

The Cost of 340B to South Dakota

Introduction

The 340B Drug Pricing Program is a federal program in which manufacturers provide heavily discounted drugs to qualifying hospitals and clinics. Despite claims by its advocates that it is “free”, it increases healthcare costs for employers and their workers due to lost drug rebates.¹ New research has estimated the financial impact of the 340B program on each state.²

The Cost of the 340B Program

- 340B is costing South Dakota employers and workers \$57M annually (see table)
- This will increase to \$80M if South Dakota passes a law mandating contract pharmacies
- The cost of 340B per beneficiary for state and local government employers is about 6% higher than for commercial employers
- South Dakota has above average 340B activity, as summarized in “South Dakota’s 340B Landscape” below

Annual Cost of 340B to South Dakota

PER BENEFICIARY	TYPE	TOTAL COST	COST TO GOVERNMENT ³
\$129	Lost rebates	\$57M	\$9M
\$52	Contract pharmacy mandate	\$23M	\$4M
\$181	Total	\$80M	\$13M

South Dakota’s 340B Landscape

340B utilization⁴

36% This is above the national average of 12%

340B facilities/100k pop.

39.2 This is above the national average of 15.8

Medicaid expansion⁵

Yes Helped hospitals qualify for 340B

1. [The cost of the 340B program part 1: self-insured employers](#)
2. [The cost of the 340B program to states](#)
3. Cost to Government is defined as the costs of 340B to all state and local governments’ health plans in a state.
4. 340B Utilization is defined as % of drugs (sold or administered) estimated to be 340B eligible.
5. [Unintended consequences: how the ACA helped grow the 340B Program](#)