

# Judge Voids HHS Policy Limiting Hospital Discount Drug Purchases

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Reporter

- A federal judge vacated a 2013 policy from the US Health Resources and Services Administration that prohibits hospitals from simultaneously buying medicines through a government drug discount program and a group purchasing organization.
- The judge concluded the policy is arbitrary and capricious and must be vacated, as HRSA offers almost no reasoning for the policy.
- The order is a win for Premier Inc., a group purchasing organization that alleged the agency unlawfully denied its request to exempt it from the 2013 policy.

A federal judge vacated a 2013 policy from the US Health Resources and Services Administration that prohibits hospitals from simultaneously buying medicines through a government drug discount program and a group purchasing organization.

“HRSA offers almost no reasoning in the 2013 Policy—and the little it does provide fails to explain why the agency reached the conclusion it did,” Judge Loren L. Alikhan for the US District Court for the District of Columbia said in an [order](#) filed Tuesday.

The policy is arbitrary and capricious and must be vacated, Alikhan concluded.

The order is a win for Premier Inc., one of the largest group purchasing organizations in the US, who alleged in a [lawsuit](#) last year that the agency unlawfully denied its request to exempt it from the 2013 policy that limits when hospitals under the 340B Drug Discount Program can use their group purchasing arrangements to buy non-340B drugs.

Under the federal 340B program, covered entities such as qualifying safety-net hospitals, clinics, and other providers can purchase outpatient drugs at discounted

prices from manufacturers participating in Medicaid. For inpatient drugs, which are not covered by 340B, hospitals typically use group purchasing organizations like Premier to obtain negotiated price discounts.

The 340B statute includes a provision that prohibits covered hospitals from purchasing covered outpatient drugs through the 340B program and a group purchasing organization simultaneously, also known as the [GPO limitation](#).

Because the court ruled the policy is arbitrary and capricious, it will not determine whether the policy is a legislative rule, whether it conflicts with the 340B statute, or whether HRSA's denial of Premier's exemption request was arbitrary and capricious, according to the order.

The Department of Health and Human Services didn't immediately respond to a request for comment.

McDermott Will & Schulte LLP represent Premier.

The case is [Premier Inc. v. Health Resources and Services Administration](#), D.D.C., No. 1:24-cv-03116, order 3/31/26.