HB 3265 Expands a Broken Program That Fails Texas Patients

340B loopholes are driving up costs and limiting access for taxpayers, patients, employers, and the entire health care system.

The 340B Program Has Become a Markup Scheme for Large Hospital Systems

The 340B Drug Pricing Program was created by Congress in 1992 to help safety-net hospitals and clinics provide affordable medications to low-income and uninsured patients. Under the program, eligible health care entities purchase drugs at steep discounts, often up to 50% off, and are expected to use those savings to expand access to care.

But today, that mission has been lost.

Large hospital systems exploit the program to acquire medicines at a discount, charge patients and insurers full price, and pocket the difference. There are no requirements that hospitals reinvest savings into patient care, or even report how the money is used. This lack of oversight has turned 340B into a profit center rather than a safety net.

Contract pharmacies tied to 340B hospitals generate a 72% profit margin on these medicines – more than triple the 22% margin at independent pharmacies. Meanwhile, patients pay 150% more at 340B hospitals than they would at non-340B providers. And for patients facing a cancer diagnosis? These patients are billed nearly 5 times the cost of their medications at 340B hospitals.

The Cost to Texans: Higher Premiums, Medical Debt, and Less Access

The unchecked expansion of 340B has real consequences for families across Texas. In 2021 alone, the program added $7.8 billion in health care costs for fully insured and self-insured workers and employers. Insurers respond to inflated hospital markups by raising premiums, and employers, especially small businesses, struggle with mounting health care expenses.

Texans already face some of the highest levels of medical debt in the country. Tarrant County, home to Fort Worth, has the highest concentration of medical debt among America's largest counties, with Dallas County close behind. Instead of helping patients, the current 340B structure is deepening financial strain.

The Numbers Tell the Story:

340B hospitals' average **profitability is 37% higher** than the average across all hospitals.

25-50% of TX 340B disproportionate share hospitals earn more in 340B profits than is spent on charity care.

33% of Texas 340B hospitals have contracts with out-of-state pharmacies.

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Rather than fixing the well-documented failures in 340B, HB 3265 in Texas would expand these issues, making it easier for hospitals to profit without accountability or transparency. HB 3265 will make health care less affordable. Texas must reform 340B to ensure transparency, prevent abuse, and make sure patients, not hospital profits, come first.