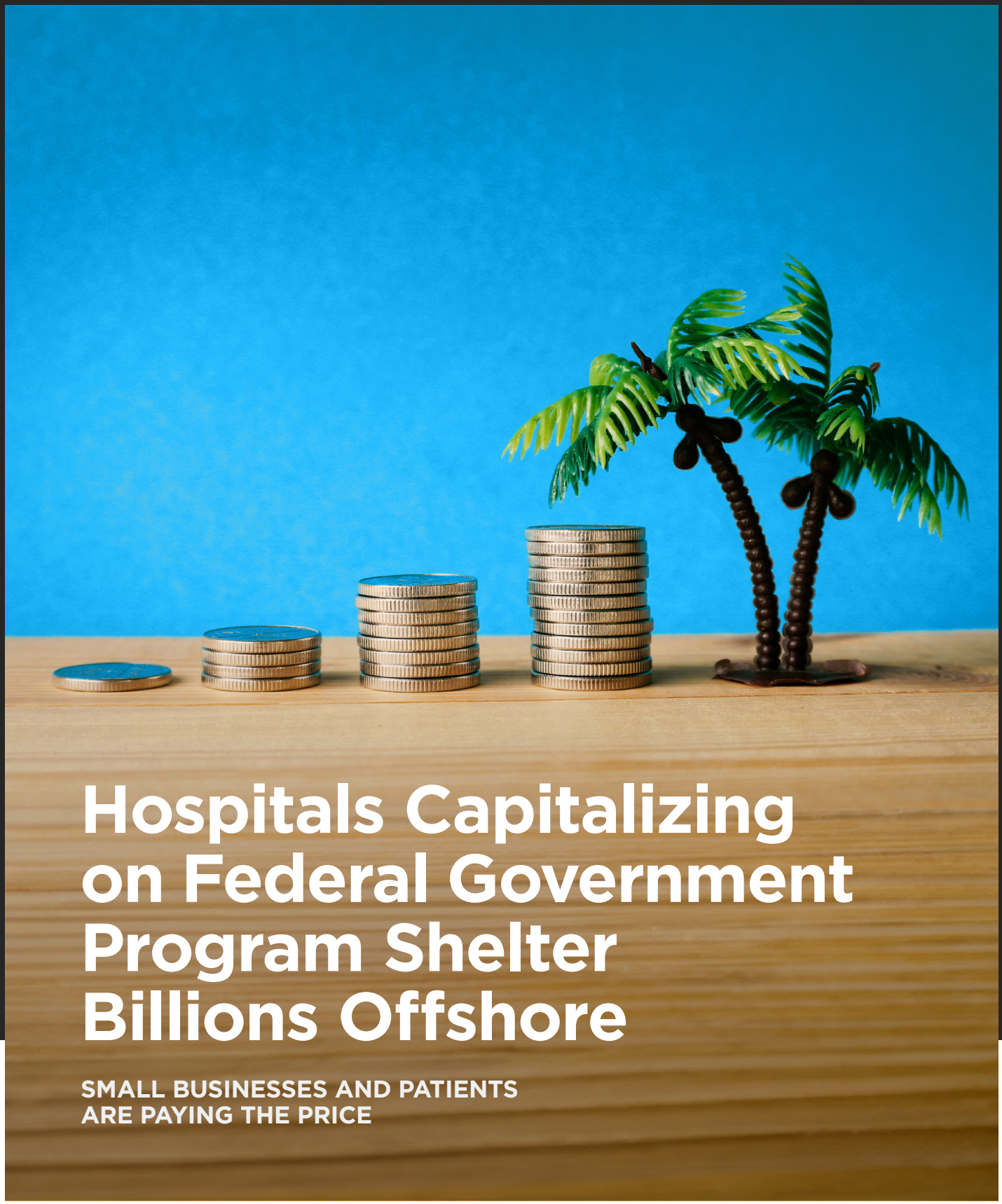

Hospitals Capitalizing on Federal Government Program Shelter Billions Offshore

SMALL BUSINESSES AND PATIENTS ARE PAYING THE PRICE

Job Creators Network

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OVERVIEW

While taking advantage of a lucrative federal government initiative called the 340B Drug Pricing Program, some hospitals are sheltering money in offshore accounts. Using publicly available tax returns, researchers at the Job Creators Network (JCN) have discovered that dozens of hospital companies across six states are holding more than $17 billion outside the country. The cash is stashed in places ranging from the Caribbean to Eastern Europe.

The findings of this report are particularly pertinent given renewed debate in Washington over the level of transparency around the 340B program. Some argue that participating hospitals are taking advantage of the government-sanctioned initiative at the expense of patients and small businesses, which are absorbing ever-increasing healthcare and prescription drug costs.

> **"The program has morphed into a cash cow for large hospital networks..."**
>
> **Alfredo Ortiz,** Job Creators Network CEO

HOSPITALS PARK BILLIONS OF DOLLARS OUTSIDE THE UNITED STATES

Modern hospitals—and the doctors, nurses, and others who staff the facilities—are the backbone of the American healthcare system. But when the federal government is intimately involved and captures private business, operations can go off the rails because of misaligned incentives. Business practices, for example, likely change in order to best take advantage of government offerings.

In this case, many hospitals that are participating in the 340B program—a government initiative intended to help low-income patients—are concurrently parking huge amounts of money outside the U.S. Why? Wealthy institutions often stash money beyond Uncle Sam's reach to lower their tax liabilities. The financial maneuver is not illegal, however some argue that the 340B program helps to enable the practice because it acts as a major revenue stream for some hospitals.

After digging through publicly available tax returns, we examined roughly 50 hospitals across Michigan, Ohio, Massachusetts, Illinois, New York, and Washington that have a **combined $17,345,335,678 sitting in offshore accounts**. See a state-by-state breakdown below:

Money Held Outside the U.S.

Michigan
$3,071,509,518

Massachusetts
$1,204,480,274

New York
$1,257,464,230

Ohio
$6,956,341,819

Illinois
$3,862,171,848

Washington
$993,367,989

This research was conducted by using text searches of public Form 990 tax returns. The most recent tax returns available were cited, typically covering calendar year 2023. The hospitals listed are part of the 340B program; hospitals with offshore money that are not eligible for 340B, such as Memorial Sloan Kettering, were excluded. A more detailed table can be found in the appendix.

WHAT IS THE 340B PROGRAM & HOW ARE HOSPITALS TAKING ADVANTAGE OF IT?

The 340B Drug Pricing Program was established in 1992 by Congress to help hospitals serve patients in low-income communities. Participating hospitals are allowed to purchase prescription drugs at steeply discounted rates in hopes that the savings are passed along to patients. *The Wall Street Journal* estimates that medicines are discounted on average by 45 percent.

Fast Fact: The number of 340B eligible hospitals has increased 60-fold since the program was created in 1992.

Although well-intentioned at first, the program has since gone haywire. Following changes made as part of the Affordable Care Act, more hospitals became eligible for the 340B program. How many more? At the initiative's inception, 45 hospitals qualified to access discounted drugs. Now, roughly 2,700 hospitals are eligible, a 60-fold increase. That includes many wealthy institutions, some of which are named in this report.

> **"Congress needs to act to bring much-needed reform to the 340B Program."**
>
> **Sen. Bill Cassidy,** (R-LA)

As the program has ballooned, questions around transparency and questionable conduct have also spiked. The 340B program is allegedly being abused by hospitals to the point that the White House and key lawmakers in Congress are calling for reform. During his second term, President Trump has taken aim at the bloated government program with executive action.

Meanwhile, earlier this year, the Senate Health, Education, Labor, and Pension Committee released the findings of a years-long investigation into 340B. The findings suggest that 340B entities take advantage of the program's lack of transparency to generate revenue—an alarming conclusion that has sparked congressional policy proposals.

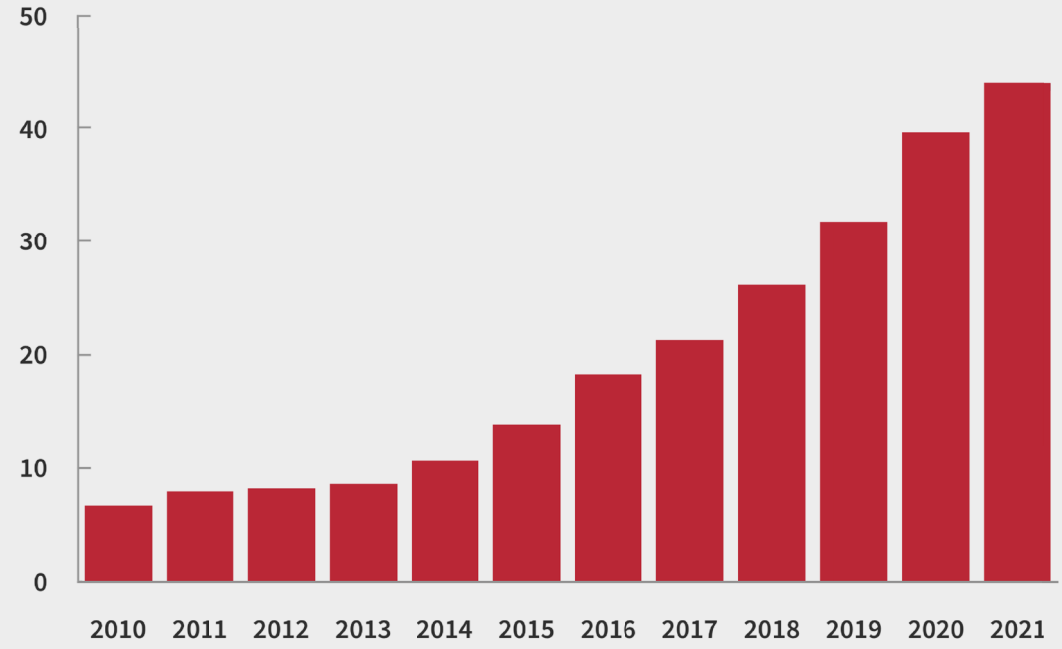
INFLATIONARY EFFECT FOR SMALL BUSINESS

Hospitals that participate in the 340B program are incentivized to prescribe medications that have the steepest discounts but highest market price so they can pocket the biggest profit. In short, hospitals are buying low and selling high. This dynamic creates two counterproductive incentives. One, it motivates hospitals to push a larger quantity of prescription drugs, and, two, it encourages doctors to choose the most expensive option.

A recent analysis from the Congressional Budget Office (CBO) puts a fine point on how the program expenditures have ballooned as a result. Between 2010 and 2021, the CBO finds that the 340B program grew on an average annual basis of 19 percent—an increase of more than $35 billion over 12 years.

> **"Studies have found doctors employed by 340B hospitals are also more likely to prescribe higher-priced drugs."**
>
> ***The Wall Street Journal***

Spending on Drugs Purchased Through the 340B Program, 2010-2021
(in Billions of Dollars)



Source: Congressional Budget Office

These increasing healthcare expenditures inevitably roll downhill to Main Street. The government-sanctioned scheme props up high healthcare and prescription drug prices across the board, inflated costs that small businesses are in turn forced to absorb. The runaway 340B program also puts pressure on the federal budget, which small businesses and other taxpayers are on the hook to cover.

America's small business community is facing a growing healthcare crisis. As medical costs continue to rise, employers are increasingly struggling to sponsor coverage for staff members—a notably acute problem given U.S. small businesses employ 46 percent of the country's workforce. Addressing abuse and waste within the 340B Drug Pricing Program with policy reform in Congress will help to alleviate the extra burden being placed on Main Street.

Fast Fact: 73 percent of small businesses support efforts to improve transparency and rein-in runaway government healthcare programs, such as the 340B Drug Pricing Program.

(May Job Creators Network Foundation Polling)

APPENDIX

Institution	State	Offshore Money
Henry Ford Health System	Michigan	$168,064,684
Bronson Methodist Hospital	Michigan	$587,493
Corewell Health	Michigan	$391,220,000
Trinity Health Corporation	Michigan	$2,511,637,341
Michigan Total		**$3,071,509,518**
University Hospitals of Cleveland	Ohio	$54,368,311
Cleveland Clinic	Ohio	$5,159,453,000
UC Healthcare System	Ohio	$32,385,684
Children's Hospital Medical Center	Ohio	$1,050,585
OhioHealth Corporation	Ohio	$1,084,157,160
Bon Secours Mercy Health	Ohio	$506,776,215
Promedica Health Systems	Ohio	$2,109,269
Dayton Children's Hospital Foundation	Ohio	$20,610,056
Dayton Children's Hospital	Ohio	$93,447,229
Nationwide Children's Hospital	Ohio	$1,984,310
Ohio Total		**$6,956,341,819**
UMass Memorial Health Care	Massachusetts	$43,529,579
Baystate Health	Massachusetts	$67,739,858
Tufts Medical Center	Massachusetts	$22,001,680
Northeast Hospital Corporation	Massachusetts	$4,029,290
Beth Israel Lahey Health	Massachusetts	$53,597,957
Children's Medical Center Corporation	Massachusetts	$975,107,763
Southcoast Health System	Massachusetts	$9,610,887
Joslin Diabetes Center	Massachusetts	$9,337,433
Boston Medical Center Corporation	Massachusetts	$19,525,827
Massachusetts Total		**$1,204,480,274**
Rush University Medical Center	Illinois	$172,800,722
Javon Bea Hospital	Illinois	$5,587,415
Hospital Sisters Health System	Illinois	$369,200,899
Southern Illinois Hospital Services	Illinois	$120,000
UChicago Medicine Network	Illinois	$11,049,687
Northwestern Memorial Healthcare	Illinois	$3,303,413,125
Illinois Total		**$3,862,171,848**

Institution	State	Offshore Money
Montefiore Medical Center	New York	$79,041,037
New York Langone Hospital	New York	$446,011,632
Episcopal Health Services	New York	$26,937,343
New York Presbyterian Brooklyn Methodist	New York	$243,899,131
Brooklyn Hospital Center	New York	$2,488,453
Mount Sinai Hospital	New York	$28,809,364
Maimonides Medical Center	New York	$17,292,934
Cayuga Health System	New York	$7,227,373
Riverside Health Care System	New York	$472,000
Beth Israel Medical Center	New York	$24,708,264
St Barnabas Hospital	New York	$5,093,895
Albany Medical Center Group Organization	New York	$16,114,287
Kaleida Health	New York	$359,368,517
New York Total		**$1,257,464,230**
Providence Health & Services Washington	Washington	$93,552,128
Swedish Medical Center Foundation	Washington	$13,709,336
Seattle Children's Healthcare System	Washington	$400,439,096
Seattle Children's Hospital	Washington	$485,667,429
Washington Total		**$993,367,989**
Total		**$17,345,335,678**