COMMUNITY ACCESS NATIONAL NETWORK

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Virginia General Assembly
Senate Finance - Subcommittee on Resources
1000 Bank Street
Richmond, VA 23219

Sent Via Electronic Mail

RE: SB 278 - OPPOSE

Dear Honorable Chair Lucas, Members of the Virginia Senate Finance - Subcommittee on Resources,

Community Access National Network respectfully writes in **OPPOSITION** to **SB 278**, which would condition drug manufacturer permitting and registration in Virginia on specific assurances related to 340B drug distribution networks.

ABOUT CANN: The Community Access National Network (CANN) is a 501(c)(3) national nonprofit organization (formerly incorporated under the "Ryan White CARE Act Title II Community AIDS National Network") focusing on public policy issues relating to HIV/AIDS and viral hepatitis. CANN's mission is to define, promote, and improve access to healthcare services and supports for people living with HIV/AIDS and/or viral hepatitis through advocacy, education, and networking. CANN's coalition-based work is done on behalf of the patient advocacy groups, pharmaceutical partners, and government agencies.

Interference with Federal 340B Structure and Contractual Relationships

The 340B Drug Pricing Program is a federal statute designed to enable The fragile safety net to purchase outpatient drugs at reduced prices so that savings can be reinvested into patient care and services for vulnerable populations. **SB 278** would impose state-level certification requirements that are likely to conflict with private contractual arrangements and federal program rules, potentially creating legal uncertainty for manufacturers and covered entities alike.

The flaws in the current state of the 340B program are well documented. In the recent Congressional Budget Office (CBO) report, the agency identified how the program incentivized behavior such as hospital and clinic consolidation that has led to the rapid growth of the program, and its impact on federal (and state) budgets.

These incentivized behaviors have caught the attention of the federal government, Senator Bill Cassidy, Chair of the Senate Health, Education, Labor and Pensions (HELP) Committee recently released a report which highlights the proliferation of fees across the health ecosystem diverting the intended purpose of 340B "to reach more eligible patients, and provide more comprehensive services." to benefit large health systems, large for-profit chain pharmacies, Pharmacy Benefit Managers, Third Party Administrators (TPAs), and calls for reform at the federal level.

340B Threatens Medicaid Sustainability

In April 2025, researchers published an issue brief on the potential impact to state Medicaid programs from state contract pharmacy mandates in the 340B Drug Pricing Program such mandates would cost Medicaid $1.2 billion more annually, of which $437 million would impact state budgets directly and the 340B program's broader current fiscal impact related to Medicaid.

Importantly, a July 2025 analysis assessed how much each state loses in Medicaid Rebates due to providers opting to bill claims under the 340B program rather than Medicaid. For Virginia, that realized loss is about $20,200,000. The specific impact here means that Virginia actively lost almost $11.66 million in re-investable Medicaid rebates which would outwise have contributed to the state's mandated "share" of Medicaid payments. With anticipated reductions in federal matching dollars (FMAP) due to this year's federal Reconciliation bill, the state simply cannot afford to surrender these dollars which would otherwise be used to sustain the state's Medicaid program.

Taken as a whole, directly, 340B without guardrails, which is what is being suggested in **SB 278**, drives up costs to patients and states and reduces available reinvestments for state Medicaid programs, which might otherwise be used to offset the program's budgetary impact.

Recent State-level Legislation Conflicts with Federal Actions

These reports are not the only federal movement to reform the 340B program, the Health and Human Services Administration (HRSA) recently released a proposed rebate model pilot, the Centers for Medicare and Medicaid Services (CMS) draft guidance on the interactions of Inflation Reduction ACT's drug price negotiations with the 340B drug pricing program, the introduction of the *340B Affording Care for Communities and Ensuring a Strong Safety-Net Act* (340B ACCESS Act), and federal rule-making occurring at present.

Specifically, the draft guidance related to the IRA's interaction with 340B allows pharmaceutical manufacturers to delay payment for a medication for up to 14 days when a claims modifier is not present. Many state proposals seek to explicitly prohibit the use of claims modifiers, a gold standard in claims validation, for a yet inexplicable reason. In June, CANN published a blog which highlights the functional problems related to state legislative behaviors that summarizes the issue. It is also worth noting that the ACCESS act will specifically prohibit the types of state-based legislation being discussed today.

Unclear Regulatory Burden and Cost Implications Threaten Patient Access and Pharmacy Services

SB 278 places Virginia into the business of regulating complex manufacturer-pharmacy relationships without clear evidence that such state intervention will produce better outcomes. The administrative burden on the Board of Pharmacy and drug manufacturers to monitor, certify, and enforce these conditions could be substantial, without guaranteeing that patients will see tangible benefits.

By mandating terms on how and where manufacturers may distribute 340B-covered drugs, the bill risks disrupting established supply practices that many safety-net providers and contract pharmacies rely on. This could lead to reduced access to affordable medications in underserved communities, negatively impacting health outcomes for patients who already face barriers to care.

Additional certification requirements for permits and registrations may discourage pharmaceutical manufacturers from participating fully in the Virginia market or offering expanded 340B access. This could shrink competition, limit pharmacy network participation, and inadvertently increase drug costs for patients and providers.

To be clear, CANN supports a strong 340B program. When the program operates as it was intended, the delicate healthcare safety-net thrives, and families, individuals, and communities have access to the care and services they otherwise may not have.

Should any member of the committee have further questions regarding this legislation, or any other matter of public health, I can be reached by phone at 913.954.8816, or email kalvin@tiicann.org.

Warmly in service,

Kalvin Pugh

Kalvin Pugh
Director of State Policy, 340B
Community Access National Network (CANN)

On behalf of
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