MEMORANDUM

TO: Illinois State Representative Travis Weaver

FROM: Raven DeVaughn, Director

DATE: May 12, 2026

SUBJECT: **Follow-Up Questions from April 14 COGFA Hearing**

Thank you for your correspondence dated May 5, 2026 regarding follow-up question on how the 340B program affects the State of Illinois Employees Group Insurance Program (SEGIP).

Below you will find CMS's response to each of your questions:

- Does CMS anticipate that policies intended to expand the 340B program in Illinois, including H.B. 2385, would increase costs to SEGIP?
    - CMS anticipates that the proposed expansion of the 340B program will increase overall program costs. Under the 340B program, participating hospitals purchase prescription drugs at discounted 340B prices while billing health plans at full commercial rates. Hospitals retain the resulting margin, and there is limited evidence demonstrating that these savings are directly passed on to patients. Illinois hospitals consistently allocate less than 2% of operating revenue to charity care.[1] Independent analysis estimates that the current 340B program costs Illinois employers approximately $224 million annually, with the proposed legislation expected to increase those costs by an additional $89 million. For SEGIP specifically, lost rebates are estimated at $31 million annually, with an additional projected impact of $12.4 million under the proposed legislation.[2] More than half of Illinois hospitals currently qualify for 340B participation. While the Health Resources and Services Administration website[3] lists 427 eligible 340B hospital locations, this figure includes multiple site listings under the same parent entity. Given the program's continued expansion, combined with opaque regulatory structures and unintended financial incentives, it is reasonable to anticipate further growth in the number of 340B-designated hospitals.

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[1] Sage Transparency 2.0

[2] The Cost of the 340B Program Part 1: Self-Insured Employers | IQVIA

[3] 340B-Search Covered Entities

- How could increased costs associated with the 340B program affect state employee premiums, out-of-pocket expenses, or the scope of benefits covered under SEGIP?
    - Participants enrolled in the QCHP, CDHP, and OAP (Tier II and III) plans would likely experience a direct financial impact because deductibles and coinsurance apply to these services. Additional costs associated with the 340B program expansion may not directly affect plan participants on a per-claim basis under the HMO and OAP (Tier I) plans, as member cost sharing in hospital settings is primarily copay-based. Monthly member premiums for SEGIP participants would not increase as they are collectively bargained. In this case, increased costs would be borne by the State. However, with regard to the CMS administered plans that cover retired teachers (TRIP) and retired community college employees (CIP), member premiums would increase as they are based on a percentage of the cost of coverage.
- Does CMS have evidence that 340B participating hospitals use 340B-related revenue to reduce out-of-pocket costs for state employees enrolled in SEGIP?
    - There is limited evidence demonstrating that hospitals participating in the 340B program use 340B-generated revenue to reduce patient out-of-pocket costs. Illinois hospitals generate more than 2.5 times as much in estimated 340B-related profit as they spend on charity care. The financial impacts also extend beyond 340B-specific drugs. Large 340B hospitals (130 beds or more) charge, on average, 7% higher prices than similarly sized non-340B hospitals, while outpatient service prices are nearly 20% higher. One area where the program appears to demonstrate pricing advantages is among Critical Access Hospitals (CAHs). Most hospitals qualify for the 340B program as Disproportionate Share Hospitals (DSHs), whereas smaller hospitals are more likely to qualify as CAHs.[4] Overall, prices at CAHs are approximately 32.3% lower than prices at similarly sized 340B DSH hospitals. As a result, available data suggests that the 340B program has not reduced patient out-of-pocket costs for 340B-related services and may contribute to higher costs across a broader range of healthcare services.

[4] The-340B-Premium-New-Data-1.pdf