



April 10, 2025

State of Rhode Island
House Health and Human Services Committee
Representative Susan Donovan, Chair
Steve Sepe, Clerk
82 Smith Street
Providence, RI 02903

Dear Chairwoman Donovan and Members of the Committee

On behalf of the Biotechnology Innovation Organization (BIO), we are writing in opposition to House Bill 5634, *Relating to Businesses and Professions -- Defending Affordable Prescription Drug Costs Act*.

BIO is the world's largest trade association representing over one thousand biotechnology companies, academic institutions, state biotechnology centers and related organizations across the United States and in more than 30 other nations. BIO members are at the forefront of the research and development of innovative healthcare, agricultural, industrial, and environmental biotechnology products. BIO also produces the BIO International Convention, the world's largest gathering of the biotechnology industry, along with industry-leading investors and partnering meetings held around the world.

Rhode Island's bioscience industry employed 6,051 in 2023 across 904 state business establishments. With an overall employment growth rate of 24.5 since 2019, Rhode Island has well outpaced national growth (14.7 percent). Rhode Island has a specialized employment concentration in the medical devices and equipment subsector, the state's largest bioscience segment. The average bioscience industry wage reached \$109,460—70 percent higher than the state's private sector average. Bioscience-related academic R&D expenditures of state institutions totaled \$192.4 million in 2022. NIH funding to state institutions reached a new height of \$255.8 million in 2023 - adjusting for population size, Rhode Island is in the top quintile of states, nearly doubling national per capita NIH funding levels.¹

BIO opposes state legislation that interferes with the operation of the 340B Drug Discount Program because it does not help patients lower their out-of-pocket costs, can make it more difficult for states, payers, and manufacturers to identify illegal duplicate discounts (and waste in the system).

The 340B Drug Discount program has grown exponentially in recent years, from a few hundred entities in 1992 to more than 50,000 today. In 2014, discounted purchases under the 340B Drug Discount Program totaled roughly \$9 billion. From 2015 to 2021, purchases under the program grew at an average rate of 24% per year.² By the end of 2022, 340B Program sales made up 16%

¹ [Rhode Island Teconomy Report State Profile 2024](#)

² "Fein, Adam, "What I (and Others) Told the Senate about the 340B Drug Pricing Program." Drug Channels, August 8, 2023. Accessed September 14, 2023.

<https://www.drugchannels.net/2023/08/what-i-and-others-told-senate-about.html>

of total U.S. brand-name pharmaceutical sales and grew four times faster than the overall pharmaceutical market.³ In 2023, discounted purchases now total \$66.3 billion, representing \$124 billion in sales at list prices.⁴ The program is now the second largest pharmaceutical program in the nation behind Medicare Part D.⁵

As is the case with HB 5634, many of the bills that are filed throughout the country prohibit manufacturers from limiting distribution of 340B-discounted drug products to a pharmacy that has contracted with a 340B covered entity, despite multiple US Courts of Appeal ruling that they are within their rights to do so under the federal statute that authorizes the 340B Program. These bills create perverse incentives in an already opaque program, ultimately making it harder to hold covered entities accountable and ensure that the benefits they are trusted to deliver to patients aren't diverted to intermediaries' profit margins. **Most contract pharmacies are for-profit corporations whose shareholders benefit from exponential growth in the 340B Drug Discount program.** According to an October 2020 study, the number of contract pharmacy arrangements in the program grew by 4,228% from 2,321 in 2010 to 101,469 in 2020, and as of July 2023 this number increased to 194,016. Additionally, the number of unique pharmacy locations has grown from approximately 1,300 in 2010 to roughly 33,000 in 2023. According to one analysis, "the average profit margin on 340B medicines commonly dispensed through contract pharmacies is an estimated 72% compared with just 22% for non-340B medicines dispensed through independent pharmacies." This explosive growth has occurred in large part because it is extremely profitable for pharmacies to share the 340B discount provided to covered entities. **This type of policy would further benefit contract pharmacies' profit margins rather than the vulnerable patients the 340B Drug Discount Program seeks to protect and serve.**

For these reasons, we respectfully request that you oppose Senate Bill 5634. If you have questions, please do not hesitate to contact me.

Sincerely,



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³ "340B Drug Discount Program Growth Drivers." IQVIA, April 16, 2021. <https://www.iqvia.com/locations/united-states/blogs/2021/04/340b-drug-discount-program-growth-drivers>

⁴ "Fein, Adam, The 340B Program Reached \$66 Billion in 2023- Up 23% vs 2022: Analyzing the Numbers and HRSA's Curious Actions." Drug Channels. October 22, 2024. Accessed December 10, 2024. <https://www.drugchannels.net/2024/10/the-340b-program-reached-66-billion-in.html>

⁵ ⁷ Blalock, Eleanor. Measuring the Relative Size of the 340B Program, BGR Group, June 2022.