



THE TEXAS STATE CHAMBER

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April 9, 2025

House Insurance Committee

Written Testimony in Opposition of Texas House Bill 3265 – Federal 340B Drug Pricing Program

Chairman Dean, Vice Chairman Vo, and Members of the Committee,

Thank you for the opportunity to submit written testimony on behalf of the Texas Association of Business (TAB) in respectful opposition of HB 3265. TAB is the state affiliate of the National Association of Manufacturers and the state Chamber of Commerce. Our organization represents businesses across every industry, and our local chamber partners across the state. These businesses rely on a stable and competitive business climate to grow, hire, and continue offering affordable health benefits to their employees.

TAB fully supports the mission of the 340B Drug Pricing Program and recognizes its vital role in supporting safety-net providers across Texas. However, we are concerned that HB 3265, as currently introduced, could unintentionally increase prescription drug costs and reduce transparency in the healthcare system, ultimately placing more strain on Texas employers, employees, and taxpayers.

Loss of Cost Control Tools & Transparency

One of our most significant concerns is that HB 3265 would prohibit the use of claim identifiers or modifiers that distinguish 340B prescriptions. These tools are essential for employers, health plans, PBMs, and third-party administrators to properly detect inflated margins, audit claims, negotiate better pricing, and monitor utilization. Without these tools, employers will lose visibility into how their dollars are being spent, making it nearly impossible for them to manage pharmacy benefits effectively. In addition, we understand that this provision could conflict with federal requirements on HRSA-authorized audits, potentially creating confusion and compliance issues.

Increased Prescription Drug Spending

Secondly, we are concerned that the bill could contribute to increased prescription drug spending for employer benefit health plans and their enrollees. Under the program, 340B entities purchase medications at substantial discounts, often 25% to 50% below the market rate, but still bill insurers, including employer-sponsored plans, at full commercial rates.

HB 3265, as written, would lock in those higher reimbursement rates for covered entities, even though the provider's actual costs are much lower. Since there is no requirement to share these savings with patients, the provider retains the difference. That margin, multiplied across thousands of prescriptions, could significantly increase costs for employer plans, driving up premiums and out-of-pocket costs for employees.



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Displacement of Rebates

Additionally, the bill may inadvertently displace manufacturer rebates and undermine efforts to lower costs. Employers and their PBMs rely on manufacturer rebates to reduce prescription drug costs for employers. However, when a medication is dispensed by a 340B pharmacy, those claims are ineligible for rebates since manufacturers are prohibited from paying duplicative discounts under the program. As a result, this displacement shifts savings away from employers and employees and instead goes towards covered entities regardless of whether those savings benefit the patient. Over time, this loss of rebates can add up, leaving employers with higher costs and fewer tools to control them.

Risk of Overutilization Without Improved Outcomes

Because 340B entities generate revenue for each dispensed drug, regardless of medical necessity, there is concern that the bill could inadvertently incentivize more frequent or higher-cost prescribing patterns. Without sufficient utilization safeguards, this could lead to unnecessary or more costly treatments without improving patient outcomes.

Texas employers already bear a disproportionate financial burden from rising healthcare costs. They are doing everything they can to keep coverage affordable for their workers and their families. HB 3265, by reducing transparency and removing cost control tools, makes that goal harder to achieve. If passed in its current form, it could contribute to unchecked growth in healthcare spending and reduce employers' ability to offer sustainable, high-quality benefits.

For these reasons, TAB must respectfully oppose HB 3265. We believe there is a path forward that protects safety-net providers while preserving transparency and affordability for Texas employers and their employees. We remain committed to working with the bill author and stakeholders to find a more balanced approach.

Thank you for your time and consideration.

Sincerely,

Faith Villarreal
Government Relations
Texas Association of Business