Institute for Health Policy Accountability

Wealthy Nonprofit Hospitals Dominate Federal Program for the Poor

In 1992, Congress established a federal program meant to ensure that low-income Americans served by hospitals in underserved and poor parts of America could access lower-priced prescription drugs. That program, known as 340B, is now being abused by nonprofit hospitals around the country and dominated by some of the richest health care systems in America. The result is higher average drug costs while wealthy nonprofit hospitals reap profits.

We reviewed more than a dozen nonprofit hospitals around the nation that are profiting from a federal drug discount program that was created for underserved healthcare facilities. The study found that 70-80% of 340B health care program benefits flow to large nonprofit hospital systems that make billions of dollars in annual revenues and provide millions in executive compensation.

Key Research Takeaways:

- Wealthy nonprofit hospitals are dominating and profiting from a federal program that was designed for low-income areas and underserved populations.
- This brief analysis found some of the richest nonprofit hospitals in America with the highest annual revenues in the nation participate in the 340B program.
- The increased use of the 340B program drives up average drug prices.
- 340B program benefits disproportionately flow to large nonprofit hospitals instead of health centers or clinics that specifically serve low-income populations.
- Since 2010, 340B rules expanded the use of 340B through for-profit contract entities.
- Since that time, use of the 340B program has grown by 563%.
- Profits are made through the 340B program when nonprofit hospitals push patients to buy more expensive, non-generic drugs.
- As large nonprofit hospitals boost profits by abusing the system, it is driving up costs for patients compared to non-340B program participants.
- At the same time costs are going up, nonprofit hospitals are making billions of dollars through the program.
- Nonprofit hospitals and health care providers should be evaluated based on whether their policies and practices are consistent with the original intent of 340B.
- Lawmakers can take steps to re-establish the traditional intent of 340B and lower health care costs for patients across the country.

Introduction and Background

The 340B Drug Discount Program (340B) was established by Congress in the Veterans Health Care Act of 1992. The program was created to lower drug costs for hospitals that serve low-income patients, and is administered by the Health Resources and Services Administration (HRSA), which is a part of the U.S. Department of Health and Human Services (HHS). Government-mandated drug discounts are provided by pharmaceutical manufacturers participating in Medicaid under the law.

Hospitals are generally made eligible for the 340B program by serving a disproportionate share of low-income individuals. According to the HRSA, $43.9 billion worth of drugs were purchased under the 340B program in 2021 (the most recent data year), and $34.2 billion of those purchases were made by so-called disproportionate share hospitals (DSH). That means 78% of the entire 340B program benefit is run through these hospitals.

In recent years, participation in the 340B program has increased rapidly. In a September 9, 2025, analysis, the nonpartisan Congressional Budget Office (CBO) released new numbers on the shocking growth of the 340B program. The data reported by CBO demonstrates that 340B abuse by wealthy nonprofit hospitals has caused the program to grow far beyond the original intent of lawmakers, at a significant cost to taxpayers.

Rapid Growth of the 340B Program

The 340B program is growing at an extraordinary rate. From 2010 through 2021, drugs purchased at a discounted price in the 340B program grew from a total of $6.6 billion in 2010 to $66.3 billion in 2023. That means in just eleven years the program grew by $59.7 billion, resulting in a 905% increase in the total size of the purchasing program.

Over the same period that this discount drug program for low-income Americans grew, the number of Americans experiencing poverty actually fell. According to the Census Bureau, the number of people experiencing poverty between 2010 and 2023 fell from 46.3 million to 36.8 million. That is the equivalent of a 21% drop in people living in poverty.

The question then becomes, why did a program meant to help low-income individuals grow by five and a half times during the same period, the number of Americans living in poverty fell by one-fifth? Based upon research conducted on select 340B nonprofit hospitals, the answer appears to be that by allowing nonprofit hospitals to act like and contract with for-profit entities, these nonprofit hospitals have turned the 340B program into a profit generator.

340B Program Discount Drug Purchases by Entity

HEALTH CARE FACILITY TYPE OR ENTITY	2023 TOTAL PURCHASES	PERCENTAGE OF 340B PROGRAM
Nonprofit hospitals	$51,886,954,092	78%
Health Center Programs	$3,604,902,123	5%
Children's Hospitals	$2,068,940,096	3%
Rural Referral Centers	$1,466,883,786	2%
Ryan White HIV/AIDS Program Part A	$1,509,011,588	2%
Sexually Transmitted Disease Clinics	$1,656,919,741	2%
Critical Access Hospitals	$955,896,370	1%
Ryan White HIV/AIDS Program Part C	$706,922,298	1%
Sole Community Hospitals	$554,770,578	1%
Free-standing Cancer Centers	$506,321,424	1%
Ryan White HIV/AIDS Program Part B	$303,659,916	Less than 1%
Ryan White Part B AIDS Drug Assistance Program (ADAP) Direct Purchase Option	$242,321,523	Less than 1%
Comprehensive Hemophilia Treatment Centers	$340,953,762	1%
Federally Qualified Health Center Look-Alike Program	$344,997,724	1%
Family Planning Clinics	$37,879,948	Less than 1%
Ryan White HIV/AIDS Program Part D	$35,126,473	Less than 1%
Tribal Contract/Compact with IHS (P.L. 93-638)	$58,967,807	Less than 1%
Tuberculosis Clinics	$7,859,813	Less than 1%
Urban Indian Hospitals	$2,545,040	Less than 1%
Black Lung Clinics	$843,769	Less than 1%
Ryan White Part B ADAP Rebate Option	$42,455	Less than 1%
Native Hawaiian Health Care Programs	$62,307	Less than 1%
Total	**$66,292,782,635**	**100.00%**

Source: Health Resources and Services Administration

Improper Use of the 340B Program

The abuse of 340B has been repeatedly verified. The following are some of the most common ways that the program has been misused by nonprofit hospitals. These categories of improper program use can be used as measures to evaluate how frequently and egregiously a nonprofit hospital system is misusing the 340B program, which was designed to help poor Americans.

Using 340B to Boost Hospital Profits

When a drug is sold at a deep discount under the 340B program, health care facilities still can charge insurance for the full drug list price or more. The difference between the list prices and what nonprofit hospitals pay using the 340B program is pure profit for the health care facilities. This is how "nonprofit" hospitals pocket more money by using 340B.

Here's a quick example of how 340B hospitals pocket profits from the system and why rich hospital systems are incentivized to expand program purchases. The following table is based on a hypothetical drug with a list price of $100 that is purchased by a 340B hospital.

Average 340B Discount for Hospital	45%
Price 340B Hospital Pays for the Drug	$55
340B Hospital Charges Insurance List Price	$100
Profit Pocketed by 340B Hospital	**$45**

"Spread Pricing" Profits Do Not Go Back to Low-Income Patients
The hospital and pharmacy practice of paying a discounted drug price but charging insurance companies the full list price is known as "spread pricing." The "spread" is the difference between what the hospital pays and how much they get reimbursed from insurance. A recent study from the University of Southern California found that these profits are not going to patients but rather that an "Increasing share of 340B revenues flow to for-profit pharmacy chains and third-party administrators." Congressional reforms should require that more spread pricing profits from the 340 programs are reinvested in low-income patients.

Operating 340B Program in Wealthy Areas
As noted, the program was initially created to provide aid to hospitals that serve a disproportionate share of low-income Americans. However, hospitals are expanding their geographic footprint through the purchase of pharmacies that are allowed to participate in the system. Today, many participating pharmacies operate in affluent areas in total contravention of the program's original intent when passed by Congress.

Incentivizing the Use of Higher-Cost Drugs
The 340B program incentivizes hospitals to buy higher-priced drugs when cheaper alternatives are available. Since hospitals are reimbursed by insurers at a higher rate than the price of a drug, the hospitals make more profit when they use the highest-priced drug. According to CBO, "the 340B program encourages behaviors—including the prescription of more and higher-priced drugs, the expansion of services, and the integration of hospitals and off-site clinics."

Increasing Consolidation and Vertical Integration
In order for supposedly nonprofit hospitals to make money from the 340B program, they must acquire provider practices and specialty pharmacies. This results in consolidation in the health care marketplace and limits options for patients. It is also a conduit to provide 340B discount drug benefits to individuals who are not in low-income parts of the country.

Increasing Drug Costs for All Patients
The program raises costs for all patients for two main reasons. First, the incentive to push patients to higher-priced drugs results in increased hospital costs relative to using generics. Second, vertical integration encouraged by 340B program structure limits choice in the hospital, health care provider, and pharmacy spaces. Less competition and choice mean higher prices.

Increasing Costs to Taxpayer Through Higher Federal Spending
According to CBO, improper use of the 340B program increases federal spending and costs to taxpayers. Unfortunately, CBO also reports that at this time, they are unable to calculate how much the growth of the program correlates to increased federal spending.

Large, Profitable Hospital Systems Dominate the 340B Program

While the 340B program was initially intended to benefit hospitals serving more low-income patients than average hospitals, the program is now being dominated by large, conglomerate hospitals. In the state of Minnesota, for instance, a 2024 Department of Health study found that the largest 340B hospitals made up 13% of health care facilities in the state but took 80% of the program benefits in the state. This consolidation in benefit distribution is evidence that, as currently administered, the 340B system is ripe for being gamed by the country's largest and richest hospital systems.

The fact that major hospital systems now represent the bulk of all 340B users has nothing to do with increased levels of charitable care by those entities, as one might assume. In reality, the opposite is true. A 2021 study by the Pacific Research Institute found that despite being "nonprofits," hospitals that participated in the 340B program tended to be less charitable and more profitable than hospitals that did not. The study concluded:

> *"While not providing more charitable care, 340B hospitals are more profitable than the average hospital. Evaluating each hospital's net income relative to net revenue demonstrates that the profitability (or excess of revenues over costs for non-profit hospitals) of 340B hospitals was 37 percent larger (6.25 percent compared to 4.55 percent) at 340B hospitals compared to the average of all hospitals."*

The trend among 340B hospitals to serve fewer charitable patients and provide care in wealthier areas appears to be due to health care systems that are newer to the program. For instance, a 2018 JAMA Internal Medicine study found that, "later participants—most hospitals—spent less of their budget on uncompensated care and were more financially stable compared with earlier participants."

America's Richest and Largest Hospitals Use 340B Program

In conducting this research, we found that many of the 340B prescription drug programs' beneficiaries are among the largest and wealthiest hospital systems in the country. Indeed, one of the key eligibility requirements for 340B hospital participation is that health care facilities in the program must be nonprofit entities. However, that does not mean that these hospital systems do not give large compensation packages to executives and use their revenue to acquire competitors.

Since 2010, hospitals have been allowed to contract with off-site, for-profit entities such as pharmacies. We reviewed more than a dozen hospitals serving wealthy areas and improperly profiting from a system that was designed by Congress to help the poor.

NORTHSIDE HOSPITALS INC., GEORGIA

2023 Operating Revenue: $6.8 billion
Number of Hospitals: Five
Employees: 32,000

One of Georgia's largest hospital systems, Northside employs over 32,000 people at five acute care hospitals. The nonprofit conglomerate is also very lucrative. According to the Atlanta Journal-Constitution, Northside's revenues exceeded expenses by $532 million in 2019. In addition to those profit margins, Northside received $195 million in provider relief funds during the COVID pandemic.

While the hospital system is a 501(c)(3) nonprofit, Northside's executives are generously compensated. Tax report paperwork revealed that in 2023 Northside Hospital Inc. spent $11.2 million in executive pay and compensation. At the same time that its executives were receiving millions of dollars, Northside was simultaneously being fined $1.1 million by the Centers for Medicare & Medicaid Services (CMS) for a lack of price transparency. A study also shows that Northside's revenue per year far exceeds its reported community benefit (the lowest estimate of its revenue from drug sales is $735 million, compared to a reported $434 million community benefit). Northside's financial statements are also very high-level and leave out plenty of details that could help hold them accountable.

Despite facing federal fines, Northside has continued to acquire health facilities, contributing to health care consolidation and vertical integration. Additionally, most of Northside's locations are located outside of the community they are intended to serve. Northside's internal records show that it owns more than five dozen affiliates across the health care spectrum. That list does not include 2025 acquisitions like the five cancer centers that Northside purchased this year for an undisclosed sum of money. It is not particularly surprising that Northside's records are difficult to track since they have argued before the Georgia Supreme Court that their internal documents should not be a part of public record.

BAPTIST HEALTH SYSTEM (BHS), KENTUCKY

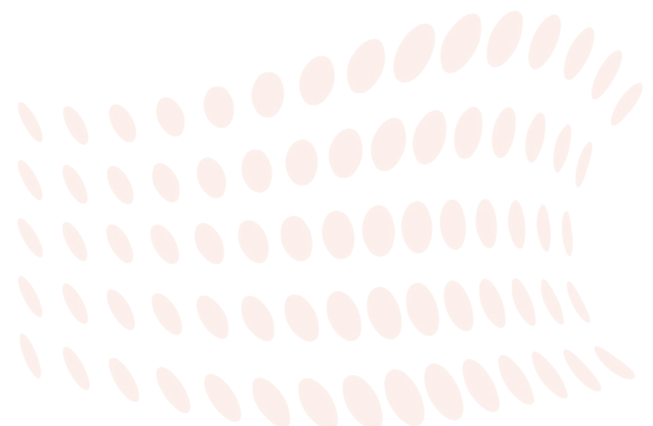
2024 Operating Revenue: $4.8 billion
Number of Hospitals: Ten
Employees: 24,000

Baptist Health System (BHS) is Kentucky's largest hospital network and health care system with over 400 locations, including ten hospitals. BHS has built a geographical service area that covers 74% of the state of Kentucky. As of 2025, BHS employs more than 24,000 employees.

The BHS' business model is incredibly lucrative. In August 2024, the hospital system reported that it had $2.3 billion in available cash. The wealth of BHS is not necessarily surprising based on the fact that its total health care systems brought in over $4.8 billion in operating revenue in 2024.

BHS is clearly participating in vertical integration and consolidation, especially as it regards pharmacies. As of 2024, BHS employed over 3,000 physicians. BHS also opened a massive, 102,000 square foot pharmacy facility in La Grange, Kentucky. The new pharmacy alone cost $40 million according to BHS.

One reason BHS may be able to continue to invest in new infrastructure and facilities is its history of working to deny claims and take legal action against patients. Rather than focusing specifically on low-income patients, BHS has a history of suing patients who cannot pay their bills.



UOFL HEALTH, KENTUCKY

2024 Operating Revenue: $2.5 billion
Number of Hospitals: Nine
Employees: 14,000

UofL Health is a major health care system primarily centered in the Louisville area of Kentucky. UofL Health is a nonprofit health system that operates nine hospitals in Kentucky. The system also runs retail and specialty pharmacies and has acquired more than 250 physicians' practices. The health care conglomerate had an operating revenue of $2.5 billion in 2024 and has over 14,000 employees.

UoL Health has been an active participant in hospital consolidation. The University of Louisville health care system formed UofL Health as a new conglomerate following a major consolidation in 2019. This included the purchase of the health care system KentuckyOne which included several hospitals and physicians' groups. At the time of the acquisition, UofL took over a number of health care facilities in the Louisville, KY, area. Those included:

- Jewish Hospital, including the Outpatient Center, Rudd Heart and Lung Center, offices and parking garages
- Frazier Rehab Institute
- Sts. Mary & Elizabeth Hospital
- Our Lady of Peace Hospital
- Jewish Hospital Shelbyville
- Jewish Medical Centers East, Northeast, South and Southwest
- Physician groups affiliated with KentuckyOne

The purchase of these facilities and KentuckyOne coincided with the announcement that the state of Kentucky was going to assist in the acquisition. According to reports, UofL received a taxpayer-guaranteed loan of $50 million to complete the investment. The loan will be completely forgiven and taxpayer-financed if UofL maintains certain employment goals.

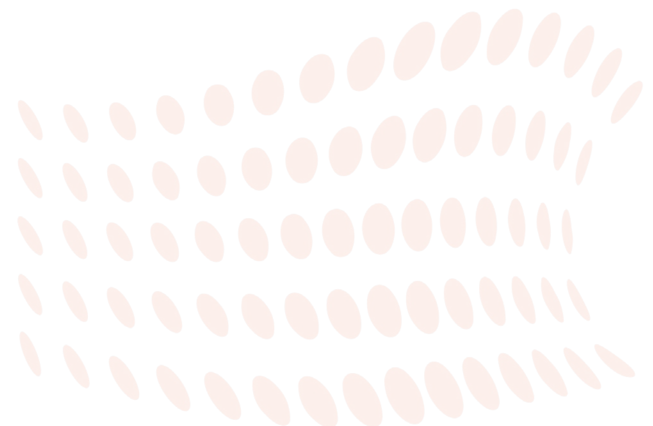
Shortly after UofL made the massive acquisition of KentuckyOne with taxpayer-backed financing, the hospital announced a major new construction project. UofL just opened a $186 million West Tower expansion at its headquarters.

PHOEBE PUTNEY, GEORGIA

Phoebe Putney is a nonprofit health care system in southwest Georgia comprising three hospitals and employing 4,500 employees. Phoebe Putney acquired rival Palmyra Medical Center in 2010 – massively consolidating ownership of health care facilities in the region – and later requested that the Hospital Authority issue $115 million in fixed-rate tax-exempt bonds to refinance the transaction.

The acquisition led to a 5-0 vote by the Federal Trade Commission (FTC) to challenge the deal as anticompetitive. The FTC noted the acquisition would reduce competition significantly in the area and allow Phoebe Putney to raise prices, leading to substantial harm for patients. Phoebe Putney eventually settled the FTC charges and agreed to give the Commission prior notice of any future transactions in addition to not opposing any certificate of need applications in its six-county area. In light of the settlement, the Director of the FTC's Bureau of Competition still described the acquisition as a "clear harm to competition."

Former CEO Joel Wernick – who led Phoebe Putney through its acquisition of Palmyra – received a $7 million retirement package upon leaving Phoebe Putney in 2018.



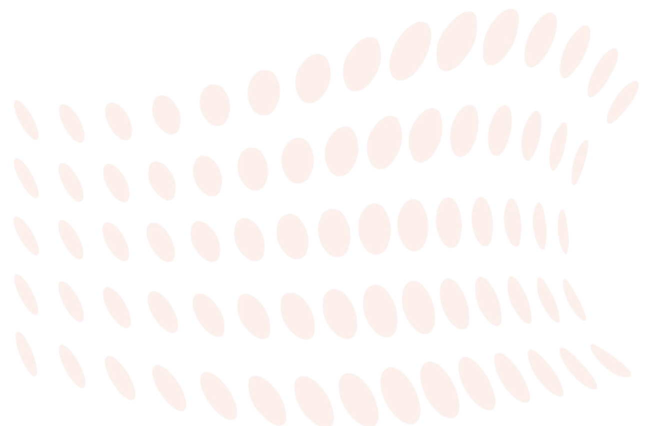
WELLSTAR, GEORGIA

2023 Operating Revenue: $2.1 billion
Number of Hospitals: Eleven
Employees: 30,000

Wellstar is one of the largest health care systems in Georgia, reporting over $2.1 billion in revenue in 2023 and employing more than 30,000. Ostensibly a nonprofit, Wellstar reported paying out nearly $47 million in executive compensation in 2023 – including $4.7 million alone to its president and CEO – shortly after shuttering two hospitals in downtown Atlanta that served a large number of low-income and Black residents.

The closures of Atlanta Medical Center – along with 15 affiliated facilities – and Atlanta Medical Center South in East Point spurred lawmakers to file complaints with the Internal Revenue Service (IRS) and the Office of Civil Rights at HHS that the health care giant had discriminated against Black residents and had therefore violated its tax-exempt status.

Months after closing the two hospitals, Wellstar announced the launch of a $100 million venture fund that it fully funded itself to invest in tech startups. Meanwhile, in 2023 Wellstar completed its takeover of Augusta University Health System and took over the rights to build a new hospital in an affluent enclave near Augusta, and has agreed to spend $395 million to build the new hospital. Wellstar proposed building a new 230-bed hospital in another high-wealth area near Acworth.

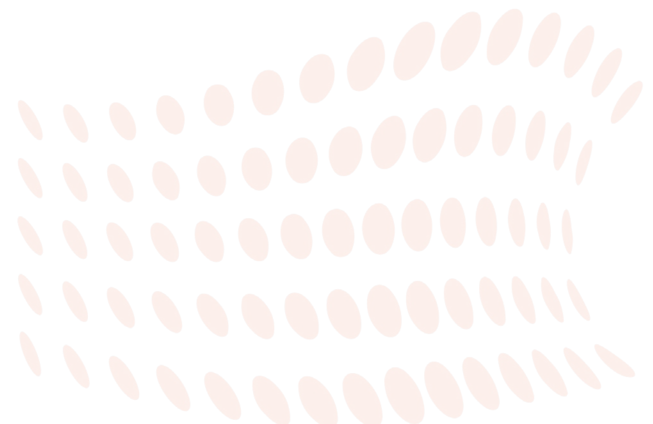


THE UNIVERSITY OF KANSAS HEALTH SYSTEM

This large-scale nonprofit hospital system is itself the product of a merger when University of Kansas Hospital joined with the University of Kansas Physicians in 2017. Since its creation, the health system has been a huge revenue generator. In 2024, the system had $4.5 billion in revenue which helped them compile $2 billion in unrestricted cash on hand according to Fitch Ratings.

With large amounts of revenue pumping into the system, the University of Kansas has been able to make huge capital investments. According to a recent audit, the University of Kansas Hospital Authority "is well on track to surpass $5.0 billion in total revenues in fiscal 2025." Those hefty revenues are being reinvested into new buildings and infrastructure. That includes a new $100 million health care facility for the University of Kansas Health System that broke ground in May 2025.

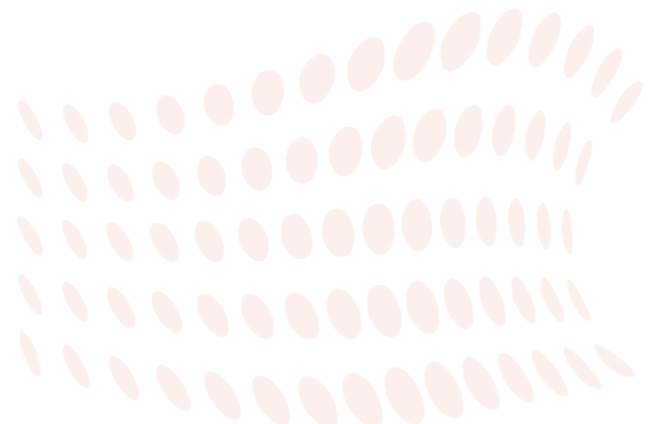
The vast amounts of wealth surrounding the University of Kansas Hospital system have drawn some attention from federal auditors. Since the 340B program was created for underserved hospitals that serve low-income Americans, it is understandable that the federal government had questions about whether the wealthy University of Kansas system was profiting from the program. The hospital, however, disagreed and in February 2025 sued the federal government to stop an audit into its use of the 340B drug discount program.



MASS GENERAL BRIGHAM INC., MASSACHUSETTS

Brigham was until recently known as Partners HealthCare System until changing its name as a part of a 2019 corporate rebrand which the company suggested cost up to $100 million. The new marketing worked for the hospital system, which is one of the richest ten nonprofit health systems by revenue in the country.

Mass General's profits have been piling up fast. According to Fierce Healthcare's analysis, the hospital system's total revenue jumped from $16 billion in 2021 to $16.7 billion in 2022.

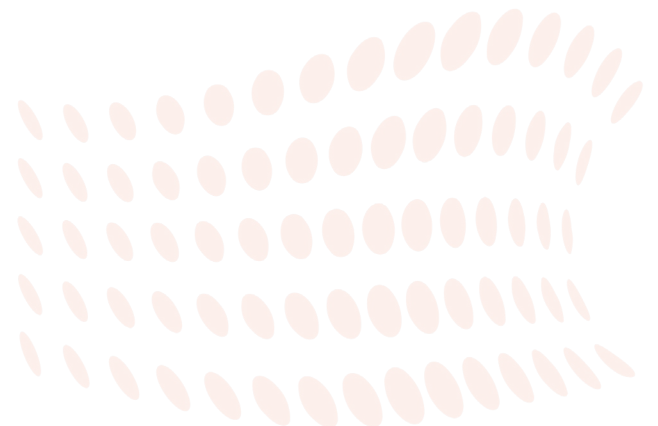


UNIVERSITY OF CHICAGO

2023 Operating Revenue: $2.9 billion
Employees: 13,000

The University of Chicago Medicine's health care network spans sites around Chicago, its suburbs, and Northwest Indiana. Despite reporting nearly $2.9 billion in revenue in 2023, University of Chicago Medicine spent less than 1% (0.975%) on charitable care according to RAND Hospital Data. Meanwhile, University of Chicago Medicine simultaneously reported spending over $20 million on executive compensation.

After unveiling its Urban Health Initiative in 2005 to redirect patients from the University of Chicago Medical Center to other nonprofit hospitals and clinics on Chicago's South Side under the guise of reducing wait times, the program was roundly criticized for "cherry picking" paying or insured patients. Patients without private insurance – including low-income and Black residents – were steered to other facilities. Controversy over the initiative contributed to University of Chicago Medical Center CEO James Madara resigning after only three years on the job.



HENRY FORD HEALTH, MICHIGAN

2024 Operating Revenue: $9.5 billion
Number of Hospitals: 13
Employees: 32,000

The 53-acre main campus of Henry Ford Health is its flagship nonprofit hospital, located in Detroit, Michigan. In addition to its impressive headquarters, Henry Ford Health has some of the most 340B sites registered in the program nationwide. It also seems that many of the areas where Henry Ford has expanded its 340B footprint are far better served than the hospital's Detroit headquarters.

The health care system is now investing its revenue in construction projects that go beyond nonprofit hospitals. In 2023, Henry Ford announced a $2.5 billion investment in a new nonprofit hospital facility and housing units with partners that included the Detroit Pistons professional basketball team. These investments and profits are also fueled by rapid consolidation and mega-mergers within Michigan and beyond. In 2023, for instance, Henry Ford and Ascension Health combined in a $10.5 billion deal.

Henry Ford operates nonprofit hospitals inside and outside of areas eligible to receive 340B discount drug benefits. This allows the Henry Ford system to get the benefits of the discount drug program in places like West Bloomfield, Michigan, where the median income is $119,000. According to a 2022 investigation by the *Wall Street Journal*, "The nonprofit, part of Henry Ford Health, has 467 sites registered for 340B drug discounts located outside its neighborhood, 92% of them in census tracts with higher rates of private insurance than the parent hospital."

Henry Ford Health also has deployed financial resources to create a permanent art collection at its nonprofit hospital location in Macomb County. According to their website, "In recognition of the many ways that artists contribute to the health of their communities, Henry Ford Health committed to supporting artists who reside in the communities they serve." Henry Ford Health's foray into the lucrative art world, while interesting, is not likely something that most lawmakers typically associate with underserved nonprofit hospitals in low-income areas.