

Are Commercial Insurance Premiums Associated with the 340B Drug Pricing Program?



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340B program growth is associated with meaningful increases in commercial insurance premiums; states with high 340B activity have the highest premiums.

BACKGROUND

- Congress created the 340B Drug Pricing Program (340B) in 1992 to ameliorate the unintended consequence of the Medicaid best price rule.
- Drug manufacturers participating in Medicaid and Medicare Part B are required to sell discounted outpatient drugs to 340B covered entities that serve uninsured and underinsured patients.
- 340B has grown substantially in the past decade,^{1,2} but the relationship between 340B growth and employer premiums has not been explored.

OBJECTIVES

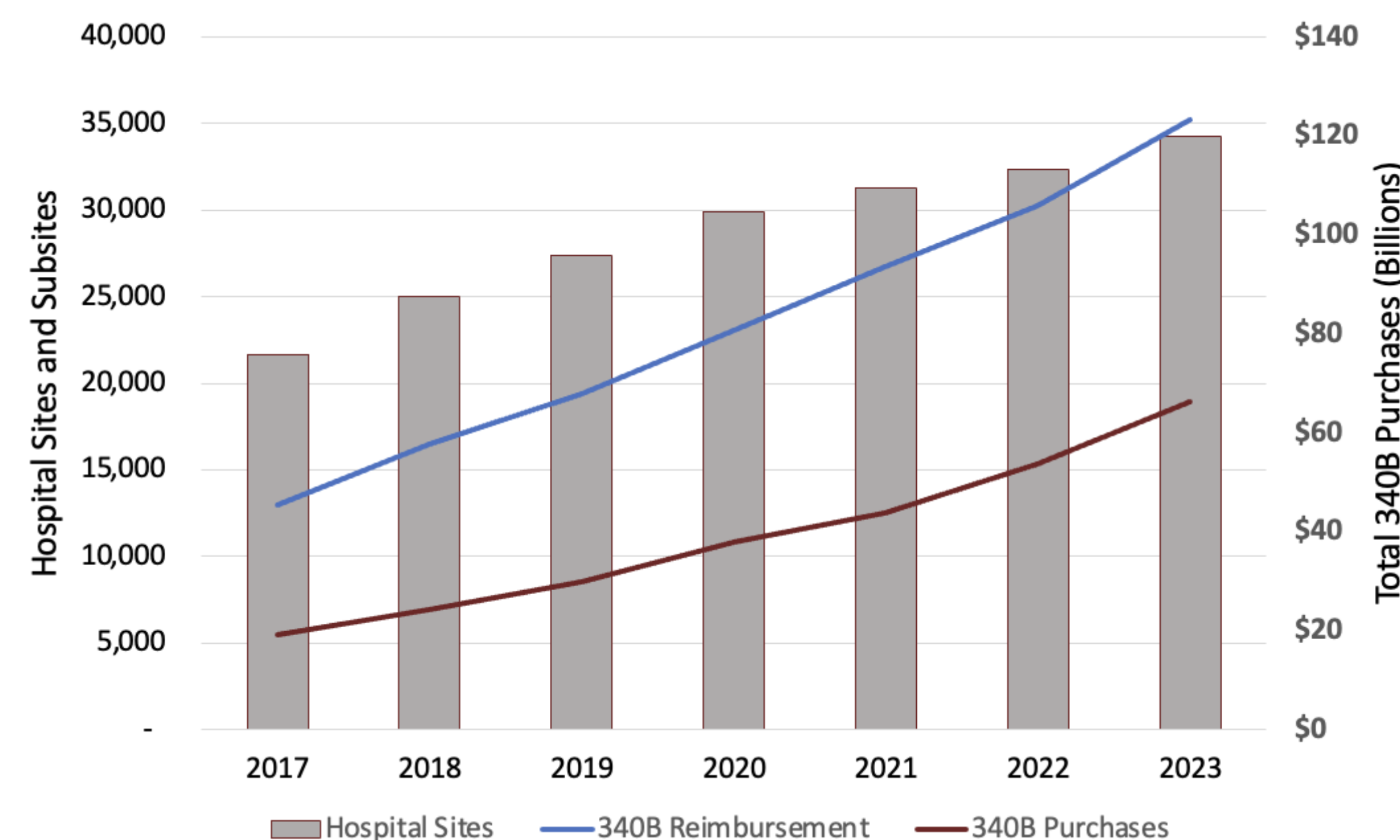
- The aim of this study is to test the association between 340B growth and commercial insurance premiums from 2017 to 2023.

METHODS

- We measured 340B activity based on the hospital site density (HSD), defined as the number of active hospital sites per 10,000 population in each state.
- We used the Kaiser Family Foundation website to collect mean employer-based insurance premiums by state and year.
- Using separate fixed effects regression models for family coverage and single coverage premiums, we tested whether growth in 340B density impacts changes in premiums after controlling for other factors: per capita income, labor force participation rate, smoking rate, and mean family and individual health coverage deductibles.

RESULTS

Figure 1. 340B Hospital Sites, Purchases and Reimbursement, 2017-2023



- From 2017 to 2023, we found that the number of active 340B hospital sites increased with the growth in overall 340B hospital purchases and reimbursement (Figure 1).
- In the same period, mean family and single coverage premiums for employer-based plans grew by \$5,163 (28%) and \$1,746 (27%), respectively, and the average HSD increased by 0.45 (48%).
- The regression analysis yielded 340B HSD coefficients equivalent to 305.2 for single coverage and 925.4 for family coverage premiums.
- We applied the mean HSD increase from 2017 to 2023 (0.45) to the HSD coefficients in the regressions, which resulted in \$415 (0.45×925.4 , 95% CI: \$167 - \$665) and \$137 (0.45×305.2 , 95% CI: \$53 - \$222) in additional annual premium costs for family and single coverage plans, respectively.
- Growth in 340B HSD was associated with 8% of the overall growth in employer premiums ($415/5163$ and $137/1746$).

RESULTS (cont.)

- Applying the 8% growth in employer premiums to the total increase in employer-sponsored insurance premiums (\$287 billion) translates to \$23 billion in associated employer-based healthcare expenses.
- Since employees pay approximately 20% of premium costs, 340B growth is associated with roughly \$4.5 billion in increased costs to employees from 2017 to 2023.
- 340B activity varied across states. Specifically, states with relatively high HSD pay 4.5% higher employer-based health insurance premiums compared to states with relatively low 340B HSD.

DISCUSSION & CONCLUSION

- Our results suggest that 340B program growth is associated with meaningful increases in commercial insurance premiums and that states with high 340B activity pay the most in premium costs.
- Commercial employers and their employees are funding 340B program growth without receiving clear benefits, which raises concerns around program integrity.

REFERENCES

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