is costing Oregon taxpayers, employers and workers millions of dollars because 340B discounts supplant manufacturer discounts otherwise provided to the government and employer health plans. Today, the 340B program is costing Oregon’s taxpayers \$20 million and employers and workers \$131 million annually because of this rebate displacement. If passed, HB 2385-A would further increase government and employer health plan costs by nearly \$35 million.¹

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 with clearly defined rules transparency 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 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 markup the prices for patients and insurers. 340B hospitals are not required to pass these discounts to patients or otherwise 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 and charge patients full price. Again, with no requirement to pass the 340B discount through to patients, which enables for-profit entities to generate high profits at the expense of state employees, taxpayers, and employers.

¹ IQVIA, <https://www.iqvia.com/-/media/iqvia/pdfs/us/white-paper/2025/iqvia-cost-of-340b-to-states-whitepaper-2025.pdf>

There has also been a rapid growth of contract pharmacies and contract pharmacy arrangements (4,228% increase from 2010 to 2020²). Within Oregon, contract pharmacy arrangement growth does not generally serve the interest of the most vulnerable patients. Recent data analysis for Oregon shows:

- Nearly half – 48% - of contract pharmacies are located in affluent neighborhoods, and
- Twenty-six percent of 340B contract pharmacies are outside the state - as far away as Florida.³

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%.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 respectfully urge you to oppose HB 2385-A, which would lead to further abuse of the 340B Program that drives the Program's benefit away from Oregon's vulnerable patients and increases costs for the taxpayers and its employers.

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

³ Pioneer Institute, 340B State One Page Fact Sheets, <https://pioneerinstitute.org/wp-content/uploads/Oregon-2024.pdf>

⁴ Ibid.