

Evaluating the Role of 340B in Managing Healthcare Costs for Taft-Hartley Plans



The Pharmaceutical Industry Labor-Management Association (PILMA) engaged 3 Axis Advisors, an independent consulting firm specializing in prescription drug data analytics, to estimate the impact of 340B on Taft-Hartley plan expenses for prescription drugs.

KEY FINDINGS

The 340B program increased drug spending of Taft-Hartley plans by

4.7%
per claim.

Extrapolating these findings to all 5.2 million Americans covered by Taft-Hartley plans (source: [Milliman](#)), one can estimate the 340B program is driving up costs in Taft-Hartley health plans by

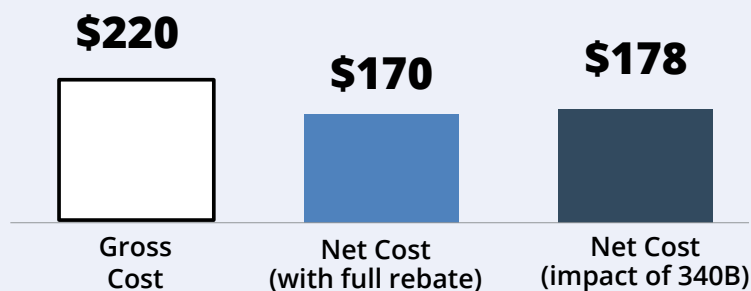
\$416M per year.

As 340B continues to grow at

24%

year over year, the model predicts additional losses of rebates over time, putting additional upward pressure on plans' net drug expenditures.

AVERAGE COST PER Rx CLAIM



**In US Dollars, 2023*

The analysis relied on financial modeling based on publicly available 340B program data and proprietary data from 44 private plan sponsors representing **\$993 million** in gross drug expenditures over roughly **450,000** prescription drug claims in 2023.

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340B is a federal program that allows eligible providers (“covered entities”) to purchase prescription drugs at a discount. Most covered entities do not fully pass their 340B discounts on to patients or payers. Instead, they may request reimbursement based on undiscounted prices.

For non-340B claims, payers negotiate rebates from manufacturers to reduce claims costs. Negotiated rebates vary by product and payer type, averaging **approximately 25% but reaching as high as 80%** in some cases. Plan sponsors ascribe high importance to these rebates in managing overall health plan costs.

For 340B claims, negotiated rebates generally are unavailable to plan sponsors. To prevent duplication of discounts already provided on 340B prescriptions, rebate contracts preclude payment of negotiated rebates on 340B claims.

This study found that, in the absence of 340B, negotiated rebates would reduce plan sponsors’ average cost per claim from \$220 to \$170. If 15% of claims are for 340B prescriptions, however, some of those savings will erode due to lost rebates. The revised **average cost per claim increases to \$178 from \$170 – a 4.7% increase.**

In recent years, the 340B program has **grown by double digits to eclipse \$66.3 billion in 2023 – a 24% year-over-year increase.** As the percentage of claims filled with 340B increases, the availability of negotiated rebates declines, making future 340B program growth a topic of concern for Taft-Hartley plans.

CONCLUSION

Congress must enact strong federal reforms to ensure the 340B program supports patient care without shifting costs onto multi-employer health plans.

Pending legislation would tighten rules on outpatient versus inpatient pricing, limit certain administrative costs, increase transparency, and add new requirements for 340B hospitals.

