NATIONAL ASSOCIATION OF Manufacturers

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Policy

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The Honorable Bill Cassidy, M.D.
Chair
Committee on Health, Education, Labor, and Pensions
United State Senate
Washington, DC 20510

Dear Chair Cassidy,

On behalf of the National Association of Manufacturers and the 13 million people who make things in America, thank you for holding today's Senate HELP Committee hearing on the growth and patient impact of the 340B program.

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 and employ approximately 40% of manufacturing workers. 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-five percent of all manufacturers, 67.5% of small manufacturers, and 78.9% of medium-sized manufacturers cited health care and insurance costs as their primary concern in the NAM's most recent Manufacturers' Outlook Survey.[1] Despite this challenge, 95% of manufacturing employees are eligible for health insurance benefits, 80% of whom participate, which underscores the urgent need for action to reduce health care costs for manufacturers and manufacturing workers alike.[2]

Employer sponsored insurance ("ESI") is the bedrock of the United States' health care system—154 million people are covered through ESI.[3] In 2023, the NAM released a study, *Manufacturers on the Front Lines of Communities: A Deep Commitment to Health Care*, which took an in-depth look at the progress made by manufacturers in offering ESI, as well as the challenges they continue to face.[4] The study found that ESI helps manufacturers effectively attract talent, retain employees, and maintain a healthy and productive workforce. Manufacturers are committed to continuing to offer health insurance to their employees and recommend steps be taken to ease the burden they face.

One such recommendation is to reform the 340B program, as its rapid and massive expansion has become a health care cost driver for manufacturers. The 340B program was intended to provide lower cost medicines and expand care for low-income and underserved patients, but many covered entities have taken advantage of the program to increase their profits, which has in turn increased the cost of ESI. 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.[5]

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[1] National Association of Manufacturers, Q3 2025 Manufacturers' Outlook Survey (May 30, 2025). Available at https://nam.org/wp-content/uploads/securepdfs/2025/09/NAM_Q3_2025_Outlook_Write_Up.pdf.
[2] Kaiser Family Foundation, *2025 Employer Health Benefits Survey* (Oct. 22, 2025). Available at https://files.kff.org/attachment/Employer-Health-Benefits-Survey-2025-Annual-Survey.pdf
[3] *Id.*
[4] National Association of Manufacturers, *Manufacturers on the Front Lines of Communities: A Deep Commitment to Health Care* (July 2023). Available at https://documents.nam.org/IIHRP/2023%20Health%20Care%20Reportsingles.pdf.
[5] 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

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 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 health care expenses in 2023, of which employees paid about $4.5 billion per year in added insurance premiums.[6] That equals approximately $137 in additional annual premium costs for single 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 manufacturer rebates that are lost when drugs are purchased at the 340B discount price.[7] This equals a $5.2 billion increase in health care costs for self-insured employers and the 103.4 million workers they employ.[8] 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 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.

The Health Resources and Service Administration ("HRSA") is in the process of standing up a 340B Rebate Model Pilot Program, which the NAM submitted comments on. This pilot program is a critical first step in enhancing program integrity and transparency in a way that makes the 340B program work for everyone but will not be fully sufficient in reforming the 340B program.

The report your committee published in April detailed how the 340B program and the entities involved currently operate. The information included was incredibly useful to identify the issues within the program that Congress needs to address, such as current fee structures, third party administrator behavior, sub-grantee eligibility, and how patients benefit from the program. Additional reforms, such as patient definition and child site eligibility, will also return the program to the intent with which Congress created it.

Manufacturers appreciate the Committee's timely hearing on the 340B program. The NAM looks forward to continuing to work with you, the Committee, and your staff to develop specific reforms to the 340B program to lower health care costs for manufacturers.

Sincerely,

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[6] 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
[7] 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
[8] Ibid.