Congress Eyes Drug Discount Changes After Legislative Stall

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Reporter

Summary by Bloomberg AI

- Both chambers of Congress are moving toward taking a fresh look at potential changes to the 340B drug discount program used by certain hospitals, though lawmakers are divided on the approach.

- Critics argue that reforms are becoming more urgent as the program has ballooned in size over the years, and lawmakers worry savings aren't being reinvested in low-income patients.

- A bipartisan group of House members is working on a legislative discussion draft to revamp the 340B program, and the Senate has a bipartisan 340B working group nearing release of a draft or paper.

Both chambers of Congress are moving toward taking a fresh look at potential changes to a growing drug discount program used by certain hospitals, though lawmakers are divided on the approach.

The federal program, known as 340B, requires drug manufacturers to provide discounted drugs to eligible health centers and hospitals. Since its creation in 1992, it has been a constant point of contention between hospitals and drugmakers.

"The drug companies hate it, and the hospitals depend on it," said Sen. Peter Welch (D-Vt.). "It's really symptomatic in some ways how healthcare reimbursement is so much a cost-shifting game, and it's an indication of how messed up our health care system is."

Some critics argue that reforms are becoming more urgent as the program has **ballooned in size** over the years. Republicans are also increasingly looking to crack down federal spending—and see an increase in usage of the drug discount program as an abuse by hospital systems. Lawmakers on both sides of the aisle also worry savings aren't being

reinvested in the low-income patients that need it, and instead are being used to pad hospitals' bottom lines.

"It is vital to the financial stability of these community hospitals," said Welch, who introduced a 340B bill (**S. 2372**) that would prohibit drugmakers to make conditions on hospitals to provide the discounts.

But the effort to revamp the program has powerful backers.

"Large hospital systems also manipulate the 340B drug pricing program to keep steep drug discounts for themselves," said Ways and Means Chair Jason Smith (R-Mo.) during an **April hearing**.

340B Action in Congress

Under-the-radar discussion of changing 340B has stalled in Congress for years, but lawmakers may finally be ready to tackle the issue again.

"The only thing thing that can fix it is Congress," Health and Human Services Secretary Robert F. Kennedy Jr. said during an April budget hearing.

On the House side, a bipartisan group of members is working on a legislative discussion draft to revamp the 340B program and set new guardrails, according to a person familiar with the plans. The person said there have been substantive talks with pharmaceutical companies, hospitals and lawmakers on how to address program growth, and that a product is close to being released.

That follows the House Ways and Means Committee's consideration in May of a bill that would have implemented new 340B reporting requirements for tax-exempt hospitals—**a measure pulled** after the American Hospital Association called it "burdensome" and "unworkable," though it could resurface.

The Senate, meanwhile, has had a bipartisan **340B working group** in place for years. Sen. Tammy Baldwin (D-Wis.), one of its leads, said in early June that the group met in May and is nearing release of "a draft or a paper that people can react to."

But achieving consensus may prove difficult.

Sen. John Boozman (R-Ark.), the group's newest member, said the program is "something that the hospitals, particularly rural hospitals, are so dependent on right now" and that eliminating the program would be very difficult.

The Industry Take

The two industries blame each other for the program's problems. Drugmakers have argued that hospitals take advantage of the program, saying some hospitals using the program don't need discounted drugs, while hospitals argue that drug discounts keep them in business and serve rural and high-need patients.

Meanwhile, hospitals and drugmakers have been pursuing their own actions around the policy as Congress has so far been slow to act.

Eli Lilly is the latest drugmaker to **recently set a policy** of requiring **detailed records of every time one of its drugs** is dispensed under the 340B program—a demand that supporters of the program argue exceeds legal requirements.

"These manufacturer-imposed requirements would drain scarce resources from 340B hospitals and threaten patients' access to lifesaving drugs," AHA's Aimee Kuhlman, vice president for advocacy and grassroots, said in a statement.

However, the pharmaceutical industry argues that the increased uptake requires higher scrutiny.

"The program was created as a targeted program to help vulnerable patients access affordable medicines but instead is being exploited as a major profit center by some large hospital systems," said Chanse Jones, a spokesperson for top drugmaker lobby PhRMA, in a statement.

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