



[Commentary: 340B isn't working as intended. The result: Higher health care costs.](#)

By Dr. Kostas Botsoglou | May 7, 2026

“Affordability” has become the rallying cry of elected officials from Congress to city hall. So why are some state lawmakers advancing a proposal that could make medical care even more expensive?

Health care costs continue to rise while independent physician practices are disappearing — in part because current policies reward consolidation rather than competition. A major contributor to both trends is the federal 340B drug pricing program.

Instead of urging Congress to reform the program and remove the incentives that inflate costs, the state Senate is moving to shield it from oversight through a little-noticed provision in the state budget.

The 340B program was originally intended to help hospitals and clinics serving low-income patients gain access to affordable medications. What began as a narrow initiative for a limited number of safety-net institutions has expanded dramatically. Today, roughly 50,000 sites qualify, and [prescription purchases through the program have surged from \\$6.6 billion in 2010 to \\$81 billion in 2024.](#)

Much of that growth has been fueled by large health systems acquiring independent practices and converting them into hospital-affiliated sites eligible for 340B discounts.

[New research from the Empire Center for Public Policy](#) highlights just how much 340B revenue flows to some of New York’s largest and best-funded hospitals — institutions far removed from the safety-net providers Congress originally intended to support. As Bill Hammond of the Empire Center writes, the program “has become a broad, general subsidy that mostly flows to hospitals with little relation to need and minimal oversight.” He also notes that 340B “creates perverse incentives” that drive up the cost of cancer treatment.

The basic mechanics are simple — and deeply concerning. Participating institutions purchase medications at steep 340B discounts, then bill insurers and benefit plans at full price, keeping the difference. The more sites they control, the more they profit. As hospital revenues increase, families, small businesses and local governments are left to absorb the higher costs of care.

In New York, the excesses of 340B make it harder for government health plans to control spending and for employers to keep coverage affordable. The program siphons [an estimated \\$89 million](#) each year from public health plans and adds [hundreds of millions more](#) in costs to the private market.

Hospitals participating in 340B also charge more for the same services than non-participating providers — about 7.6% more on average, according to the [National Alliance of Healthcare Purchaser Coalitions](#). When scaled nationally, that differential translates into tens of billions of dollars in excess spending each year.

Congress should restore the 340B program to its original purpose by reining in costs and eliminating the incentives that fuel hospital consolidation. New York’s lawmakers, meanwhile, should focus on policies that strengthen independent physician practices and make care more affordable.

Safety-net providers are indispensable — yet 340B has too often become a windfall for sprawling health systems, paid for by everyone else.

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