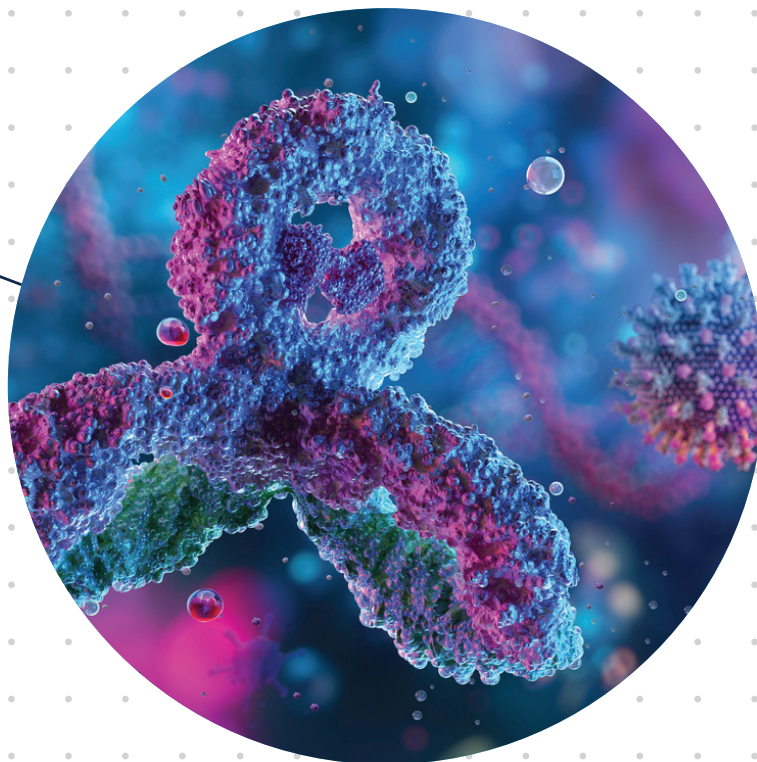


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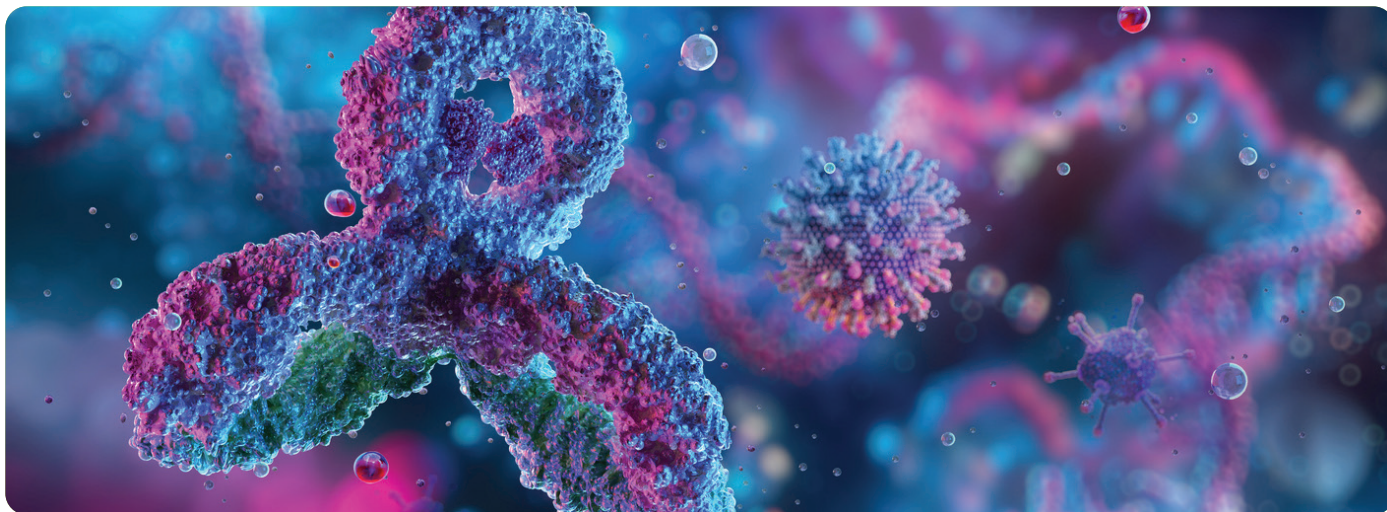


Site-of-Care Shift for Physician-Administered Drug Therapies: 2026 Update

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Executive Summary

Using new Medicare data, this paper updates a prior analysis¹ evaluating the site of care for all Medicare Part B drug therapies and finds that previously observed trends are continuing. Specifically, 340B Drug Pricing Program hospital outpatient departments (HOPDs)—including both HOPDs at the hospital itself and off-campus locations—continue to represent a growing share of outpatient drug administrations. This analysis also examines how these trends are reflected in top drugs used to treat breast cancer, rheumatoid arthritis, and multiple myeloma. Findings include:

- Using Medicare claims data, the analysis shows that 38 percent of total Part B outpatient drug administrations² in 2024 occurred in the 340B HOPD settings (including at child sites).
 - > This was nearly twice the share of sales at 340B HOPDs settings in 2012.
- For specific disease states, the 340B HOPD setting's share of total Part B claims re-priced at the average sales price (ASP) increased to:
 - > 49 percent for breast cancer treatments in 2024, compared to 23.2 percent in 2012.
 - > 51 percent for multiple myeloma treatments in 2024, compared to 19.8 percent in 2012.
- For treatments related to rheumatoid arthritis, the share of re-priced claims at 340B hospitals has remained between 20 and 22 percent since 2017.

¹ Eleanor Blalock, *Site-of-Care Shift for Physician-Administered Drug Therapies: 2022 Update*, BRG (December 2022). <https://www.thinkbrg.com/insights/publications/site-of-care-shift-physician-administered-drug-therapies-2022-update/>

² As weighted by the ASP of the drug.

Background on the 340B Drug Pricing Program and Medicare Part B

The 340B Program

The 340B Program, administered by the Health Resources and Services Administration (HRSA), allows certain qualifying clinics and hospitals to access discounted prices for “covered outpatient drugs” in both the retail and physician-administered settings.³ Hospitals’ reimbursement for drugs varies by type of insurance but in most cases allows hospitals to earn substantial margin from 340B medicines, including those that are physician-administered.

340B Child Sites and Provider Consolidation

Under HRSA guidance, 340B hospitals can access 340B prices for certain off-campus HOPDs known as 340B child sites.⁴ These child sites may include previously independent physician offices that were acquired by a 340B hospital. While independent physician practices are generally ineligible for the 340B program, once offices are purchased by a covered entity outpatient medicines for patients treated at these facilities become eligible, expanding the 340B hospital’s 340B revenue potential. Over the past decade, such purchases of independent physician offices by hospitals have expanded, with research pointing to 340B as a significant factor fueling this trend.^{5, 6}

The Congressional Budget Office (CBO) recently reported that a primary driver of the 340B program’s growth is vertical integration, with large hospitals acquiring previously independent clinics.⁷ CBO also noted that this vertical integration is a factor causing 340B to drive up federal costs.

Medicare Part B

Medicare Part B covers medically necessary services and supplies in various outpatient settings, including physicians’ offices and HOPDs. This includes drugs administered or directly supervised by a healthcare provider in these clinical settings. Medicare providers are reimbursed for these drugs at a rate of ASP plus six percent, in addition to receiving reimbursement for the provider’s services in administering the drugs. ASP is a weighted average price that includes certain rebates and discounts but does not factor in 340B pricing. As such, a drug’s ASP typically significantly exceeds its 340B price. Medicare Part B reimbursement for 340B medicines in 2023 was found to be 45 percent, or \$4.8 billion, higher than the 340B cost.⁸

During calendar years 2018 to 2022, Medicare Part B lowered reimbursement for 340B medicines to ASP minus 22.5 percent, reducing the difference between Medicare reimbursement and the 340B price. The Supreme Court struck down that policy because the Centers for Medicare and Medicaid Services (CMS) implemented the reimbursement changes without following the required steps set forth in the applicable statute, including a survey of hospital drug acquisition cost.⁹ CMS recently announced that it plans to perform such a survey in early 2026, potentially signaling a future reduction in Medicare Part B reimbursement for 340B medicines.¹⁰

3 Manufacturers must offer to sell at these discounted prices to 340B qualifying hospitals and federal grantees as a condition of their drugs being covered by Medicaid and Medicare Part B.

4 59 Fed. Reg. 47884 (September 19, 1994).

5 RAND Health Care, *Environmental Scan on Consolidation Trends and Impacts in Health Care Markets*, HP-2022-15 (August 2022). <https://aspe.hhs.gov/sites/default/files/documents/0d2c04fec395bc8c573c5b20c189cdd0/enviromental-scan-consolidation-hcm.pdf>

6 S. Desai and J.M. McWilliams, “Consequences of the 340B Drug Pricing Program,” *N Engl J Med*. 378 (January 24, 2018):539-548. doi: 10.1056/NEJMsa1706475

7 CBO, *Growth in the 340B Drug Pricing Program* (September 10, 2025). <https://www.cbo.gov/publication/61730>

8 Medicare Payment Advisory Commission, “July 2025 Data Book Section 10: Prescription drugs” (July 17, 2025):1–24. <https://www.medpac.gov/document/july-2025-data-book-section-10-prescription-drugs/>

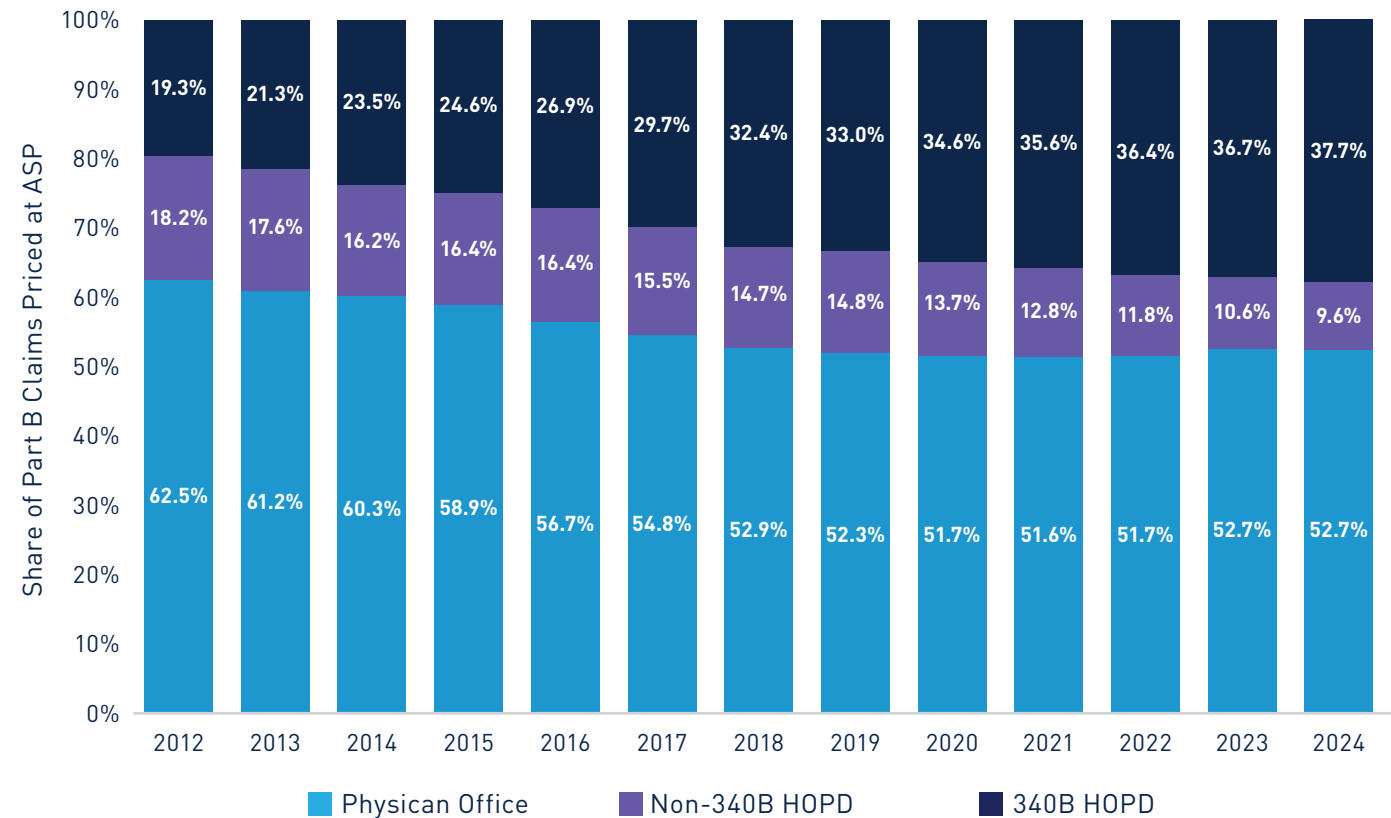
9 American Hospital Association v. Becerra, 142 S. Ct. 1896 (2022).

10 90 Fed. Reg. 53448 (November 25, 2025).

Shift in Site of Care for Common Drug Therapies

This analysis evaluated Medicare Part B drug claims from 2012 to 2024 using 340B program enrollment data from the HRSA Office of Pharmacy Affairs (OPA) to identify claims that occurred at a 340B-enrolled hospital or child site. All claims were then “re-priced,” regardless of site of care, at the ASP used for Medicare reimbursement during the quarter of the claim. This re-pricing was necessary because actual claims data from 2018 to 2022 reflect the reduced reimbursement from Medicare, mentioned above, for certain 340B-purchased drugs.¹¹ Therefore, using reimbursement as a utilization metric for these years would have understated the portion of drug therapies administered in the 340B HOPD setting. The analysis then utilized these new reimbursement values to calculate the share of re-priced claims occurring in the 340B HOPD setting, non-340B HOPD setting, and physician office setting. Across all Part B drugs, 38 percent of re-priced claims occurred in the 340B HOPD setting in 2024 compared to 19 percent in 2012.

FIGURE 1: SITE OF CARE FOR ALL DRUG THERAPIES REIMBURSED IN MEDICARE PART B (2012–2024)



Similar analyses were performed for the top ten drugs, as measured by re-priced Part B claims, indicated for the treatment of breast cancer, rheumatoid arthritis, and multiple myeloma.

¹¹ In 2018, CMS reduced Medicare Part B reimbursement for drugs purchased by hospitals at the 340B price from ASP plus 6 percent to ASP minus 22.5 percent, acknowledging that hospital participation in the 340B program appeared to be correlated with “drug spending increases.” See “Medicare Program: Hospital Outpatient Prospective Payment and Ambulatory Surgical Center Payment Systems and Quality Reporting Programs,” 42 CFR Parts 414, 416, and 419, FR 82:239: 59216 [December 14, 2017]. <https://www.govinfo.gov/content/pkg/FR-2017-12-14/pdf/FR-2017-12-14.pdf>. In June 2022, the US Supreme Court found this reimbursement reduction to be unlawful, and in September 2022 the US District Court for the District of Columbia ordered CMS to revert immediately to reimbursing at ASP plus 6 percent for 340B-purchased drugs. See “Memorandum Opinion Granting Plaintiffs’ Motion to Vacate,” *American Hospital Association v. Becerra* (September 28, 2022). <https://www.aha.org/system/files/media/file/2022/09/judge-orders-hhs-to-immediately-halt-unlawful-reimbursement-cuts-for-remainder-of-2022-re-340B-9-28-22.pdf>. CMS made this change and, in its final Outpatient Prospective Payment System rule for 2023, specified it would pay ASP plus 6 percent for 340B drugs administered in HOPDs in 2023.

FIGURE 2: SITE OF CARE FOR BREAST CANCER DRUG THERAPIES REIMBURSED IN MEDICARE PART B (2012–2024)

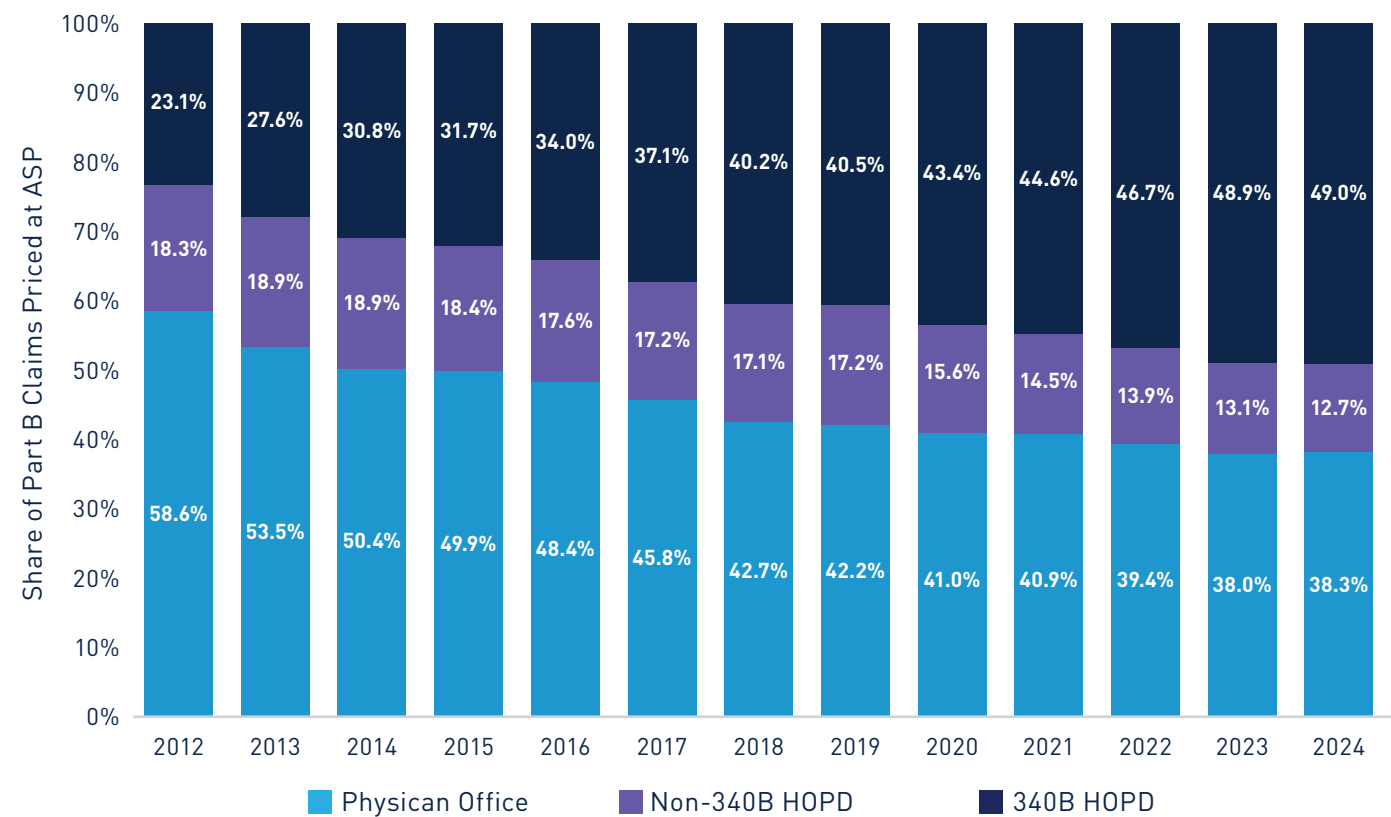


FIGURE 3: SITE OF CARE FOR RHEUMATOID ARTHRITIS DRUG THERAPIES REIMBURSED IN MEDICARE PART B (2012–2024)

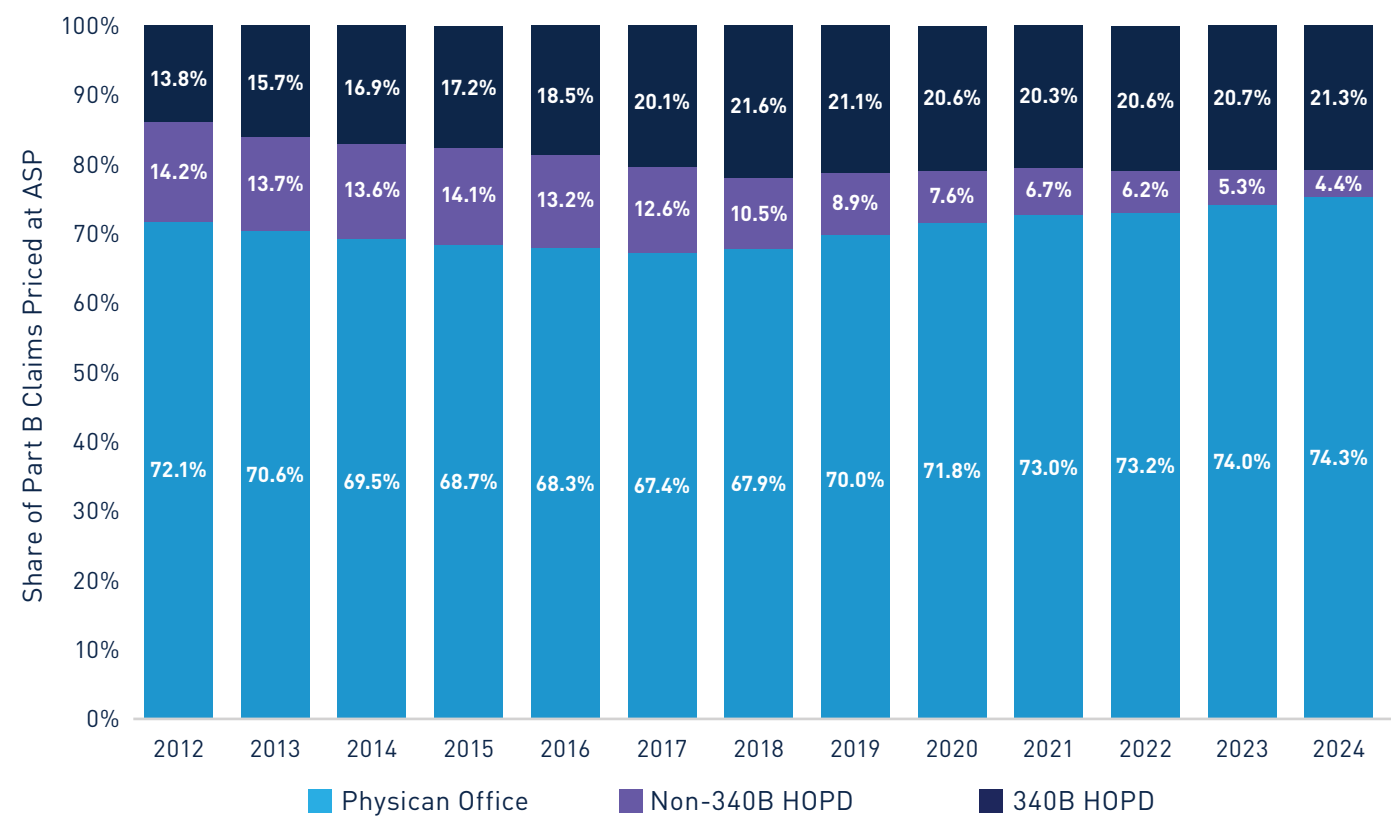
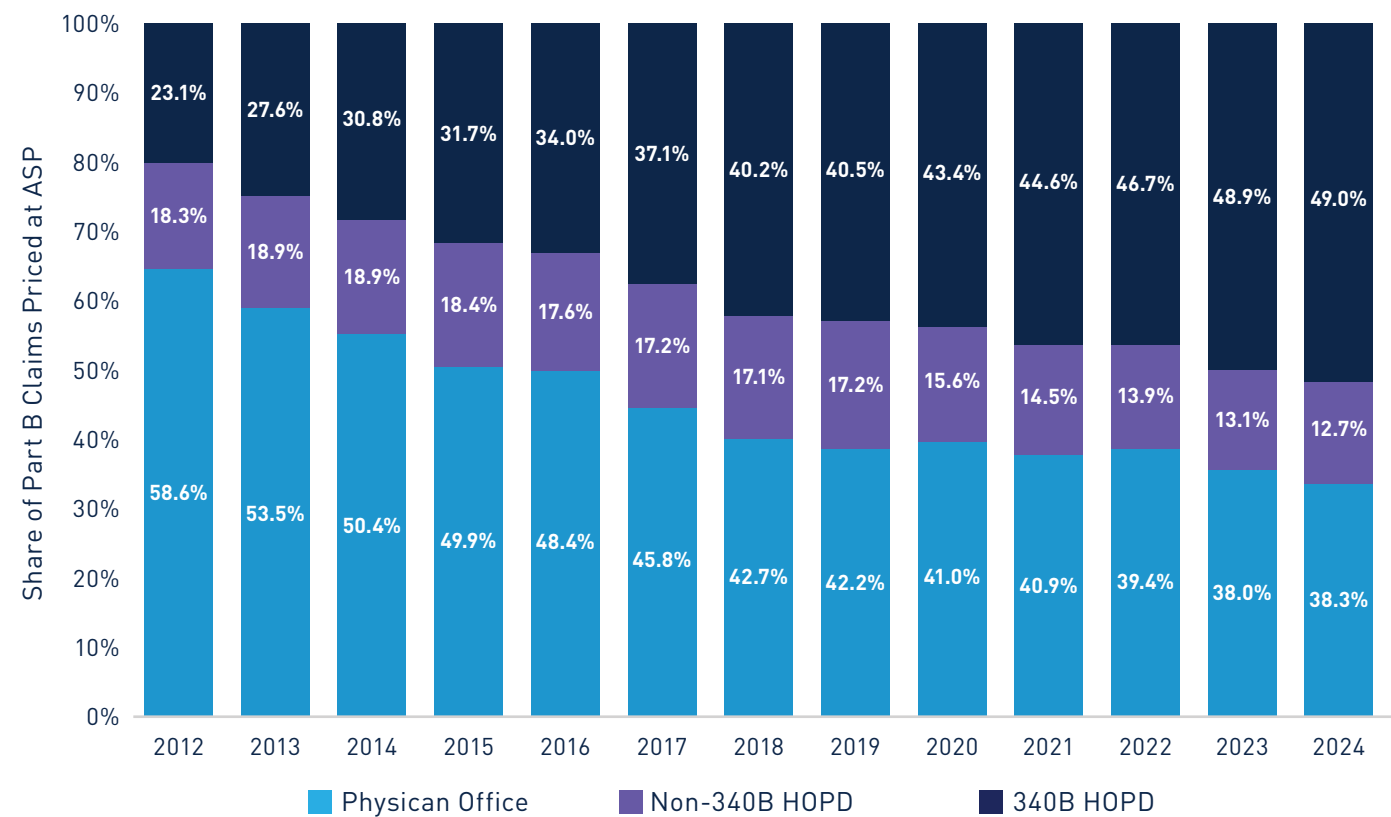


FIGURE 4: SITE OF CARE FOR MULTIPLE MYELOMA DRUG THERAPIES REIMBURSED IN MEDICARE PART B (2012–2024)



The shift in site of care to the 340B HOPD setting continued through 2024 for treatments related to breast cancer and multiple myeloma. The 340B HOPD setting share of total Part B claims re-priced at ASP increased to 49 percent for breast cancer treatments and 51 percent for multiple myeloma treatments. For treatments related to rheumatoid arthritis, the share of re-priced claims at 340B hospitals has remained between 20 and 22 percent since 2017.

Conclusion

Our latest analysis finds that the shift in site of care toward the 340B HOPD setting continued through 2024 for both Part B drug therapies overall and drugs used to treat breast cancer and multiple myeloma. One important driver of this shift may be the financial opportunity created by the 340B program, which does not restrict how hospitals utilize the drug margin that results from the difference between the 340B discounted price and any higher reimbursement. Should CMS' upcoming survey of hospital drug acquisition costs result in changes to Medicare reimbursement for 340B discounted drugs, trends observed during the prior period of reduced reimbursement (2018–2022) suggest that the shift in site of care is likely to continue even if financial incentives are reduced. This may be due in part to the 340B margins earned from commercial reimbursement, which will remain unaffected by any change in Medicare Part B.

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