

COMMUNITY HEALTH CENTERS OF THE CENTRAL COAST (CHC)

CASE STUDY

340B
WHAT ABOUT
ME?



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OVERVIEW

Large health systems with FQHC lookalike status, like CHC, are misusing the federal 340B Drug Discount Program to make profit at the expense of patient access and affordability. **In 2023, the “non-profit” had \$50M+ in investments, \$300M in assets, and \$175M in revenue while the CEO raked in nearly \$3M.** CHC operates ~30 clinics across northern Santa Barbara and San Luis Obispo counties, serving more than 100,000 patients, many of whom are migrant agricultural workers in the region's vineyards.

RED FLAGS

- **False Medi-Cal Claims**
 - 2023 whistleblower investigation led to CHC paying \$3.15M to settle allegations of submitting false claims.¹
- **Overpayments from Medi-Cal**
 - 2024 audit found CHC may owe Medi-Cal \$12M+ in overpayments.²
 - 2023 audit found CHC may owe Medi-Cal ~\$20M in overpayments.³
- **Labor Violations**
 - 2023 class action complaint alleging CHC violated the labor code.⁴
 - Failed to provide employees with complete and accurate wage statements.
- **Average Drug Markups of 50%**⁵

GOVERNOR NEWSOM

“They’ve created a profit margin, which is only driving up the cost of prescription drugs. The model is faulty. So we’ve got to address that.”⁶

340B ABUSE

- **Proliferate Use of Contract Pharmacies & TPAs**
 - Affiliated with 100+ contract pharmacies, majority are large PBM-owned chains (i.e., CVS, Optum, etc.).⁷
 - Uses Third Party Administrator (TPA) CaptureRx to optimize 340B revenue capture (supercharging 340B profits while leaving patients with big bills.)^{8,9}
- **History of 340B Drug Diversion**
 - Drugs dispensed at 340B contract pharmacies from ineligible 340B sites.¹⁰

CONCLUSION

As of 2025, CHC has collected a total of \$289M in HHS grants.¹¹ The non-profit also leverages its connections in the affluent wine industry to rake in even more money (CHC is the primary beneficiary of the Santa Barbara Wine Auction at the Ritz Carlton and the Vintners Golf Classic at the Alisal Ranch Course). **Despite hundreds of millions in the bank, the non-profit continues to exploit Medi-Cal and 340B while its vulnerable patient population suffers.**

1) U.S. Attorney's Office, Central District of California. [Central Coast County Organized Health System, Three Health Care Providers Agree to Pay \\$68M for Alleged False Claims to Medi-Cal](#). June 29, 2023.

2) ProPublica: [Community Health Centers of the Central Coast Inc. 2024 Audit](#), Auditor Note K.

3) ProPublica: [Community Health Centers of the Central Coast Inc. 2023 Audit](#), Auditor Note J.

4) Blumenthal Nordrehaug Bhowmik De Blouw LLP, File Suit Against Community Health Centers of the Central Coast, Inc., Alleging Failure to Provide Accurate Wage Statements. December 25, 2023.

5) ProPublica: [Community Health Centers of the Central Coast Inc. Tax Filings and Audits](#).

6) CalMatters: [Newsom's prescription plan pits state against Medi-Cal providers](#). October 8, 2019.

7) Health Resources & Service Administration. Office of Pharmacy Affairs 340B OPAIS. [Contract Pharmacy Search](#).

8) CaptureRx: [Community Health Centers of the Central Coast - Cumulus Testimonial](#). November 2022.

9) New York Times: [How a Company Makes Millions Off a Hospital Program Meant to Help the Poor](#). January 15, 2025.

10) Health Resources & Services Administration. [Program Integrity: FY17 Audit Results](#).

11) TAGGS: Community Health Centers of the Central Coast Inc. [Issue Date Summary](#). 1998-2025.

* CHC does not specifically disclose margin from pharmacy fees in their financials.