

To: Community Action for Responsible Hospitals
From: Dr. Lisa M. Grabert
Re: Hospital Spending Analysis
Date: November 11, 2025

Background: Section 601 of Public Law 102-585 established an outpatient prescription drug program allowing covered entities, including entities meeting the definition of disproportionate share hospitals (DSH), to purchase drugs at a discounted rate.¹ Commonly referred to as “340B,” the program’s drug purchases resulted in approximately \$66 billion in total revenue (2023).² It is important for policymakers and patients to understand how this revenue is being used within the U.S. healthcare system.

Topline Takeaway: In the state of Michigan, 340B hospitals – who qualify via DSH status – generated 49% more patient revenue (2023), on average, compared to non-340B hospitals. In addition, those hospitals invested 113% more revenue and provided 34% less charity care, on average, compared to non-340B hospitals.

Conclusion: The findings show that Michigan’s 340B hospital patient revenue is nearly triple their non-340B peers which should enable them “to stretch limited federal resources as far as possible” as the program intended.³ However, the findings on Michigan 340B hospital investments and charity care reveal those dollars not “reaching more eligible patients.”⁴

¹ Section 601: Treatment of prescription drugs procured by department of Veterans Affairs or purchased by certain clinics and hospitals. (1992). *P.L. 102-585*. Retrieved from: <https://www.congress.gov/102/statute/STATUTE-106/STATUTE-106-Pg4943.pdf>

² Long R, Mulligan K, Frasco MA, Trish E, & Chernew ME. (2025). Cui Bono? Misaligned incentives in the 340B program. *Schaeffer Center White Paper Series*. Retrieved from: <https://schaeffer.usc.edu/research/misaligned-incentives-340b/>

³ House Energy and Commerce Committee. (1992). Report to Accompany H.R. 2980, The Medicaid Drug Rebate Amendments of 1992.

⁴ Ibid.

Hospital Spending Watch

State: Michigan

Data Sources:

- 340B Data from the Health Resources & Services Administration (HRSA) [Office of Pharmacy Affairs Information System](#); data extracted on July 1, 2025
 - Limited to all Disproportionate Share Hospital (DSH) covered entities determined by HRSA having eligibility at any time in calendar year 2023
- 2023 Hospital Data from the [National Academy for State Health Policy \(NASHP\)](#)
 - Excludes all hospitals categorized as “Critical Access Hospitals”

Methods:

- Median, standard deviation, and means calculated from raw NASHP data for all outcomes
- Coefficients calculated using the log of NASHP outcome data in an Ordinary Least Squares (OLS) regression
 - Independent variable is binary for 340B status using HRSA covered entity list for DSH-qualifying hospitals
 - Controls for:
 - Bed size:
 - Small (1-49)
 - Medium (50-199)
 - Large (200+)
 - Independent (non-system) status binary variable
 - Geographic status using the Rural Urban Commuting Area (RUCA) categories (10) crafted by the US Department of Agriculture

Table 1: Side-by-Side of Index Measures Comparing 340B DSH hospitals to non-340B hospitals, by state (2023)

Outcome¹	MI
Flow of Money	
Net Revenue	+49%
Investment Income	+113%
Management/Administrative Cost	ND
Financial Assistance	
Charity Care	-34%
Uncompensated Care	ND
Investment in Workforce	
Employed Hourly Rate	ND
Contract Hourly Rate	ND
Total Hourly Rate	ND

¹Outcomes defined below

²ND = No Difference

FLOW OF MONEY

Table 1a: Impact of 340B hospital status (2023) on revenue

	340B		Non-340B		All		
Outcome	Mean (95% CI)	Median	Mean [95% CI]	Median	Mean [95% CI]	Median	Coefficient [95% CI] ^{2,3}
Revenue ¹	\$647,000,000 [3.37e+08, 9.57e+08]	\$306,000,000	\$229,000,000 [1.66e+08, 2.92e+08]	\$132,000,000	\$394,000,000 [2.62e+08, 5.26e+08]	\$232,000,000	0.485** [0.149, 0.821]
<i>N</i>	36	36	55	55	91	91	91

¹Gross patient charges, minus contractual discounts, bad debt and charity care allowances, and other deductions agreed to by the hospital. Numbers reported from hospital's accounting records.

²Ordinary Least Squares (OLS) regression. Independent variable is 2023 340B status (binary). Controls for bed size (small 1-49; medium 50-199; and large 200+), independent hospital (non-system), and rural urban commuting area status (1-10).

³***denotes statistical significance at 0.001, ** at 0.05, and * at 0.1.

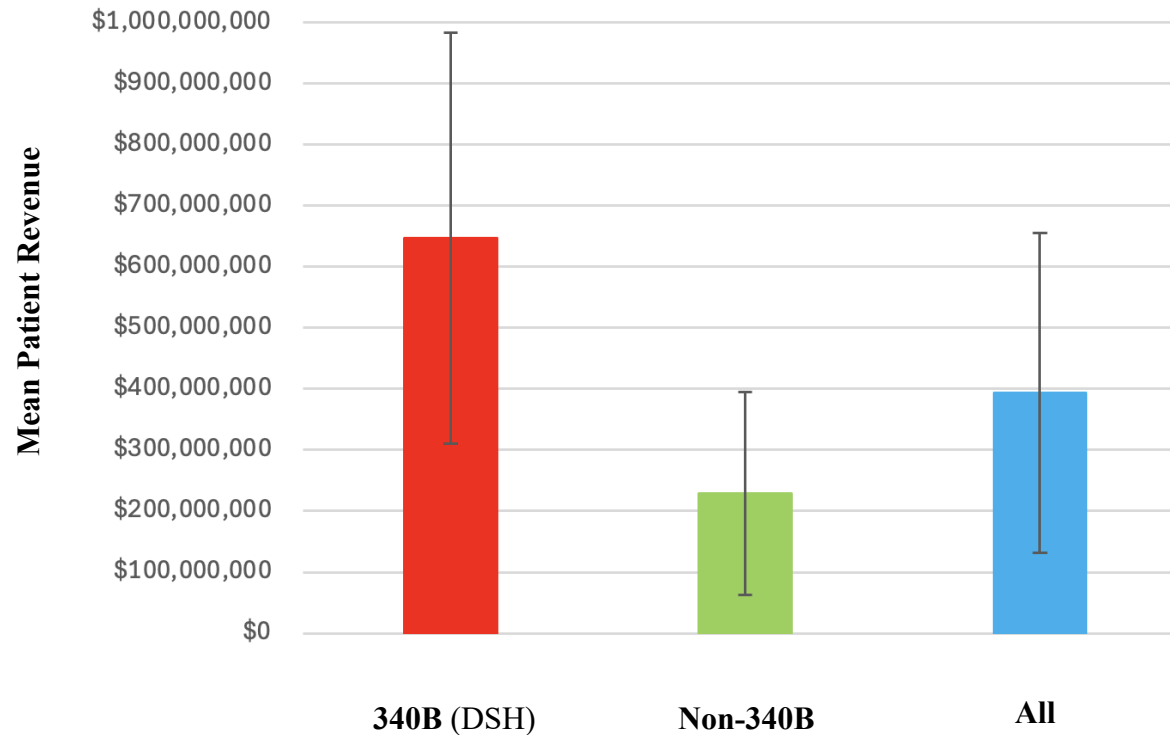


Table 1b: Impact of 340B hospital status (2023) on Investments

	340B		Non-340B		All		
Outcome	Mean [95% CI]	Median	Mean [95% CI]	Median	Mean [95% CI]	Median	Coefficient [95% CI] ^{2,3}
Investment Income ¹	\$54,500,000 [3.12e+07, 7.77e+07]	\$27,400,000	\$13,000,000 [5.89e+07, 2.01e+07]	\$ 5,260,607	\$30,200,000 [1.90e+07, 4.13e+07]	\$7,894,294	1.13*** [0.448, 1.81]
<i>N</i>	34	34	48	48	82	82	82

¹Income and Expenses not related to hospital operations, such as investment income, donations and contributions, cafeteria operations, etc.

²Ordinary Least Squares (OLS) regression. Independent variable is 2023 340B status (binary). Controls for bed size (small 1-49; medium 50-199; and large 200+), independent hospital (non-system), and rural urban commuting area status (1-10).

³***denotes statistical significance at 0.001, ** at 0.05, and * at 0.1.

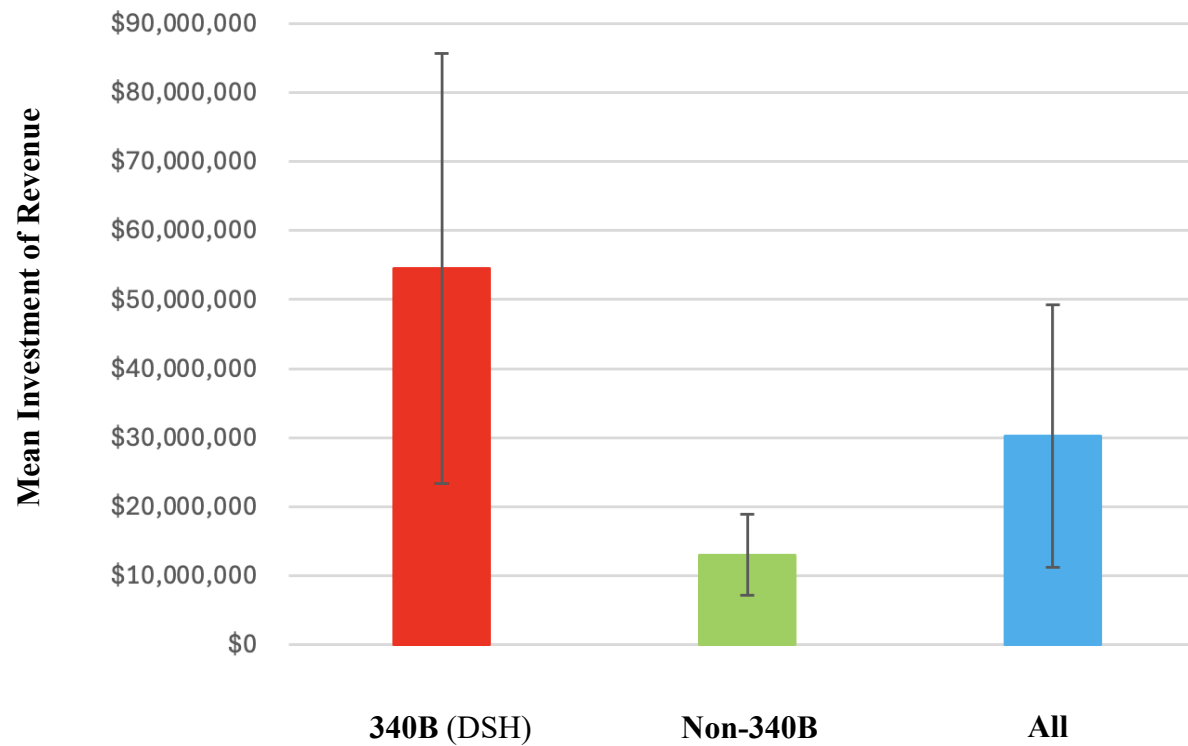


Table 1c: Impact of 340B hospital status (2023) on management/administrative costs (per full time employee)

	340B		Non-340B		All		
Outcome	Mean [95% CI]	Median	Mean [95% CI]	Median	Mean [95% CI]	Median	Coefficient [95% CI] ^{2,3}
Management/ admin cost ¹	\$115,774 [108,105, 123,443]	\$ 112,903	\$116,471 [106,256, 126,687]	\$106,704	\$116,189 [109,474, 122,904]	\$ 110,686	0.007 [-0.116, 0.130]
<i>N</i>	36	36	53	53	89	89	89

¹Management and Administrative Labor Cost per associated Management and Administrative FTE.

²Ordinary Least Squares (OLS) regression. Independent variable is 2023 340B status (binary). Controls for bed size (small 1-49; medium 50-199; and large 200+), independent hospital (non-system), and rural urban commuting area status (1-10).

³***denotes statistical significance at 0.001, ** at 0.05, and * at 0.1.

FINANCIAL ASSISTANCE

Table 2a: Impact of 340B hospital status (2023) on Charity Care

	340B		Non-340B		All		
Outcome	Mean [95% CI]	Median	Mean [95% CI]	Median	Mean [95% CI]	Median	Coefficient [95% CI] ^{2,3}
Charity Care ¹	0.472% [0.266, 0.678]	0%	0.760% [0.548, 0.971]	1%	0.640% [0.489, 0.790]	1%	-0.340** [-0.659, 0.019]
N	36	36	50	50	86	86	86

¹Net Charity Care Cost divided by Net Patient Revenue, representing the percentage of net patient revenue received that hospital applied to covering the costs of charity care patients.

²Ordinary Least Squares (OLS) regression. Independent variable is 2023 340B status (binary). Controls for bed size (small 1-49; medium 50-199; and large 200+), independent hospital (non-system), and rural urban commuting area status (1-10).

³***denotes statistical significance at 0.001, ** at 0.05, and * at 0.1.

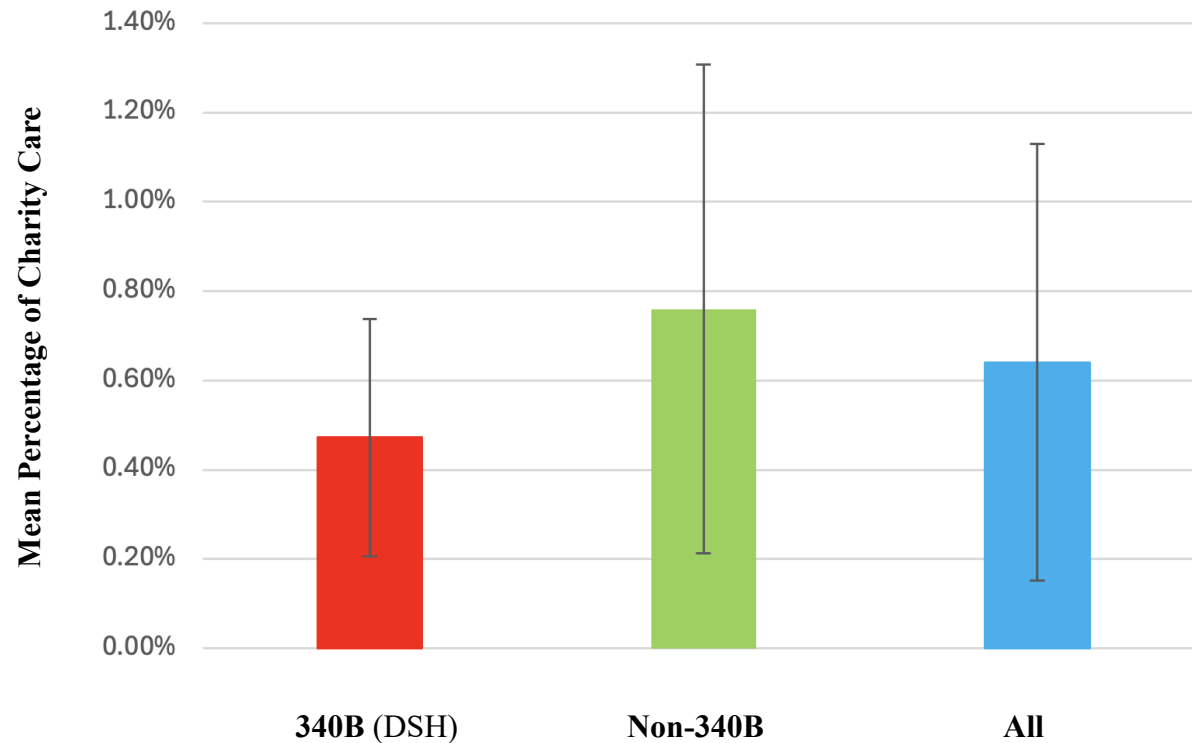


Table 2b: Impact of 340B hospital status (2023) on Uncompensated Care

	340B		Non-340B		All		
Outcome	Mean [95% CI]	Median	Mean [95% CI]	Median	Mean [95% CI]	Median	Coefficient [95% CI] ^{2,3}
Uncompensated Care ¹	0.917% [0.768, 1.07]	1%	1.05% [0.758, 1.35]	1%	1.00% [0.814, 1.19]	1%	-0.0124 [-0.547, 0.299]
<i>N</i>	36	36	55	55	91	91	89

¹Portion of Hospital Operating Costs that represents the costs of providing patient care to the uninsured or unpaid insured patients divided by Net Patient Revenue, represents the percentage of patient revenue received that the hospital applied to covering the costs of the uninsured and bad debt patient care.

²Ordinary Least Squares (OLS) regression. Independent variable is 2023 340B status (binary). Controls for bed size (small 1-49; medium 50-199; and large 200+), independent hospital (non-system), and rural urban commuting area status (1-10).

³***denotes statistical significance at 0.001, ** at 0.05, and * at 0.1.

WORKFORCE

Table 3: Impact of 340B hospital status (2023) on hospital hourly rate for employed, contracted, and total employees

	340B		Non-340B		All		
Outcome	Mean [95% CI]	Median	Mean [95% CI]	Median	Mean [95% CI]	Median	Coefficient [95% CI] ^{2,3}
Employed hourly rate for patient care ¹	\$48.50 [44.89, 52.09]	\$48.21	\$47.63 [45.83, 49.43]	\$47.05	\$ 47.98 [46.21, 49.74]	\$47.80	-0.029 [-0.113, 0.056]
<i>N</i>	36	36	53	53	89	89	89
Contracted hourly rate for patient care ²	\$93.17 [81.19, 105.15]	\$ 87.34	\$87.13 [78.18, 96.08]	\$93.17	\$89.57 [82.51, 96.64]	\$91.22	0.101 [-0.098, 0.300]
<i>N</i>	32	32	47	47	79	79	79
Both hourly rate for patient care ³	\$49.94 [46.48, 53.39]	\$48.96	\$48.46 [46.02, 49.92]	\$48.84	\$49.06 [467.45, 50.67]	\$48.85	-0.005 [-0.083, 0.066]
<i>N</i>	36	36	53	53	89	89	89

¹Direct Patient Care Hospital Labor Hours related to Direct Patient Care Hospital Labor Cost for hospital employees.

²Direct Patient Care Contracted Labor Hours related to Direct Patient Care Contracted Labor Cost.

³Sum of Direct Patient Care Hospital Labor Hours and Direct Patient Care Contracted Labor Hours.

⁴Ordinary Least Squares (OLS) regression. Independent variable is 2023 340B status (binary). Controls for bed size (small 1-49; medium 50-199; and large 200+), independent hospital (non-system), and rural urban commuting area status (1-10).

⁵***denotes statistical significance at 0.001, ** at 0.05, and * at 0.