

United States Senate

WASHINGTON, DC 20510

April 21, 2026

The Honorable Shelley Moore Capito
Chair
Senate Appropriations Subcommittee on
Labor, Health and Human Services, and
Related Agencies
Washington, DC 20515

The Honorable Tammy Baldwin
Ranking Member
Senate Appropriations Subcommittee on
Labor, Health and Human Services, and
Related Agencies
Washington, DC 20515

Dear Chair Moore Capito and Ranking Member Baldwin:

As you prepare your Fiscal Year (FY) 2027 Labor, Health, and Human Services, Education, and Related Agencies appropriations bill, we write to respectfully request that you include bill language barring the use of funds for implementation of a 340B Rebate Model Program at the Department of Health and Human Services (HHS). Congress intended the 340B Program to enable the nation's safety-net providers to stretch scarce federal resources as far as possible, reaching more eligible patients and providing more comprehensive services. We are concerned a rebate model, as currently under consideration at HHS, would compromise the purpose of the 340B program, threaten the stability of our safety net providers, and directly harm patients.

Last year, HHS announced it would accept applications from manufacturers for a 340B Rebate Model Pilot Program.¹ Over 160 bipartisan members of the House of Representatives wrote to HHS urging the agency to abandon this effort.² HHS only complied after a federal court blocked implementation of the 340B Rebate Model Pilot Program.³ Now, HHS is reconsidering whether to implement a 340B Rebate Model Pilot Program and undergoing a Request for Information from stakeholders to determine its next steps.⁴

We are concerned that a rebate model will severely damage community health centers, safety net hospitals, and other providers that rely on the 340B program to provide comprehensive, quality services to their patients and communities.

¹ Health Resources and Services Administration, *HRSA Announces Application Process for the 340B Rebate Model Pilot Program and Request for Public Comment*, (July 31, 2025) (online at <https://www.hrsa.gov/about/news/press-releases/rebate-model-pilot-program>).

² Letter from Rep. Doris Matsui, Rep. Dusty Johnson, Rep. Debbie Dingell, and Rep. Tracey Mann to Secretary Robert F. Kennedy Jr., Department of Health and Human Services (Sept. 9, 2025) (online at: https://matsui.house.gov/sites/evo-subsites/matsui.house.gov/files/evo-media-document/20250909-matsui-final-letter-to-hhs_340b-rebate-model-pilot.pdf)

³ *American Hospital Association et al v. Kennedy et al*, (D. Me. 2026).

⁴ Health Resources and Services Administration, *340B Rebate Model Pilot Program*, (March 2026) (online at <https://www.hrsa.gov/opa/340b-model-pilot-program>).

As previously proposed, a rebate model pilot program would require all covered entities to purchase drugs on the CMS Medicare Drug Price Negotiation Selected Drug List at the wholesale acquisition cost – the highest sticker price that manufacturers offer, which is rarely actually paid by purchasers in the health care system.⁵ This would require 340B providers to float significant amounts of cash to drug companies in hopes of a rebate being paid. Further, these drugs are still some of the costliest drugs in the Medicare Part D program. If the entire 340B program moved to a rebate model, the average Disproportionate Share Hospital in the country would be forced to float an estimated \$72.2 million to manufacturers annually.⁶

This is a cost most 340B providers, many of whom are experiencing financial instability, simply cannot afford. 340B disproportionate share hospitals already have substantially lower—negative on average—operating margins compared to non-340B hospitals.⁷ And in 2023, nationally, nearly half of health centers had negative operating margins; overall net margins were 1.6 percent.⁸ These changes threaten 340B providers’ ability to provide care to low-income communities.

Further, we are concerned that a rebate model undermines the intent of the 340B statute in another critical way. If 340B-covered entities are unable to afford to prescribe and purchase these drugs, patients served at safety net providers will experience a lower standard of care compared to patients seen at non-340B institutions. The proposed list of drugs included in the original 340B Rebate Model Pilot Program are some of the most widely prescribed drugs in the Medicare program and treat or prevent conditions such as strokes, diabetes, heart failure, rheumatoid arthritis, Crohn’s disease, and cancers.

The rebate model contravenes Congressional intent in establishing the 340B program. We ask you to include the following bill language in the FY 2027 Labor, Health and Human Services, Education, and Related Agencies Appropriations Act:

None of the funds made available in this or any other Act, including prior Acts and laws other than appropriations Acts, may be used to implement a 340B rebate model, including the 340B Rebate Model Pilot Program Application Notice, 90 Fed. Reg. 36,163 (Aug. 1, 2025); the Corrected 340B Rebate Model Pilot Program Application Notice, 90 Fed. Reg. 38,165 (Aug. 7, 2025); the Request for Information: 340B Rebate Model Pilot Program, 91 Fed. Reg. 7,287 (Feb. 17, 2026); any successor 340B Rebate Model Pilot Programs; and the approvals of

⁵ Health Resources and Services Administration, *340B Rebate Model Pilot Program*, (March 2026) (online at <https://www.hrsa.gov/opa/340b-model-pilot-program>).

⁶ 340B Health, *Manufacturer 340B Rebate Models Threaten Safety-Net and Rural Hospitals and Would Harm Patients*, (July 18, 2025), (online at https://www.340bhealth.org/files/340B_Health_MANUFACTURER_340B_REBATE_MODELS_Report.pdf).

⁷ 340B Health, *340B Hospital Operating Margins Dropped Sharply in FY 2020* (July 20, 2022), (online at <https://www.340bhealth.org/newsroom/340b-hospital-operating-margins-dropped-sharply-in-fy-2020/>).

⁸ The Commonwealth Fund, *Community Health Centers Are Serving More Patients Than Ever, but Financial Challenges Loom Large*, (November 13, 2024), (online at <https://www.commonwealthfund.org/blog/2024/community-health-centers-are-serving-more-patients-ever-financial-challenges-loom-large>).

applications from drug manufacturers submitted pursuant to those notices or any future notices.

Thank you for your consideration of this request.

Sincerely,



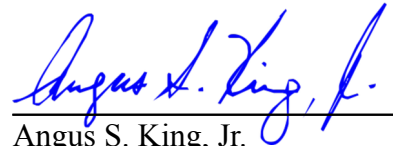
Peter Welch
United States Senator



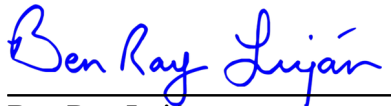
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