340B HEALTH

Preliminary Results of 340B Health Survey: Impact of Rebates on 340B Hospitals

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Background

In 2024, five pharmaceutical manufacturers - Johnson & Johnson (J&J), Sanofi, Eli Lilly, Bristol Myers Squibb, and Novartis - announced plans to replace upfront 340B discounts with back-end rebates for some or all of their drugs. The rebate models would apply to 340B hospitals, with two specifically targeting 340B disproportionate share (DSH) hospitals, and others applying to all 340B covered entities. Rebate models would require 340B hospitals to purchase drugs at their full price instead of at the discounted 340B price, submit claims data to a manufacturer vendor, and then wait for the manufacturer to approve and remit a rebate for the difference between the two prices.

Preliminary Survey Results

- 340B hospitals surveyed anticipate that purchasing drugs at their full price and waiting to receive a rebate will create significant challenges, even if they ultimately receive every rebate that they are owed.
    - Hospitals expect that waiting a month to receive rebates for drugs under rebate models by J&J, Sanofi, Eli Lilly, Bristol Myers Squibb, and Novartis will hinder hospitals' ability to offer discounted and/or free medications to patients, with 57% of hospitals anticipating this issue. Nearly half of the responding hospitals also foresee negative impacts on patient care for low-income and rural populations (48%) and community benefits and free services (49%)
    - Even more hospitals expect negative impacts to their operations and patient care if the rebate waiting period exceeds one month or if all manufacturers adopt rebate models for 340B drugs.
- Hospitals anticipate the total costs of rebate models by J&J, Sanofi, Eli Lilly, Bristol Myers Squibb, and Novartis will harm hospitals and patients in the following ways:
    - Negatively affecting access to patient care services for low income and/or rural patients (79%)
    - Negatively impacting hospitals' ability to maintain levels of uncompensated care (78%)
    - Reducing the provision of discounted and/or free drugs at any pharmacy location(s) (78%)
    - Reducing services in underserved areas (75%)
    - Reducing targeted programs or services for vulnerable populations (66%)

- Unsurprisingly, hospitals anticipate increased negative effects of rebates applied to all 340B drugs by all manufacturers, with 90% of hospitals reporting that they would be unable to maintain their current levels of uncompensated care and access to patient care services provided to low-income and rural populations.

- Nearly all hospitals (97%) are concerned that Sanofi would deny at least some of the hospital's legitimate rebate claims that do not meet Sanofi's patient definition criteria that Sanofi says it will apply to hospitals, with 80% reporting that they are extremely concerned.

- Nearly three-quarters of hospitals that have submitted contract pharmacy claims data to the 340B ESP platform that is operated by Second Sight Solutions LLC reported having to allocate additional resources to address the many issues that arose in working with the manufacturer's vendor to access 340B pricing under the manufacturers' restrictive contract pharmacy policies. Multiple manufacturers plan to use Beacon Channel Management, a unit of Second Sight Solutions LLC, to implement their rebate models.

Methodology

Findings are based on a 340B Health survey of members conducted from Feb. 21, 2025 through March 11, 2025. A total of 202 hospitals responded. DSH hospitals were somewhat over-represented and CAHs were under-represented in the sample. None of the three 340B cancer hospitals responded to the survey.

We asked hospitals to estimate the total annual additional cost of purchasing Proposed Rebate Drugs[1] at their wholesale acquisition cost (WAC) as opposed to their 340B price by subtracting the 340B price from the WAC for each drug, multiplying the respective cost by the number of units the hospital expected to purchase each year of each drug, and then adding those costs together. Using the same calculation, hospitals provided estimates of the total annual additional cost of purchasing all manufacturers' covered drugs at their WAC instead of their 340B prices to account for a scenario where all manufacturers impose rebate models for 340B drugs.

[1] The drugs that Johnson & Johnson (Stelara & Xarelto), Bristol Myers Squibb (all drugs based on statement will start with Eliquis, at least initially), Sanofi (25 drugs), Eli, Lilly (all drugs) and Novartis (all drugs) have said their rebate models would apply to.