**JOINT COMMITTEE ON FINANCIAL SERVICES**
**2025-2026 (194th) BILL SUMMARY**

**Bill No:** H1296

**Title:** AN ACT TO PROTECT 340B PROVIDERS

**Sponsor:** Rep. Sean Reid (*Lynn)*

**Hearing Date:** June 10, 2025

**Reporting Deadline:** August 9, 2025

**Prior History:**
2023-24 (H959); Reported favorably; Referred to Health Care Financing; Ordered to a House Study

**Similar Matters:** S779 (Lewis - Identical); S819 (Payano); H1274 (Murray); H1107 (Cahill); H785 (Murray)

**CURRENT LAW:**
*M.G.L. c. 32A Contributory Group General or Blanket Insurance for Persons in the Service of the Commonwealth (Group Insurance Commission)*

*M.G.L. c. 94C § 1 Definitions*
"Pharmacy", a facility under the direction or supervision of a registered pharmacist which is authorized to dispense controlled substances, including but not limited to "retail drug business" as defined below.

"Retail drug business", a store for the transaction of "drug business" as defined in section thirty-seven of chapter one hundred and twelve.

*M.G.L. c. 112 registration of Certain Professions and Occupations § 39D Definitions applicable to Secs. 36E to 42D; reporting of improper dispensing of prescription drugs; reporting of serious adverse drug events; recall and reporting of defective drug preparation*
"Institutional pharmacy", the physical portion or satellite unit of an organization including, but not limited to, hospitals, health maintenance organizations and clinic pharmacies, whose primary purpose is to provide a physical environment for patients to obtain health care services under the supervision of a licensed pharmacist and is authorized to dispense controlled substances.

*M.G.L. c. 175 Insurance § 226 Pharmacy audits; standards for the conduct of audits of records; appeals*
"pharmacy benefit manager" means any person or entity that administers the (i) prescription drug, prescription device or pharmacist services or (ii) prescription drug and device and pharmacist services portion of a health benefit plan on behalf of plan sponsors, including, but not limited to, self-insured employers, insurance companies and labor unions. A health benefit plan

that does not contract with a pharmacy benefit manager will be considered a pharmacy benefit manager for the purposes of this section, unless specifically exempted.

*M.G.L. c. 176A Non-Profit Hospital Service Corporations (Blue Cross of Massachusetts)*

*M.G.L. c. 176B Medical Service Corporations (Blue Shield of Massachusetts)*

*M.G.L. c. 176G Health Maintenance Organizations (HMOs)*

*M.G.L. c. 176I Preferred Provider Arrangements (PPOs)*

*Chapter 82 of the Acts of 2019, An Act relative to hospital access to discounted prescription drug prices. § 1*
Adds a new section to *M.G.L. c. 118E Division of Medical Assistance (MassHealth)* prohibiting the health and human services secretary from restricting or limiting an eligible hospital's access to the discounted purchase of prescription drugs to the full extent permitted under section 340B of the Public Health Service Act, as codified under *42 U.S.C. 256b* unless the secretary provides, at least180 days before the proposed effective date of the limitation or restriction: (i) notice to eligible hospitals of the proposed restriction or limitation; and (ii) a report with the joint committee on health care financing and the senate and house committees on ways and means detailing: (A) the proposed restriction or limitation; (B) the anticipated aggregate savings to the commonwealth; (C) the estimated fiscal impact of the restriction or limitation on each affected hospital; and (D) the manner in which the secretary plans to mitigate the fiscal impact, which may include measures to maintain savings already achieved by providers under *42 U.S.C. 256b*.

*42 U.S. Code § 1396r-8 Payment for covered outpatient drugs (9) State agency*
The term "State agency" means the agency designated under *section 1396a(a)(5)* of this title to administer or supervise the administration of the State plan for medical assistance.

*42 U.S.C. § 256b Limitation on prices of drugs purchased by covered entities*
Allows certain healthcare providers, hospitals and non-hospital entities that receive meet certain criteria and receive federal funding, such as federally qualified health centers, to purchase outpatient drugs at significantly reduced prices through what is referred to as the 340B program.

*Title 42 U.S.C. § 256b(a)(1)*
Establishes a limitation on the prices of covered outpatient drugs purchased by covered entities under the 340B Drug Pricing Program. This section requires the United States Secretary of Health and Human Services to negotiate agreements with drug manufacturers, ensuring the price paid by these entities for covered drugs does not exceed a defined ceiling price.

*42 U.S.C. 256b(a)(4).*
"340B covered entity", an entity that meets the certain requirements and is one of the following: (A) A Federally qualified health center (as defined in *section 1905(l)(2)(B) of the Social Security Act [ 42 U.S.C. 1396d (l)(2)(B)]*). (B) An entity receiving a grant under *section 256a* of this title. (C) A family planning project receiving a grant or contract under *section 300* of this title. (D) An

entity receiving a grant under s*ubpart II 1 of part C of subchapter XXIV* (relating to categorical grants for outpatient early intervention services for HIV disease).

**SUMMARY:**
This proposed legislation seeks to prevent the group insurance commission (GIC), commercial health insurers and pharmacy benefit managers (PBMs) from discriminating against hospitals and pharmacies that participate in the 340B drug discount program.

"340B drug" means a drug that has been subject to any offer for reduced prices by a manufacturer pursuant to *42 U.S.C. 256b* and is purchased by a covered entity as defined by *42 U.S.C. 256b(a)(4).*

"340B entity" means an entity participating or authorized to participate in the federal 340B drug discount program, as defined by *42 U.S.C. 256b*, including its pharmacy, or any pharmacy contracted with the participating entity to dispense drugs purchased through the 340B drug discount program.

With respect to reimbursement to a 340B entity for 340B drugs, a health insurance issuer, pharmacy benefit manager, other third-party payor, or their agents will not do any of the following:

(i) Reimburse a 340B entity for 340B drugs at a rate lower than that paid for the same drug to entities that are not 340B entities or lower reimbursement for a claim on the basis that the claim is for a 340B drug.

(ii) Impose any terms or conditions on any 340B entity with respect to any of the following that differ from such terms or conditions applied to non-340B entities on the basis that the entity participates in the federal 340B drug discount program set forth in *42 U.S.C.256b* or that a drug is a 340B drug including, without limitation, any of the following:

A. Fees, charges, clawbacks, or other adjustments or assessments. For purposes of this Subsection, the term "other adjustment" includes placing any additional requirements, restrictions, or unnecessary burdens upon the 340B entity that results in administrative costs or fees to the 340B entity that are not placed upon other entities that do not participate in the 340B drug discount program, including affiliate pharmacies of the health insurance issuer, pharmacy benefit manager, or other third-party payor.

B. Dispensing fees that are less than the dispensing fees for non-340B entities.

C. Restrictions or requirements regarding participation in standard or preferred pharmacy networks.

D. Requirements that a claim for a drug include any identification, billing modifier, attestation, or other indication that a drug is a 340B drug to be processed or resubmitted unless it is required by the Centers for Medicare and Medicaid Services, the executive office of health and human services, or the division of medical assistance.

E. Any other restrictions, conditions, practices, or policies that are not imposed on non-340B entities.

(iii) Require a 340B entity to reverse, resubmit, or clarify a claim after the initial adjudication unless these actions are in the normal course of pharmacy business and not related to 340B drug pricing.

(iv) Discriminate against a 340B entity in a manner that prevents or interferes with any patient's choice to receive such drugs from the 340B entity, including the administration of such drugs. For purposes of this subsection, it is considered a discriminatory practice that prevents or interferes with a patient's choice to receive drugs at a 340B entity if a health insurance issuer, pharmacy benefit manager, or other third-party payor places any additional requirements, restrictions, or unnecessary burdens upon the 340B entity that results in administrative costs or fees to the 340B entity, including but not limited to requiring a claim for a drug to include any identification, billing modifier, attestation or other indication that a drug is a 340B drug in order to be processed or resubmitted unless it is required by the Centers for Medicare and Medicaid Services, the executive office of health and human services, or the division of medical assistance.

(v) Require a 340B entity to submit any claims, utilization, patient, or other data as a condition for allowing the acquisition of a 340B drug by, or delivery of a 340B drug to, a 340B entity unless the data is required by the United States Department of Health and Human Services, Centers for Medicare and Medicaid Services, the executive office of health and human services, or the division of medical assistance.

(vi) Include any other provision in a contract between a health insurance issuer, pharmacy benefit manager, or other third-party payor and a 340B entity that discriminates against the 340B entity or prevents or interferes with an individual's choice to receive a prescription drug from a 340B entity, including the administration of the drug, in person or via direct delivery, mail, or other form of shipment, or creation of a restriction or additional charge on a patient who chooses to receive drugs from a 340B entity.

(vii) Require or compel the submission of ingredient costs or pricing data pertaining to 340B drugs to any health insurance issuer, pharmacy benefit manager, or other third-party payor.

(viii) Exclude any 340B entity from the health insurance issuer, pharmacy benefit manager, or other third-party payor network on the basis that the 340B entity dispenses drugs subject to an agreement under *42 U.S.C.256b* or refusing to contract with a 340B entity for reasons other than those that apply equally to non-340B entities.

(ix) Nothing in this section applies to the division of medical assistance as payor when Medicaid provides reimbursement for covered outpatient drugs as defined in *42 U.S.C. 1396r-8(9k*)).

(c) With respect to manufacturing or distribution of drugs related to 340B entities:

(i) A manufacturer or distributor will not deny, restrict, prohibit, or otherwise interfere with, either directly or indirectly, the acquisition of a 340B drug by, or delivery of a 340B drug to, a pharmacy that is under contract with a 340B entity and is authorized under such contract to

receive and dispense 340B drugs on behalf of the covered entity unless such receipt is prohibited by the United States Department of Health and Human Services.

(ii) A manufacturer or distributor will not interfere with a pharmacy contracted with a 340B entity.

(iii) A manufacturer or distributor will not require a 340B entity to submit any claims, utilization, patient, or other data as a condition for allowing the acquisition of a 340B drug by, or delivery of a 340B drug to, a 340B entity unless the data is required by the United States Department of Health and Human Services.