



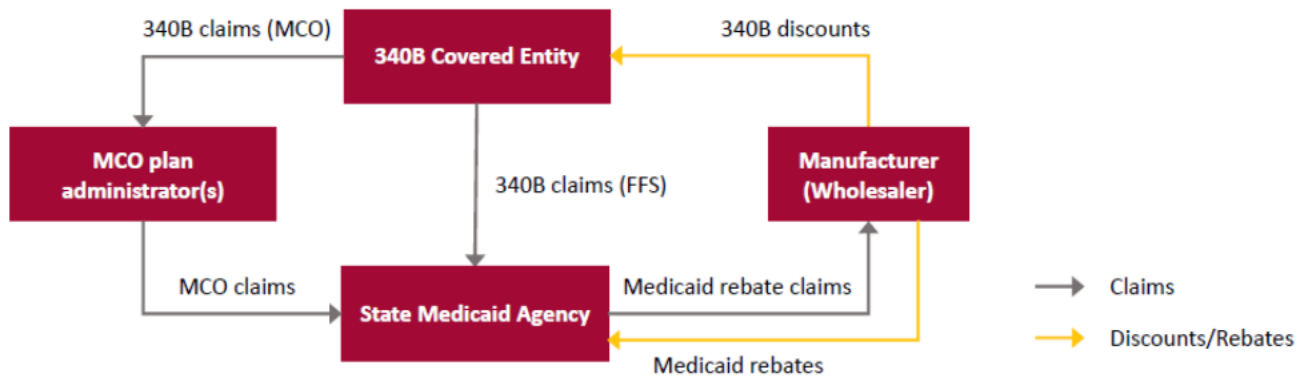
Information accurate as of June 10, 2026

## Executive Summary

The 340B program refers to section 340B of the Public Health Service Act, which requires pharmaceutical manufacturers that participate in Medicaid to sell outpatient drugs at discounted prices to covered health care entities, such as Critical Access Hospitals (CAHs), Federally Qualified Health Centers (FQHCs), and other safety net providers. The 340B program allows covered entities to stretch scarce resources and continue providing care. Many rural hospitals and FQHCs do not operate in-house pharmacies and therefore depend on contract pharmacy arrangements to generate 340B savings that support uncompensated care, behavioral health services, transportation assistance, and other community programs.

Since 2020, when pharmaceutical manufacturers began announcing restrictions on 340B covered entities that use contract pharmacies (pharmacies used by a covered entity to dispense discounted medications for the covered entity), states have identified these restrictions as a barrier to implementing 340B.<sup>i</sup> The most common type of restriction limits 340B pricing to one contract pharmacy per covered entity to reduce duplicate discounts. Duplicate discounting occurs when both the 340B discount and the Medicaid rebate are applied to the same drug unit (see Figure 1). Federal law prohibits duplicate discounts; however, stakeholders continue to debate the extent to which they occur and the appropriate mechanisms for preventing them.

Figure 1.



SOURCE: USC Leonard D. Schaeffer Institute for Public Policy and Government Service<sup>ii</sup>

Supporters of the restrictions argue they help prevent duplicate discounts and ensure compliance with federal requirements. Covered entities and their advocates contend that the restrictions may limit access to 340B savings and create operational challenges, particularly for providers that rely on contract pharmacy arrangements. The effect is felt most strongly in rural hospitals and FQHCs that rely heavily on contract pharmacies. As such, several states have taken steps to reduce the resource strain for covered entities while balancing the needs of pharmaceutical manufacturers.

## Research Methods



This information request was created using publicly available information on the 340B program. Quorum was used to conduct a statutory review of states within the CSG South region.

## Findings and Analysis

States have increasingly responded to pharmaceutical manufacturers' restrictions on 340B contract pharmacies by enacting laws that prohibit manufacturers from limiting where covered entities may receive discounted drugs and by restricting pharmacy benefits manager (PBM) discrimination against 340B providers. Five states in the CSG South region have passed laws requiring manufacturers to honor discounts at all contract pharmacies within the state or face civil or criminal (Arkansas, Louisiana, Mississippi, Missouri, and West Virginia).<sup>iii</sup> Missouri's and West Virginia's laws remain subject to ongoing litigation.<sup>iv, v</sup> North Carolina has focused primarily on PBM anti-discrimination protections. Other Southern states have considered legislation, expanded PBM oversight, or pursued pharmacy reforms but have not yet enacted comprehensive 340B-specific protections.

### Southern States with Comprehensive 340B Protections

#### Arkansas

Arkansas became the first state in the nation to prohibit manufacturers from restricting access to 340B pricing through contract pharmacies. Though challenged, the Eighth Circuit upheld the statute, and the U.S. Supreme Court declined review in 2024.<sup>vi</sup> The law ([Arkansas Act 1103](#)):

- Prohibits manufacturers from denying 340B pricing because a covered entity uses a contract pharmacy.
- Protects community pharmacies serving as contract pharmacies.
- Authorizes state enforcement against manufacturers that violate the law.

#### Louisiana

Through [Louisiana's Act 358 \(2023\)](#), Louisiana adopted a broad set of statutory protections for 340B covered entities and contract pharmacies. This law protects covered entities and contract pharmacies from discriminatory treatment by forbidding payors from reimbursing 340B entities at lower rates than non-340B entities, imposing different terms or conditions, charging additional fees, or placing unnecessary administrative burdens on 340B entities. This legislation had strong bipartisan support, passing unanimously in the Senate and with only two "nays" in the House.

#### Mississippi

Similar to laws enacted in Arkansas and Louisiana, [Mississippi's House Bill 728 \(2024\)](#) protects 340B covered entities from discriminatory practices by health insurance issuers, pharmacy benefit managers (PBMs), third-party payors, drug manufacturers, and distributors. The law prohibits these entities from reimbursing 340B providers at lower rates than non-340B providers, imposing different terms or conditions on 340B entities, or interfering with patients' ability to obtain drugs from 340B providers. The law has withstood legal challenges, and the U.S. Court of Appeals for the Fifth Circuit subsequently upheld it, upholding the law against the challenge presented in that case.<sup>vii, viii</sup>

#### Missouri

Missouri's legislature passed similar legislation, [Missouri Senate Bill 751 \(2024\)](#). This legislation prevents pharmaceutical manufacturers, third-party logistics providers, or their agents from denying, restricting, or prohibiting



the acquisition or delivery of 340B drugs to pharmacies authorized by covered entities, unless such actions are prohibited by the U.S. Department of Health and Human Services. There is currently still active litigation over this law.<sup>ix</sup>

### *West Virginia*

In 2024, West Virginia enacted [Senate Bill 325](#), which mandates that manufacturers cannot restrict the distribution of 340B drugs to authorized entities and imposes significant penalties for violations. This legislation is similar to that of other states. However, West Virginia became the first state where a federal court blocked enforcement of portions of the law, particularly provisions limiting manufacturers' ability to request drug utilization data.<sup>x</sup>

### **Alternative Approach**

#### *North Carolina*

North Carolina has not enacted a manufacturer-focused law to protect contract pharmacies, but the state has adopted significant protections against PBM discrimination through [North Carolina's Senate Bill 257 \(2021\)](#). Among other PBM regulations, this act prevents PBMs from discriminating against 340B drug discount entities or varying reimbursement rates based on a pharmacy's status as a 340B provider. This approach seeks to preserve the economic value of 340B participation even though it does not directly address manufacturer restrictions.

### **Conclusion**

In response to pharmaceutical manufacturers' restrictions on 340B contract pharmacy arrangements, several Southern states have enacted legislation to protect FQHCs, rural hospitals, and other safety-net providers' ability to access discounted medications through contract pharmacies. Arkansas, Louisiana, Mississippi, Missouri, and West Virginia have adopted the most comprehensive approaches by prohibiting manufacturers from interfering with contract pharmacy arrangements, while North Carolina has focused on preventing PBM discrimination against 340B entities. As litigation over these laws continues, state policymakers continue to evaluate how best to balance access to 340B program benefits, compliance with federal requirements, and the interests of covered entities, manufacturers, pharmacies, and patients.

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<sup>i</sup> Congress.gov. 2024. [https://www.congress.gov/crs\\_external\\_products/LSB/HTML/LSB11163.web.html](https://www.congress.gov/crs_external_products/LSB/HTML/LSB11163.web.html).

<sup>ii</sup> Mulligan, Karen. 2021. Review of The 340B Drug Pricing Program: Background, Ongoing Challenges and Recent Developments. USC Leonard D. Schaeffer Institute for Public Policy and Government Services. October 14, 2021. <https://schaeffer.usc.edu/research/the-340b-drug-pricing-program-background-ongoing-challenges-and-recent-developments/>.

<sup>iii</sup> "Mintz IRA Update — 340B Roundup: States and Manufacturers Continue to Battle over 340B Contract Pharmacies." 2025. Mintz.com. September 15, 2025. <https://www.mintz.com/insights-center/viewpoints/2146/2025-09-09-mintz-ira-update-340b-roundup-states-and-manufacturers>.

<sup>iv</sup> Asbury, Kyla. 2026. "Judge Denies AstraZeneca Bid to Force Subpoena Compliance - the Heartlander." The Heartlander. May 26, 2026. <https://heartlandernews.com/2026/05/26/judge-denies-astrazeneca-bid-to-force-subpoena-compliance/>.

<sup>v</sup> Newton, William. 2026. "4th Circuit Blocks West Virginia's 340B Contract Pharmacy Access Law in First Federal Appeals Court Win for Drugmakers." 340B Report. March 31, 2026. <https://340breport.com/4th-circuit-blocks-west-virginias-340b-contract-pharmacy-access-law-in-first-federal-appeals-court-win-for-drugmakers/>.

<sup>vi</sup> "U.S. Supreme Court Affirms Arkansas Drug Discount Law - Arkansas Senate." 2021. Arkansas Senate. 2021. <https://senate.arkansas.gov/senate-news/posts/2024/12/u-s-supreme-court-affirms-arkansas-drug-discount-law/>.



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<sup>vii</sup> “Wolters Kluwer.” 2026. Vitallaw.com. 2026. <https://www.vitallaw.com/news/prescription-drugs-s-d-miss-challenge-to-mississippi-s-340b-drug-act-fails/hld0127c8f9d4c361488fa8e321ebb158b2e0>.

<sup>viii</sup> *AbbVie Inc. v. Fitch*, No. 1:24-cv-184-HSO-BWR (S.D. Miss. June 3, 2026)

<sup>ix</sup> *Novartis Pharmaceuticals Corp. v. Bailey, et al.*, No. 25-1619 (8th Cir.)

<sup>x</sup> Bell, Virginia. 2026. “Fourth Circuit Blocks West Virginia’s 340B Contract Pharmacy Law as Likely Preempted.” Consumer Financial Services Law Monitor. April 3, 2026. <https://www.consumerfinancialserviceslawmonitor.com/2026/04/fourth-circuit-blocks-west-virginias-340b-contract-pharmacy-law-as-likely-preempted/>.