A Closer Look *at 340B*

Largely hidden from public view, the 340B Program has grown to become the second largest federal drug program in the United States. 340B was originally designed to help low-income and uninsured Americans better access comprehensive care. But in the absence of oversight and transparency, the program has strayed far from that purpose.

Today, 340B is a profit maximizer for large, tax-exempt health systems and for-profit pharmacy chains with minimal patient benefit. Health systems buy 340B drugs at deeply discounted prices, mark up the price of the medicines seven-fold or more, charge patients and payors this grossly inflated price, and pocket the profits.

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10X

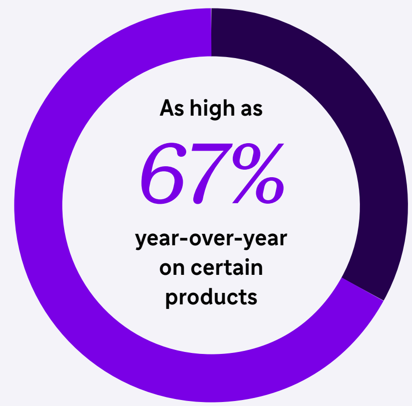
the list price

For example, one report found that a 340B-eligible hospital had marked up a cancer drug 10 times the list price, received insurance reimbursement at nearly four times the list price, and still sent a $2,500+ bill to a senior with metastatic breast cancer. These markups not only impact the patient but increase costs for employers, workers, and programs like Medicare and Medicaid—with costs ultimately borne by taxpayers.

Manufacturer discounts in the 340B program also displace manufacturer rebates to Medicaid and commercial payors, increasing costs to states, businesses, and employees. For example, one study found that the displacement of commercial rebates corresponded with increased healthcare costs for employers and employees by approximately $5.2 billion in 2021, which ultimately resulted in lost tax revenue to federal and state governments because of the decrease in taxable income. The same report found $1.4 billion in lost federal revenue and $418 million in lost state tax revenue.

Recent analyses also show about two-thirds (65%) of 340B hospitals provide less charity care than the national average for all hospitals. Patients are subject to high markups on 340B drugs and rarely receive any benefit from 340B. Clearly, the 340B program is not operating in the way it was intended.

Sanofi has seen exceptional growth in 340B utilization:



and well in excess of growth in national demand for Sanofi products.

This growth is concentrated among the largest health systems in the country, where 340B utilization is skyrocketing. In fact, one large health system increased its 340B purchases of Sanofi products by

230%

year over year. Many others increased 340B purchases by more than 100%.

No Benefit to Patients - Case Study

340B's financial incentives can skew prescribing decisions and increase patient out-of-pocket costs. According to multiple analyses – and confirmed by Sanofi data – patients of 340B hospitals receive more medicines and more expensive medicines than patients of non-340B hospitals. Additionally, prescription growth under the 340B program often coincides with medicines for which manufacturers provide the steepest discounts (which translates to higher 340B profit margins).

Sanofi's data confirms this. Sanofi products with the largest 340B discounts, and therefore the largest 340B profit margins, have the fastest 340B growth. Hospitals should be purchasing medicine to meet the needs of patients first, not profits.

For example, when Sanofi reduced the price of Lantus (insulin glargine injection) 100 Units/mL by 78% on January 1, 2024 – thus reducing the 340B profit margin – 340B utilization for Lantus decreased. At the same time, 340B utilization of Sanofi's other long-acting insulin, Toujeo U-300 (insulin glargine) injection 300 Units/mL, began increasing. Clearly, 340B profit margins are influencing hospital formularies and prescribing decisions.

Policy Solutions

We support the original intent of the 340B Program to improve healthcare for uninsured and vulnerable patients, highlighted by the introduction of our 340B Credit Model to help rein in 340B abuse. We call on federal policymakers to also help restore 340B to its original intent and to limit counterproductive state interference in this federal program by implementing the following policies:

- Facilitate access to claims-level data so that relevant data elements and 340B transactions are linked to ensure program integrity and transparency either by requiring 340B hospitals to provide data to manufacturers or establishing a 340B data clearinghouse.
- Limit the number of contracted pharmacies that 340B hospitals can use, a primary source of 340B waste and abuse.
- Ensure that low-income and vulnerable patients benefit directly from the 340B Program by requiring 340B hospitals to lower the out-of-pocket costs these patients pay for the 340B medicines they receive.

Sanofi also directly supports healthcare access for low-income and uninsured patients with our patient support programs.

This helps lower out-of-pocket costs for eligible patients who may struggle to afford their out-of-pocket costs and widens access to our medicines for uninsured patients that qualify.

Learn more →