ML STRATEGIES

# The 340B Squeeze: Academic Medical Centers and Large Health Systems Have the Most to Lose

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VIEWPOINT TOPICS

- Health Care

*Three federal pricing changes are about to land on a single outpatient claim. The largest infusion and oncology programs will feel them first, and hardest.*

Most of the 340B debate centers on rural hospitals and community health centers. The biggest dollars, however, sit with academic medical centers (AMCs) and large health systems, and that is where Washington's next three moves converge.

In our August 17 analysis, **340B Rebates 2.0: HRSA Revives Its Pilot Program — and Sets Up a Collision Course With Congress**, we mapped the competing reform tracks: HRSA's rebate pilot, Chairman Cassidy's **340B discussion draft** and the bipartisan **SUSTAIN 340B Act**.

## Three Changes, One Claim

- **What you pay**: Starting January 1, 2027, hospitals buy drugs with Medicare-negotiated prices at wholesale acquisition cost (WAC) and wait for the 340B discount as a rebate.
- **What Medicare pays**: CMS proposes cutting payment for 340B-acquired drugs from ASP plus 6% to ASP minus 33.4%, a $4.85 billion cut in 2027. It would also raise the annual remedy offset from 0.5% to 3%.
- **What manufacturers owe**: In 2028, negotiated prices reach Part B drugs administered in hospital infusion centers for the first time.

All three turn on one billing code: the "TB" modifier. It is CMS's two-character flag for a "drug or biological acquired with 340B drug pricing program discount, reported for informational purposes."

## The Impact to AMCs

- **Impact to Part B infused drugs**: The 2027 pilot mostly affects retail Part D drugs. But five of the 15 drugs selected for 2028 are Part B infused drugs, the core of AMC oncology, rheumatology, and specialty care. CMS publishes their negotiated prices by November 30. HRSA has not announced an expansion of the pilot to these drugs, but its reasoning already covers them.
- **There's no way out**: The pilot exempts no one. The OPPS proposal exempts sole community, children's, and cancer hospitals, but not disproportionate share hospitals, the category most AMCs fall under.
- **Size makes the hit bigger**: Commenters reported upfront costs 20 to 40 times higher for affected drugs. One large system projected about $10 million in added working capital, and one AMC reported $220,000 in first-year IT costs. Add a roughly 37% cut in per-drug Medicare payment and the faster the offset.
- **Complexity multiplies errors**: Every campus, child site, contract pharmacy, and split-billing feed is a place where a claim can be flagged wrong.

## One Code, Three Prices

| IF THE UNIT IS FLAGGED 340B | |
|---|---|
| Rebate Pilot | Rebate of WAC minus th |

| IF THE UNIT IS FLAGGED 340B | |
|---|---|
| OPPS (as proposed) | Payment at A |
| 2028 negotiated-price refund | The lower of the neg |

The TB modifier used to be a reporting convention. Now it determines what the hospital is paid and what the manufacturer owes. At AMC volumes, small error rates add up to material overpayments, lost revenue or False Claims Act exposure.

# Hidden Compliance Traps

- **Drugs bought at full price**: When a hospital pays WAC, the purchase no longer shows 340B status. Systems need written rules for tagging those units, including units whose rebate is denied. HRSA's dispute process won't be published until January 30, 2027.
- **Research data**: Claims data will flow to manufacturer platforms. Check the platform terms against your research data-use and HIPAA commitments.
- **Medicaid**: Billing Medicaid at the post-rebate cost, under state rules that vary, invites duplicate-discount findings.
- **Rate-setting data**: The 33.4% figure came from a survey in which only about 23% of 340B hospitals gave usable data. The pilot will give HRSA a continuous record of what hospitals actually pay after rebates. Assume it will be used.

# The October 1 Clock

HRSA targeted September 24 for plan approvals, and participants are expected to be public by October 1. Approved plans must give 90 days' notice, so notices for a January 1 launch go out by about October 3. That leaves one quarter, spanning the holidays and year-end close. In the first 30 days after notices arrive:

- Map every approved NDC to every site, child site, and contract pharmacy.
- Register on each manufacturer's rebate platform, and open wholesaler accounts to buy affected drugs at WAC.
- Give treasury an estimate of the Q1 2027 cash tied up in WAC purchases while rebates are pending.
- Decide whether to seek a hardship exception, the only relief the pilot offers.
- Track any inventory bought before January 1 that qualifies for transition rebates.

# Action Steps for Health Systems

1. **Name one owner before October 1**. Put a single executive in charge of pharmacy, finance, revenue cycle, and compliance for this.
2. **Size your 2028 exposure by November 30**. Match the negotiated Part B prices to your infusion volume.
3. **Audit your 340B (TB) claim modifier**. Write down how units bought at WAC are tagged before January claims go out.
4. **Build one financial model**. Put the WAC purchases, ASP minus 33.4%, the 3% offset and negotiated-price refunds in a single scenario and take it to the CFO before budgets close.
5. **Protect the contract, then make your case with data**. Have counsel review platform terms before you sign. Then take your numbers to CMS on the final OPPS rule, and to Congress on the **SUSTAIN 340B Act** and the **Cassidy discussion draft**.

**For AMCs, 2027 is the dress rehearsal. The real test comes in 2028**, when negotiated prices, 340B, and Medicare payment all apply to the same infusion claim. The systems that model it now will have the data, and the credibility, to shape what comes next.

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