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**Congress of the United States**  
**House of Representatives**

5/08/2026

**COMMITTEE ON TRANSPORTATION  
AND INFRASTRUCTURE**

CHAIR OF SUBCOMMITTEE ON COAST GUARD  
AND MARITIME TRANSPORTATION

SUBCOMMITTEE ON ECONOMIC DEVELOPMENT,  
PUBLIC BUILDINGS AND EMERGENCY MANAGEMENT

**COMMITTEE ON NATURAL RESOURCES**

VICE CHAIR OF SUBCOMMITTEE ON WATER,  
WILDLIFE AND FISHERIES

SUBCOMMITTEE ON ENERGY AND MINERAL RESOURCES

The Honorable Robert F. Kennedy, Jr.  
Secretary U.S. Department of Health &  
Human Services  
200 Independence Avenue, S.W. Washington,  
DC 20201

The Honorable Thomas J. Engels  
Administrator Health Resources & Services  
Administration 5600 Fishers Lane Rockville,  
MD 20857

Dear Secretary Kennedy and Administrator Engels,

I am writing today to address a recent letter I signed regarding support for the administration's approach to increasing 340B oversight and implementing a rebate model system. After much deliberation with healthcare experts and my local healthcare facilities, I feel there is a need for further discussion before any changes are implemented for the 340B program.

The implementation of a rebate model could directly undermine, and possibly even dismantle, the much needed and desirable intent of the 340B program that could reverse over 30 years of established policy. Shifting from a point-of-sale discount to a retrospective rebate system could have disastrous effects, impacting not only my district but hospitals and, more importantly, rural hospitals across the country. Hospitals are already struggling with cash flow, and this could exacerbate that issue. Hospitals, pharmacies, and others would be expected to meet these substantial drug costs upfront, with no guarantee of timely reimbursement. Given the narrow margins that Mississippi hospitals operate with, delays, extended processes, and unexpected denials would have a detrimental impact on their overall operations.

Administrative burden will grow further with the implementation of a rebate model, which would increase administrative expenses by diverting resources and funds from other critical work. This change also could inadvertently increase the use of third-party vendors, which could increase expenses, decrease transparency and add costs to the healthcare system. All of this would take away from patient care and possibly place them at risk, thoroughly defeating the

purpose of the program. Giving any increased control to manufacturers, as currently contemplated by letting them have oversight of approval and eligibility, opens the door to risk, manipulation and abuse of the system, resulting in delayed or denied payments.

I understand completely the concerns and frustrations from Congress, the Administration, and industry leaders regarding possible fraud, waste, and abuse in the 340B system. Implementing and upending the program to transform 340B into a new structure, without first examining what is in place, would be detrimental. There are several misstatements regarding the 340B program of eligibility and oversight that require clarification. It is inaccurate to claim that *340B is awarded to every hospital that applies*. The 340B program is administered by HRSA, which enforces strict eligibility criteria defined in federal law. Only entities meeting these criteria—such as hospitals serving a disproportionately high share of low-income patients—are eligible to participate. Another misconception is the claim of a *lack of oversight*. 340B participants face multiple layers of oversight, including HRSA audits, detailed compliance requirements, and ongoing eligibility verification. Noncompliance can, and does, result in removal from the program. Additionally, it is incorrect to assert that hospitals conceal drug acquisition costs to generate excessive profits. Reimbursement structures are set by payers, not hospitals, and savings from the 340B program are not a windfall, but are vital for offsetting uncompensated care, managing rising healthcare costs, and expanding essential services.

I look forward to working with your staff and Congress to ensure the 340B program continues to serve Mississippians while also addressing fraud, waste, and abuse. The 340B program is a vital and important safety net. Ensuring our rural hospital systems have access to the medicines our citizens need must be protected while improving and reforming the program to function as intended.

Sincerely,

A handwritten signature in blue ink, appearing to read "Mike Espy". The signature is written in a cursive, flowing style.

Member of Congress