Correcting 340B Hospital Overpayments Would Increase Payments for Most Hospitals

New study finds that 78 percent of hospitals would gain under the budget-neutral correction

Community Oncology Alliance Logo

WASHINGTON, DC, UNITED STATES, August 12, 2026 /EINPresswire.com/ -- A new analysis by Avalere Health, commissioned by the Community Oncology Alliance (COA), finds that correcting Medicare overpayments for drugs purchased through the 340B Drug Pricing Program would increase overall Medicare Part B payments for 78 percent of hospitals.

The Centers for Medicare & Medicaid Services (CMS) is proposing to reimburse hospitals for 340B-acquired drugs at Average Sales Price minus 33.4 percent (ASP-33.4 percent), the average acquisition cost documented through CMS's nationwide hospital drug acquisition cost survey. Hospitals currently receive Medicare reimbursement at ASP+6 percent, even when they acquire the drugs at steep 340B discounts.

CMS's survey found that, in some cases, a Medicare beneficiary's cost-sharing obligation under the ASP+6 percent methodology was greater than the hospital's entire drug acquisition cost. CMS estimates that the proposed correction would save Medicare beneficiaries $1.15 billion in drug payments in 2027 and reduce Medicare drug expenditures by another $4.55 billion. Because the policy must be implemented in a budget-neutral manner, the Medicare savings would be redirected to increase payments for non-drug hospital outpatient services.

"Calling this proposal a hospital cut gets the policy exactly backwards. It is a long-overdue correction of Medicare payments that substantially exceed what hospitals actually pay for 340B

drugs," said Ted Okon, executive director of the Community Oncology Alliance. "The proposal would save seniors $1.15 billion in drug costs while increasing overall Medicare payments for the overwhelming majority of hospitals - particularly smaller, rural, and sole community hospitals."

Using 100 percent of CY 2025 Medicare fee-for-service claims data accessed through the CMS Virtual Research Data Center, Avalere found that the correction would have reduced Medicare spending on 340B-acquired drugs by approximately $5.1 billion. When those dollars were redistributed through the Outpatient Prospective Payment System (OPPS) budget-neutrality mechanism, most hospitals received a net increase in Medicare Part B payments.

Key findings
- 78 percent of all OPPS hospitals would receive higher overall Medicare Part B payments.
- 69 percent of rural hospitals would receive an increase, with rural hospitals gaining an average of approximately 3.4 percent.
- All sole community hospitals would receive an increase averaging approximately 8.2 percent.
- 82 percent of rural referral centers would receive an increase averaging approximately 4.8 percent.
- 88 percent of hospitals with fewer than 100 beds would receive higher payments, with an average increase of approximately 7.0 percent.
- 54 percent of 340B hospitals themselves would experience a net payment increase; across all 340B hospitals, the average net impact would be a 0.5 percent increase.
- Hospitals with more than 500 beds would experience an average payment decrease of approximately 1.4 percent.

COA urges CMS to finalize the survey-based reimbursement correction and ensure that the resulting Medicare savings are transparently redistributed through the Medicare Outpatient Prospective Payment System (OPPS). The correction would protect beneficiaries, improve the accuracy of Medicare payment, and strengthen the hospitals that have been disadvantaged by the existing methodology.

Avalere used 100 percent Medicare Part B fee-for-service claims data, applying the exclusions in the proposed rule and distributing the resulting reduction in 340B drug spending among OPPS hospitals based on their shares of non-drug spending to approximate CMS's proposed budget-neutrality approach. Funding for the research was provided by the Community Oncology Alliance. Avalere maintained full editorial control.

Read the full Avalere analysis: https://advisory.avalerehealth.com/insights/340b-payment-proposal-would-increase-payment-to-most-hospitals

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About the Community Oncology Alliance
The Community Oncology Alliance (COA) is a nonprofit organization dedicated to ensuring that

patients have access to the highest-quality, most affordable, cutting-edge cancer care close to home. COA is the only national organization focused exclusively on community oncology, where the majority of Americans with cancer receive treatment. Through policy, advocacy, and community, COA works to support independent community oncology practices and advance access to high-quality cancer care for patients nationwide. Learn more at www.communityoncology.org.

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