December 11, 2025

The Honorable Mike Johnson
Speaker of the House
521 Cannon House Office Building
Washington, DC 20515

The Honorable Hakeem Jeffries
House Minority Leader
2267 Rayburn House Office Building
Washington, DC 20515

The Honorable John Thune
Senate Majority Leader
511 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Charles E. Schumer
Senate Minority Leader
322 Hart Senate Office Building
Washington, DC 20510

Dear Speaker Johnson, Minority Leader Jeffries, Majority Leader Thune and Minority Leader Schumer:

We write to express our deep concern regarding the Health Resources and Services Administration's (HRSA) 340B Rebate Program ("Rebate Program"). We urge you to call upon the Trump administration to cancel the Rebate Program, which threatens 340B hospitals' ability to provide essential care and services to low-income and rural patients.

HRSA recently approved proposals by nine drugmakers to implement rebate models for all outpatient uses of ten drugs, regardless of payer, beginning January 1, 2026, under its Rebate Program.[1] The Rebate Program represents a complete shift in how the 340B Program has operated for over 30 years. Instead of receiving 340B discounts when purchasing costly medications, drug companies will require 340B providers to purchase drugs at much higher commercial prices, submit claims data to the drugmakers' third-party vendor, and wait to receive rebates reflecting the difference between the commercial price and the 340B price.[2] In essence, hospitals would be providing interest free loans to drug manufacturers while having to grapple

[1] The 10 drugs that will be subject to 340B rebates will also be subject beginning January 1, 2026 to Medicare Part D price caps when dispensed and paid under Medicare Part D.
[2] Manufacturer 340B Rebate Models Threaten Safety-Net and Rural Hospitals and Would Harm Patients, 340B Health (2025). https://www.340bhealth.org/files/340B_Health_MANUFACTURER_340B_REBATE_MODELS_Report.pdf

with cash flow issues that could interrupt critical care to patients.340B DSH hospitals, a critical component of the nation's safety net, provide 67% of uncompensated care and 77% of all hospital care to Medicaid patients.[3] As a result of the financial support from 340B, which is funded by pharmaceutical companies at no cost to taxpayers, 340B hospitals devoted 29% more of their net revenue to low-income and uninsured patients in 2022 than non-340B hospitals, an increase from a 17.5% gap in 2019.[4] With razor-thin operating margins and little ability to increase their revenue, 340B allows hospitals to maintain or increase access to health care services that would otherwise be unavailable. These benefits include offering new services that are otherwise unavailable, continuing critical services that are often underpaid, adding new clinics to expand access to care, and other services to help individuals access care, such as transportation, translation, and care coordination services.[5]

Because of its vital role in providing essential health care for the nation's most vulnerable patients, Congress has a long history of bipartisan support for 340B. Most recently, Congress has also shown strong bipartisan opposition to a 340B rebate model. In September 2024, 189 bipartisan House members sent a letter urging the Department of Health and Human Services (HHS) to prohibit rebates. That was followed by a letter to HHS in September of this year from 166 bipartisan members of Congress opposing the announced Rebate Program.

The Rebate Program comes at a time when 340B hospitals are facing additional hardships that threaten the health care safety net. 340B hospitals are already dealing with issues that will lead to greater financial challenges and that also threaten the ability of some to stay in 340B altogether. On top of these current challenges, the Rebate Program would impose significant additional costs on 340B hospitals and directly reduce the already limited resources that 340B hospitals rely on to care for low-income and rural communities.

Implementation of the Rebate Program threatens to impose severe administrative and financial burdens on 340B hospitals that serve vulnerable communities across the country. Considering the serious financial and operational challenges 340B hospitals face, the risks presented by the Rebate Program to patient care are considerable. Our key concerns include:

Hospitals Would be Forced to Float Millions of Dollars to Drugmakers Throughout the Rebate Program: The Rebate Program would require safety-net hospitals to purchase ten high-cost drugs at elevated prices, such as WAC, and then wait for rebates to recover the difference between that price and the 340B discount. This change forces hospitals, many already operating on thin margins, to front millions of dollars to drug manufacturers, diverting critical resources away from patient care for low-income, rural, and underserved communities. By

[3] https://www.340bhealth.org/files/340B_and_Low_Income_Populations_Report_2022_FINAL.pdf
[4] KNG Health Consulting, 340B Hospitals Increased Contributions to Uncompensated and Unreimbursed Care During the Pandemic (February 2025). https://www.340bhealth.org/files/KNG_Health_Final_Report_February_2025.pdf?_zs=clhWb1&_zl=4Wb5A
[5] 340B Health. 340B Health Annual Survey 2022: Vital 340B-Supported Patient Services Threatened as Manufacturer Restrictions Cut Into Savings. July 2023. https://www.340bhealth.org/files/340B_Health_Survey_Report_2022_FINAL.pdf

delaying upfront discounts, the Rebate Program undermines the core purpose of the 340B program and creates significant financial strain on hospitals that rely on these savings to sustain operations.

Survey data from 340B Health shows the average annual "float" per hospital throughout the year under the Rebate Program is estimated at $8.6 million per hospital and as much as $37.2 million for hospitals with at least 500 beds.[6] Having to wait 10 days after submitting data to receive rebates would force over half of hospitals to cut back on free or discounted medications and reduce patient services.[7] Even if rebates are paid within 10 days of data submission, the delay between drugs purchased at the commercial price and eventual dispense/administration to a patient – which can span weeks or even months – extends the rebate waiting period and can further contribute to hospital cash flow challenges caused by rebates, with 95% of hospitals reporting this concern.[8]

Administrative Complexity and Costs: The Rebate Program would require hospitals to hire additional staff and allocate more resources to prepare, submit, and track data to request rebates and reconcile payments, straining their already narrow operating margins. The scope of data required by manufacturers under the Rebate Program includes categories of data never previously submitted to manufacturers. Nearly all hospitals surveyed foresee the need to dedicate considerable new resources to comply with the Rebate Program.[9] HRSA estimates that 340B covered entities would face at least $200 million in additional costs just as a result of submitting claims data. However, we believe this significantly underestimates the real costs and time required to comply with new data submission requirements.

Rebate Denials: The Rebate Program explicitly precludes manufacturers from denying rebates because of diversion or Medicaid duplicate discounts. Instead, manufacturers may deny rebate claims under a generic "other" category. But it is not clear what that "other" category encompasses nor whether hospitals will be given sufficient information to be able to understand or challenge denials. Permitting rebate denials under these circumstances will require 340B hospitals to expend even more resources to try to resolve issues with manufacturers and ultimately pursue resolution through HRSA's formal administrative dispute resolution process.

In conclusion, we strongly encourage Congress to urge the administration to stop the Rebate Program and preserve the current upfront discount model so that 340B hospitals and other 340B providers can continue to fulfill their essential mission of care to patients with low-incomes and those in rural areas.

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[6] Summary of 340B Health Survey Results: Impact of the 340B Rebate Pilot on 340B Hospitals, Sept. 8, 2025, https://www.340bhealth.org/files/FINAL-Summary-of-340B-Health-Survey-Results.docx_9_.8.25.pdf
[7] *Id.*
[8] *Id.*
[9] *Id.*

Thank you for your leadership in supporting America's hospitals and the patients they serve. Should you have any questions or wish to discuss these concerns in greater detail, please contact Tom O'Donnell at Tom.odonnell@340BHealth.org.

Sincerely,

340B Health
America's Essential Hospitals
American Society of Health-System Pharmacists
Association of American Medical Colleges
The Catholic Health Association of the United States
Children's Hospital Association

CC: U.S. House of Representatives
U.S. Senate