

Rural 340B

NRHA Factsheet and Talking Points



What is 340B

Section 340B of the Public Health Service Act requires pharmaceutical manufacturers participating in Medicaid to sell outpatient drugs at discounted prices to health care organizations that serve uninsured and low-income patients. These organizations include: federal grantee organizations, critical access hospitals (CAHs), sole community hospitals (SCHs), rural referral centers (RRCs), and public and nonprofit disproportionate share hospitals (DSHs). The program allows these hospitals to stretch limited resources to lower the cost of outpatient drugs and expand health services for vulnerable populations.

Impact on Rural

Hospitals use 340B savings to provide free or discounted medications to uninsured patients, offer free vaccines and mental health services, support medication management and community health programs

Sustain operations in under-resourced areas. According to HRSA, hospitals enrolled in the 340B program save 25–50% on pharmaceutical purchases.

Economic Challenges

- Nearly 45% of rural hospitals operate with negative margins, making 340B savings vital for maintaining operations.
- Recent manufacturer restrictions on contract pharmacy arrangements have eroded 340B savings. Now manufacturers are attempting to implement “rebate models” for 340B savings. Five manufacturers have outlined plans to make covered entities pay full price for 340B drugs and later receive a rebate for the amount that they should have saved.
- Revenue losses have forced many rural hospitals to eliminate essential services, such as chemotherapy, dental care, and obstetrics, further limiting care access

Health Access

- Many rural hospitals rely on contract pharmacies due to the absence of in-house facilities. Restricting the number of contract pharmacies disproportionately burdens rural patients who must travel farther to access medications.
- Vulnerable Populations: Low-income patients, particularly those requiring orphan drugs or specialized treatments like oncology, are at risk as these services diminish in rural areas.

Community Impact

- Without 340B savings, rural hospitals struggle to address disparities, provide affordable medications, and sustain services that ensure equitable care.
- Hospitals are often the largest employers in rural areas. Revenue reductions jeopardize jobs and the local economy.

NRHA Stance

NRHA seeks to preserve and strengthen the 340B program to protect rural health care specifically by opposing restrictions on the number and location of contract pharmacies, as they disproportionately impact rural areas with fewer in-house pharmacy options.

NRHA supports relief from orphan drug exclusions for CAHs, SCHs, and RRCs to ensure access to lifesaving medications like cancer treatments.

NRHA advocates for equitable oversight and regulation, including statutory protections against discriminatory practices by PBMs and payers that harm rural providers.

NRHA recommends reducing unfunded reporting mandates for rural hospitals already burdened by extensive federal data collection requirements.