

Option 17—Mandatory Spending

Function 570

Reduce Payments for Drugs Delivered by 340B Hospitals

Billions of dollars	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	Total		
											2025–2029	2025–2034	
Change in outlays													
Reduce payment rates for 340B hospitals to a drug's average sales price minus 22.5 percent	0	-5.2	-5.7	-6.6	-6.7	-7.7	-8.6	-9.6	-11.3	-12.1	-24.2	-73.5	
Reduce payment rates for 340B hospitals to a drug's average sales price	0	-1.1	-1.2	-1.4	-1.4	-1.6	-1.8	-2.0	-2.4	-2.5	-5.1	-15.4	

This option would take effect in January 2026.

Under Section 340B of the Public Health Service Act, certain hospitals and clinics are permitted to buy outpatient drugs at significant discounts from drug manufacturers. Those hospitals are known as 340B hospitals. They generate savings from the program when the amount they are paid by insurers, including Medicare, exceeds the cost of drugs acquired through the 340B program. Under current law, Medicare's payments for drugs covered under Medicare Part B are generally equal to a drug's average sales price plus 6 percent. That payment is the same regardless of whether a facility is enrolled in the 340B program. Thus, 340B hospitals can receive more in Medicare reimbursements than the drugs cost to acquire. The Medicare program previously lowered payment rates

for drugs provided by 340B hospitals to their average sales price minus 22.5 percent, but the policy was reversed by a Supreme Court decision.

This option consists of two alternatives. The first would reduce payment rates for 340B hospitals to a drug's average sales price minus 22.5 percent, the rate previously used by Medicare. The second would reduce payment rates for 340B hospitals to a drug's average sales price. In both cases, the payment change would not be subject to the budget-neutrality adjustment that is usually applied to payment under Medicare's prospective payment system for outpatient hospitals.

Related CBO Publication: *Policy Approaches to Reduce What Commercial Insurers Pay for Hospitals' and Physicians' Services* (September 2022), www.cbo.gov/publication/58222