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Vice President,
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September 16, 2025

The Honorable David Schweikert
Chair
Subcommittee on Oversight
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

The Honorable Terri Sewell
Ranking Member
Subcommittee on Oversight
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

Dear Chair Schweikert and Ranking Member Sewell,

On behalf of the National Association of Manufacturers ("NAM") and the 13 million people who make things in America, thank you for holding today's hearing on tax-exempt hospital spending on expenses unrelated to community benefit.

The NAM is the largest manufacturing association in the United States, representing small and large manufacturers in every industrial sector and in all 50 states. Small and medium-sized manufacturers make up the majority of manufacturing businesses in the United States—75% of manufacturers have fewer than 20 employees and 93% have fewer than 100.[1] Manufacturers have a deep commitment to providing health benefits to their workers, even as rising health care costs remain a top challenge for the industry. Sixty percent of manufacturers, and 67% of small manufacturers, cited health care costs as their primary concern in the NAM's Q2 Manufacturers' Outlook Survey.[2] Despite this challenge, 93% of manufacturing employees are eligible for health insurance benefits, which underscores the urgent need for action to reduce health care costs for manufacturers and manufacturing workers alike.[3]

One driver of health care costs for our industry is the 340B program. The 340B program, intended to provide lower cost medicines and expand care for low-income and underserved patients, has rapidly and massively expanded beyond its intent. Many covered entities, which include tax-exempt hospitals, have taken advantage of the program to increase their profits. This has added to health care costs for manufacturers. In fact, 340B is now the second largest federal health care program and is on pace to eclipse Medicare Part D in the coming years.[4] The 340B program allows participating hospitals to charge patients' commercial insurance the full list price for drugs acquired at 340B prices, which makes patients and employers ineligible to receive a drug manufacturer rebate, as it would be a duplicate discount. Patients and employers end up paying more while hospitals keep the spread of full reimbursement by commercial insurance for drugs acquired at the low 340B price.

The expansion of this program was associated with approximately $23 billion in additional employer-based healthcare expenses in 2023, of which employees paid about $4.5 billion per year in added insurance premiums.[5] That equals approximately $137 in additional annual premium costs for single

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[1] National Association of Manufacturers, Facts About Manufacturing. Available at https://nam.org/mfgdata/facts-about-manufacturing-expanded/
[2] National Association of Manufacturers, Q2 2025 Manufacturers' Outlook Survey (May 30, 2025). Available at https://nam.org/2025-second-quarter-manufacturers-outlook-survey/.
[3] Kaiser Family Foundation, *2024 Employer Health Benefits Survey* (Oct. 9, 2024). Available at https://files.kff.org/attachment/Employer-Health-Benefits-Survey-2024-Annual-Survey.pdf
[4] BRG, Measuring the Relative Size of the 340B Program. Available at https://media.thinkbrg.com/wp-content/uploads/2022/06/30124832/BRG-340B-Measuring-Relative-Size-2022.pdf
[5] National Pharmaceutical Council, The 340B Drug Purchasing Program and Commercial Insurance Premiums. Available at https://www.npcnow.org/sites/default/files/2025-05/340B%20and%20Employer%20Costs%20White%20Paper.pdf

coverage and $415 for family coverage, or about 8% of the overall increase in employer-based premiums over that period. An IQVIA study found that the 340B program increases drug costs for self-insured employers and their workers by 4.2% due to the drug manufacturer rebates that are lost when medicines are purchased at the 340B discount price.[6] This equals a $5.2 billion increase in healthcare costs for self-insured employers and the 103.4 million workers they employ.[7] The study also found that states with a higher density of 340B-affiliated hospital sites have employer premiums that are about 4.5% higher than lower-density states. Overall, the expansion of the 340B program has led to a massive increase in expenses for employers without the corresponding health outcomes for the patient population it was intended to serve.

Manufacturers believe the 340B program is an important tool in expanding care for underserved communities, and we urge fundamental changes that would restore this program to its core purpose. Abuse of the program in the name of hospital profits has hurt manufacturers and their employees, contributing to the ever-increasing costs of health care for the industry. Given the topic of today's hearing, it would be prudent for the Subcommittee to consider how the 340B program has both strayed from its original purpose of providing care for vulnerable and underserved communities, and simultaneously increased health care costs for manufacturers and manufacturing employees.

Reforms are needed to ensure the integrity of the 340B program by increasing transparency and accountability. These changes would protect congressional intent—providing vulnerable patients access to more affordable drugs while also allowing safety net hospitals and clinics to stretch their limited resources further.

The Health Resources and Services Administration ("HRSA") recently announced a rebate model pilot program for drugs that are subject to the Medicare Drug Price Negotiation Program and 340B. HRSA is currently reviewing comments, including those submitted by the NAM, and pharmaceutical manufacturer proposals.[8] A rebate model for 340B would increase transparency and accountability in the program; manufacturers appreciate HRSA's efforts to reform 340B, and we encourage Congress to consider additional 340B reforms that would reduce health care costs for manufacturers and manufacturing workers.

Manufacturers appreciate the Subcommittee's work to examine the 340B program in relation to tax-exempt hospital spending. The NAM looks forward to working with you on this issue.

Sincerely,

Jake Kuhns
Vice President, Domestic Policy

Cc: Chair Jason Smith and Ranking Member Richard Neal

[6] IQVIA, The Cost of the 340B Program Part 1: Self-Insured Employers. Available at https://www.iqvia.com/locations/united-states/library/white-papers/the-cost-of-the-340b-program-part-1-self-insured-employers
[7] Ibid.
[8] National Association of Manufacturers, Comment Letter to HRSA on 340B Rebate Model Pilot Program. Available at https://documents.nam.org/TAX/NAM%20HRSA%20340B%20Pilot%20Program%20Comment%20Letter.pdf