



March 16, 2026

Bob Ferguson, Governor
Legislative Building, 2nd Floor
PO Box 40002
Olympia, WA 98504-0002

Dear Governor Ferguson,

On behalf of the Building Industry Association of Washington, the Washington Hospitality Association, and the National Federation of Independent Business and the employers we represent, we are writing to respectfully request that you veto Engrossed 2nd Substitute Senate Bill 5981 (E2SSB 5981), which would expand the federal 340B Drug Pricing Program in Washington.

The 340B program is not going away. In fact, it is expanding rapidly nationwide. As more information continues to emerge about how the program is being used, it deserves greater scrutiny and oversight, not further expansion through broad contracting arrangements with pharmacy benefit managers and out-of-state pharmacies.

We are not asking you to eliminate the 340B program. Rather, we respectfully ask that you avoid expanding a program that independent experts increasingly conclude is inflating healthcare costs without clear evidence of improved patient outcomes.

Our organizations offer health insurance programs to members across the state and we work diligently to keep coverage affordable for employers and their employees. For that reason, we are concerned that expanding the 340B program will further increase healthcare costs for employers, workers, and public entities that provide health coverage.

As our coalition partners have testified throughout the legislative process, the 340B program does impact small businesses and other employers, including state and local governments. While the program is often described as “free,” it carries significant downstream costs due to lost manufacturer drug rebates and cost shifts to commercial insurance plans.

Independent research consistently shows that these cost shifts ultimately lead to higher premiums for employers and workers. In 2024, IQVIA estimated that the 340B program already costs Washington employers and workers approximately \$218 million annually. If SB 5981 is enacted, those costs could rise to more than \$260 million each year.

Additional research reinforces this concern. One IQVIA study found the 340B program increases drug costs for self-insured employers and their workers by 4.2 percent due to rebates that are lost

when drugs are purchased through the 340B discount mechanism. A 2025 analysis by Health Capital Group estimated that the growth of the 340B program has contributed to an 8 percent increase in employer premiums, translating to roughly \$137 per year for single coverage and \$415 for family coverage.

Federal analyses also highlight the broader fiscal implications of the program's expansion. In 2025, the Congressional Budget Office found that the 340B program requires additional federal spending to cover resulting cost increases. A study published through the National Library of Medicine found that the program also increases taxpayer-funded Affordable Care Act subsidies by more than \$2 billion annually. That same year, Berkeley Research Group reported that rebates collected through the Medicaid Drug Rebate Program were reduced by \$6.5 billion as a result of the program's growth.

For these reasons, we respectfully urge you to veto E2SSB 5981.

If a full veto is not appropriate, our organizations are also concerned with Sections 3 and 4 and respectfully request that, at a minimum, these sections be subject to a partial veto. We believe these provisions would create unintended consequences and undermine the bill's intended goals, and removing them would help mitigate those impacts while preserving the remainder of the legislation.

Thank you for your time and consideration.

Sincerely,

Building Industry Association of Washington
National Federation of Independent Business
Washington Hospitality Association