Testimony in Opposition to Senate File 3769

Thank you, Mr. Chairman, for allowing me to testify today in opposition to Senate File 3769.

I'm Dr. Kent Kaiser, secretary/treasurer of the Domestic Policy Caucus.

On behalf of the Domestic Policy Caucus, I want to express our strong opposition to the expansion of 340B, the federal law on prescription drugs, which S.F. 3769, would create in Minnesota.

Current 340B legislation has a sunset clause extending to the middle of 2027. So, there is no need to act on 340B in Minnesota before next session. The sunset provision provides an opportunity to study the 340B track record in Minnesota and get it right going forward—not to rush into cementing a flawed program into place.

It was premature to propose S.F. 3769. With the Minnesota Department of Health's report on the 340B program having just come out, there has not been enough scrutiny of how the 340B program is operating in Minnesota or where the money is flowing. The November 2024 340B report, the first of its kind, provided transparency into the program, revealing high revenue concentrations among large hospitals, which is what the Journal of the American Medical Association has reported is the case across America.[1]

In fact, the 2024 and 2025 reports found that a small percentage of hospitals generated the overwhelming majority of the net 340B revenue, which represents potential abuse or certainly misuse of the program's intent. For those of you who are supporting this bill while also decrying fraud in our state: Shame on you.

You haven't dug into how the $1.34 billion-plus is being spent, and yet here you are, jumping headfirst into making the program permanent, without reforming it first. This is totally irresponsible.

At a time when Minnesota is mired in a regime of fraud and abuse, it is not appropriate to push forward with another massive program that lacks transparency and reeks of abuse. If you move forward with S.F. 3769, then you are voting to be part of the problem—indeed, you are trumpeting to the world that you are a proud sponsor of Minnesota's fraud machine.

In other states, officials are onto the scandalous way that 340B has been administered. The North Carolina State Treasurer found that 340B hospitals overcharged state employees for cancer drugs and reaped thousands of dollars in profits per claim, enriching themselves at taxpayers' expense rather than serving vulnerable communities like they were supposed to.[2]

The New York Times recently reported on a cancer patient from Santa Fe, New Mexico, whose insurance provider was charged over $22K ($22,700) for a cancer medicine that cost

[1] https://jamanetwork.com/journals/jama/article-abstract/1680369
[2] https://www.nctreasurer.gov/news/press-releases/2024/05/08/state-treasurer-folwell-releases-report-finding-north-carolina-340b-hospitals-overcharged-state

her hospital less than $3K ($2,700) through the 340B program. The Times reported that 340B hospital markups drive billions in profit for hospitals and middlemen in this regime with no guardrails or oversight.[3]

Beyond straight up fraud and abuse, we have other concerns, as well, and we believe you should, too.

S.F. 3769 would create an economic environment in which incentives would be put in place to encourage even more consolidation of healthcare systems, to put healthcare farther out of reach for rural Minnesotans, and to imperil the ability of underserved Minnesotans to receive the medications they need, all while lining the pockets of big healthcare systems and giant chain pharmacies. Meanwhile, it would do nothing to reduce healthcare costs, which is what everyone really wants.

We are very much concerned that an expansion of 340B would hand over even more economic power to massive, national chain pharmacies that have driven so many local, mom-and-pop pharmacies out of business over the past several years.

As you know, pharmacies are essential to the communities they serve. But in Minnesota and throughout America, rural independent drugstores are struggling.

In a 2022 policy brief,[4] the Rural Policy Research Institute reported this troubling fact: The number of independently owned retail pharmacies declined by 16 percent in the United States between 2003 and 2021. According to NPR,[5] that has contributed to the appearance of what are called "pharmacy deserts"—areas where residents must drive more than 15 minutes to a drugstore.

GoodRx has produced a map[6] of the nation's pharmacy deserts showing that hundreds of thousands of rural and suburban Minnesotans have inadequate access to a drug store—in fact, only Ramsey County has no pharmacy desert, and in more than two dozen Minnesota counties, 100% of the residents live more than 15 minutes from the three closest pharmacies. This includes Yellow Medicine, Lake of the Woods, and Clearwater, Cass, Traverse, and Grant Counties, among others.

According to the Minneapolis Star Tribune,[7] over the last decade, Minnesota has lost more independent drug stores than any other state. S.F. 3769 would exacerbate the problem. In 2023 alone,[8] 24 pharmacies closed in Minnesota, according to the Minnesota Pharmacists Association: 6 were part of national chains, 1 was in the Thrifty White regional chain, and 17 were independents. So, at the end of 2023, there were only 126 independent pharmacies left in the state.[9]

340B was meant to help low-income people afford their medicines.

[3] https://phrma.org/blog/nyt-exposes-hospitals-middlemen-make-millions-off-a-hospital-markup-program
[4] https://rupri.public-health.uiowa.edu/publications/policybriefs/2022/Independent%20Pharmacy%20Closures.pdf
[5] https://www.kmuw.org/the-range/2024-02-02/independent-pharmacies-struggle-to-stay-open
[6] https://www.goodrx.com/healthcare-access/research/healthcare-deserts-80-percent-of-country-lacks-adequate-healthcare-access
[7] https://www.startribune.com/minnesota-is-losing-independent-pharmacies-victims-scale-and-efficiency-drugstore-consolidation-pbms/600324746/
[8] https://www.startribune.com/minnesota-is-losing-independent-pharmacies-victims-scale-and-efficiency-drugstore-consolidation-pbms/600324746/
[9] https://www.startribune.com/minnesota-is-losing-independent-pharmacies-victims-scale-and-efficiency-drugstore-consolidation-pbms/600324746/

Think about this: The 340B program has been in place for over 30 years. So, just ask your constituents if they think they are enjoying more affordable medicines today than they did 25 or 30 years ago, or do they think that financial benefits meant to help them pay for their prescriptions, their copays, and the coinsurance are being funneled into something else. Ask your constituents if they have easier access to a drugstore, closer to home, or if they have to drive farther to get to a drugstore now than they did 25 years ago. Ask your constituents if the care and service they receive from their drugstore is more personal today than it was 25 or 30 years ago, or if the pharmacy seems more impersonal and corporate. If you receive generally negative answers to these questions—as I'm sure you will—then you know that the 340B program needs reform before it is cemented into operating like it currently does.

In an article in the February 27 Star Tribune, the University of Minnesota professor who helped with the 2025 MDH 340B report said, "In terms of reform, discounts in the program could be better-targeted to make sure pharmacies extend discounts to needy patients as they pay for their prescriptions… You could also do things to modify the eligibility criteria, so it really is just the safety net providers that are participating." We agree.

Please oppose S.F. 3769 and use this year and a half before the current law sunsets to get 340B right in Minnesota.



