FREEDOM FOUNDATION OF MINNESOTA

MN HOSPITALS PROFIT FROM LAW MEANT TO PROVIDE LOW-INCOME PATIENT CARE

Minnesota currently has 101 non-profit hospitals, with 90 of them located in rural areas. These healthcare providers serve a largely low-income, uninsured or even non-citizen patients regardless of their ability to pay for the medical services provided.

Because of the importance of these healthcare providers in the public health infrastructure, Congress established a new public health program in 1992 - the 340B Drug Pricing Program - whereby drug manufacturers are "required to sell medicines to participating hospitals at steep discounts." Thirty-four years ago, the expectation was this congressional mandate of forcing pharmaceutical companies to sell drugs at a deeply discounted price would allow these hospitals to keep their doors open and pass savings along to their patients, especially those in need of "charity care." No one thought back then to mandate how hospitals and clinics must spend the deep discounts they receive on prescription drugs.

As often happens, the good intentions of those who drafted the legislation has, over 30+ years in practice, morphed into a very broken system that hardly provides the savings for patients that it was designed to help. Indeed, the program has morphed into a veritable ATM for hospitals, whereby they "pocket" the savings they make by purchasing deeply discounted drugs from manufacturers.

We learned last Friday when the Minnesota Department of Health released a new report just how much money these non-profit hospitals are making off this program. According to a detailed report from the MN Dept. of Health, hospitals and clinics utilizing the 340B program billed government programs and insurance companies $3.04 billion despite only spending $1.34 billion on providing patients with the drugs through participating pharmacies. That means more than a billion dollars' worth of profit was made off the backs of the poorest of Minnesotans.

Instead of passing along those substantial savings by providing more and deeply discounted care for poor rural and urban patients, many of the largest Minnesota hospitals brazenly used the program to accrue greater assets. Per the findings, from 2014- 2022, MN 340B hospitals saw assets increase by 48% with those profits. Some of these hospitals pocketed those profits all while aggressively hounding low-income patients for past due hospital bills. Indeed: Minnesota is one of only two states in the

nation that allow city or county owned hospitals to seize state income tax refunds (among other methods) in efforts to satisfy past-due medical debt.

Sadly, this new report highlights what many feared: that there are stark inequities in how Minnesota hospitals, health care providers, and ultimately patients benefit from the decades old 340B program. Instead of helping poor, elderly or uninsured patients receive much-needed free or reduced-price health care and pharmaceutical drugs, the report lays bare the fact that large hospital systems and drug middlemen are pocketing gobs and gobs of profits that should have been better spent on providing charity care for poor patients.

Why does this matter? This new report shows that the 340B program continues to generate a whopping amount of profit for larger hospitals instead of providing savings for low-income consumers – which was the original intent of Congress in 1992. Yet before the 2025 report was released, some Minnesota policymakers want to allow for-profit pharmacies to continue making profits off a program meant to provide savings for low-income patients.

Minnesota was the first state that now requires an annual report on how the 340B program is working (or not) for poor and uninsured patients. The 2025 report shows, in shocking detail, just how broken the 340B system continues to be and cries out as an urgent need for Congressional reform. It matters to all Minnesotans because this program also drives higher costs for patients, taxpayers, and employers, including nearly $158 million in higher employer health care spending in Minnesota.

Polling continues to show that a large swath of Minnesotans is worried about health care affordability. Recent reports show that 88% of those polled are concerned about hospitals' price mark-ups on medicines. As the MN Dept. of Health's new report makes abundantly clear, those concerns are well-placed: it's time to insist that Congress – not state lawmakers -- revisit this law and support reform and greater transparency about 340B abuses. If it's happening in Minnesota, it is likely happening everywhere. Minnesota policymakers should resist the urge to make a bad situation worse. The 340B program need congressional reform and improved transparency. Enacting strong reform in D.C. would likely help every Minnesota family and others across the country concerned about health care affordability.