



Thursday, March 13, 2025

The Honorable Brenda Dietrich, Chairman
Senate Committee on Financial Institutions and Insurance
Kansas State Legislature
10th and Jackson
Topeka, Kansas 66612

Dear Chairman Dietrich and Members of the Senate Committee on Financial Institutions and Insurance:

On behalf of the National Taxpayers Union (NTU), America's oldest taxpayer advocacy organization, I respectfully urge you to **oppose SB 284**, a contract pharmacy mandate that fundamentally alters the operation of the federal 340B Drug Pricing Program in Kansas.

The 340B program was originally designed to provide affordable medications to low-income and uninsured patients. However, since its inception in 1992, the program has become highly controversial, with mounting evidence that certain providers are exploiting its structure to generate revenue rather than assisting vulnerable patients as intended.

What does this mean? The 340B program has expanded significantly over the years with [little transparency](#) or accountability, allowing entities that receive discounted drugs from manufacturers to profit from the price difference—rather than passing those savings on to patients.

Instead of primarily benefiting low-income communities, we have seen a proliferation of 340B pharmacies in wealthier neighborhoods, often affiliated with for-profit Pharmacy Benefit Managers (PBMs) and chain drugstores. A [2024 Pioneer Institute report](#) found that a disproportionate number of 340B pharmacies, which are supposed to serve the

poor, are instead concentrated in more affluent areas—including Kansas where just over 50% of 340B pharmacies are located in affluent neighborhoods. Additionally, the report found that Kansas' 340B hospitals provided a mere 1.6% charity care component, compared to the national average of 2.28%. A goal of the 340B program from its inception was to pass the discounted savings afforded by the pharmaceutical companies on to the needy through charity care. This does not appear to be occurring in Kansas.

Furthermore, the financial implications of SB 284 for Kansas' state-funded healthcare programs cannot be ignored. A [recent fiscal analysis](#) of similar legislation in Utah found that a 10% increase in drugs purchased through 340B would result in a loss of nearly \$2 million in drug rebates—a cost that ultimately falls on taxpayers. [Utah's 340B mandate bill](#) failed to pass out of committee last month due to these concerns.

In North Carolina, state health plan patients covered under 340B contracts are being charged significantly higher prices, with copays based on inflated list prices rather than the discounted acquisition costs. A recent [report](#) from North Carolina State Treasurer Dale Folwell found that hospitals in the 340B program were overcharging cancer patients at rates averaging five times the cost of the actual drugs—a burden borne not just by patients but by taxpayers as well. The North Carolina State Health Plan now faces [an unfunded healthcare liability of \\$32 billion](#).

Similar concerns have been raised in Minnesota, where a 2023 [report](#) from the Minnesota Department of Health revealed that 340B hospitals generated at least \$630 million in net revenue—likely only half of the true amount—with the state's largest 340B hospitals benefiting the most.

Beyond the financial concerns, there are also serious constitutional issues with SB 284. The 340B Drug Pricing Program is federally regulated, and states lack the authority to impose additional mandates. Already, multiple states are embroiled in lawsuits over this issue, and in December, the U.S. District Court for the Southern District of West Virginia blocked a similar state 340B law, ruling that federal law preempts state regulation.

Rather than expanding the 340B program without oversight, we suggest you focus on transparency and accountability within the program—especially for hospitals and pharmacies participating in the state's health plan. The 340B Drug Pricing Program is a federal program, and lawmakers should not codify state law around a deeply flawed

system. NTU has long advocated for meaningful [reform](#) at the federal level rather than state-level mandates that will ultimately increase costs for taxpayers.

Given these serious concerns, I urge you to oppose SB 284 and instead work to develop measures for evaluating a federal program that is clearly fraught with controversy. I humbly offer this advice as both a former pediatric nurse practitioner who worked with the very patients for whom the 340B Drug Pricing Program was intended and as a former Wisconsin state senator who understands how contentious and challenging it is to allocate taxpayer dollars wisely.

Please do not hesitate to contact me if you have any questions.

Respectfully submitted,

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