

340B in California: Growing Far Beyond Its Safety-Net Mission

The 340B Drug Pricing Program was designed to help safety-net providers serve low-income communities. Today, it accounts for \$81.4 billion in annual drug purchases¹ and increasingly influences how healthcare markets operate — driving up costs for employers and working families through lost rebates, health system consolidation, and incentives to prescribe higher-priced drugs.²

Approximately 50% of California's hospitals participate in the 340B program.^{3,4} 340B expansion has become a revenue driver for providers — often with limited transparency and oversight. These maps illustrate that reality: 340B activity is concentrated in urban, suburban, and high-income areas with commercially insured patients.

Despite 340B's intention to expand the reach of the safety net, contract pharmacy and outpatient "child site" networks in California and beyond span higher-income communities and frequently cross state borders.



51%
of California contract pharmacies are located in high-income areas⁵

86

California entity contract pharmacies are located out-of-state⁵



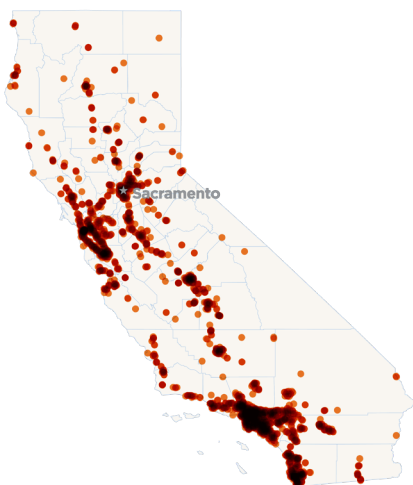
60%
of "child sites" are located in a higher-income area than the "parent" hospital⁶

11

11 off-site outpatient clinics per "parent" hospital, on average⁷

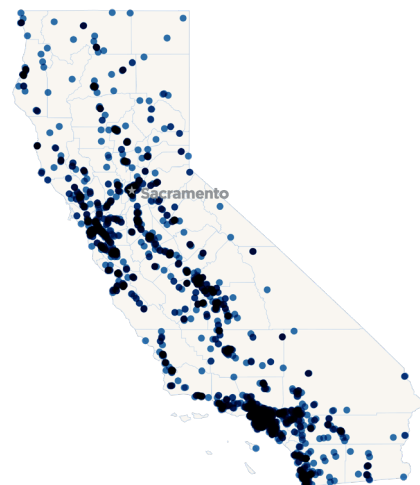
CONTRACT PHARMACY NETWORKS

Through 3,514 external pharmacy contracts, California's 340B hospitals have expanded far beyond their own communities. Rather than focusing narrowly on underserved areas, these networks reach into urban, suburban, higher-income, and out-of-state markets, with for-profit national chains and PBMs dominating participation.⁸



COVERED ENTITIES AND "CHILD SITES"

To maximize their 340B footprint, hospitals can acquire physician practices in well-insured areas and designate them as "child sites" — thus qualifying their prescriptions for 340B. This creates clear incentives for consolidation, which the CBO identifies as a 340B growth driver that expands hospital market power while employers shoulder the costs.⁶



¹ HRSA
² 340B By the Numbers
³ HRSA OPAIS Database
⁴ KFF

⁵ Pioneer Institute
⁶ Avalere Health
⁷ CBO
⁸ AIR340B