



CEDARS-SINAI®

October 9, 2017

House of Representatives
Committee on Energy and Commerce
2125 Rayburn House Office Building
Washington, DC 20515-6115
Attention: The Honorable Greg Walden, Chairman, Committee on Energy and Commerce
The Honorable Tim Murphy, Chairman, Subcommittee on Oversight and Investigations

Re: 340B Drug Pricing Program

Dear Chairman Walden & Chairman Murphy:

Thank you for giving Cedars-Sinai Medical Center ("***Cedars-Sinai***") the opportunity to speak with members of your Committee's staff on October 3, 2017, to discuss our September 29, 2017, response to your inquiry regarding our participation in the 340B Drug Pricing Program. We would like to provide you with additional information which was requested during the October 3, 2017 briefing.

1. *Please provide the amount that Cedars-Sinai expended on community benefit activities in each year since 2012.*

Fiscal Year*	Amount Expended On Community Benefit Activities
2012	\$640,287,000
2013	\$652,606,000
2014	\$732,746,000
2015	\$659,947,000
2016	\$695,634,000

*Cedars-Sinai's fiscal year runs from July 1 through June 30; "Fiscal Year 2012" refers to the period commencing on July 1, 2011 and ending on June 30, 2012.

2. *What is Cedars-Sinai's Medicare disproportionate share percentage?*

Cedars-Sinai's allowable Medicare disproportionate share percentage was 19.48% in fiscal year 2016, as disclosed in our filed Medicare cost report.

3. *What was Cedars-Sinai's operating margin for last year?*

Cedars-Sinai's operating margin in fiscal year 2017 was 9.7%. The operating margin is determined by dividing Cedars-Sinai's total operating income by our total operating revenue for the fiscal year. This figure for fiscal year 2017 is unaudited and is subject to revision.

4. *How much charity care did Cedars-Sinai provide as a percentage of total patient care operating costs in each year prior to fiscal year 2016?*

Fiscal Year	Amount of Charity Care Provided, As a Percentage of Total Patient Care Operating Costs
2012	12.9%
2013	12.4%
2014	11.9%
2015	8.4%
2016	8.7%

We have defined "total patient care operating costs" as total hospital operating costs excluding the costs of research and medical education, which we exclude because we consider these to be community benefit activities which are not related to direct patient care operations. Charity care is defined here as the uncompensated costs of providing care to indigent patients, including Medicaid patients, patients eligible for both Medicaid and Medicare (dual-eligibles), commercially insured patients whose costs of care exceed the reimbursement received, and uninsured patients. As we noted in our September 29, 2017, letter in response to question (1)(g), the number of uninsured patients in California and the U.S. began dropping significantly starting in 2013 with the implementation of the Affordable Care Act.

5. *How does Cedars-Sinai determine if it is purchasing 340B drugs from the manufacturer at prices at or below the 340B ceiling price?*

The 340B ceiling price is confidential and only available to the Health Resources & Services Administration (HRSA). Cedars-Sinai participates in the 340B Prime Vendor Program, and we understand that the prices available through this program are at or below the 340B ceiling price. However, there is currently no mechanism available that would allow us to independently verify whether the 340B price charged is at or below the 340B ceiling price. We understand that HRSA is in the process of rolling out a new database (the Office of Pharmacy Affairs Information System, or OPAIS), which will make 340B ceiling prices available to the authorized official and primary contact person of each 340B covered entity.

6. *How many Cedars-Sinai pharmacy staff members are involved in the 340B program?*

Out of 26 total pharmacy staff members, three (3) full-time equivalent (FTE) staff members have job duties that are principally concerned with activities related to the 340B Drug Pricing Program. All of our other 23 pharmacy staff members are involved to some extent in the 340B Drug Pricing Program as part of their daily job responsibilities. We estimate that their involvement in the program is comparable to the full-time involvement of two (2) FTE staff members.

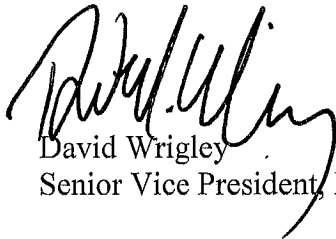
7. *Were most of Cedars-Sinai's child sites newly registered after 2012 or newly acquired?*

In 2012, HRSA began requiring covered entities to register outpatient clinics as child sites if the physical address of the outpatient clinic differs from the physical address of the covered entity. Following the implementation of this new mandate, Cedars-Sinai registered 23 of its existing outpatient clinics as child sites in July 2012. None of these outpatient clinics were newly acquired by Cedars-Sinai. Cedars-Sinai acquired Cedars-Sinai Tower Hematology and Oncology (THO) in 2011. THO's pharmacy and infusion services were registered as a child site in April 2014. All other child sites that we registered between 2013 and 2017 were due to the relocation of the outpatient clinics to new physical addresses.

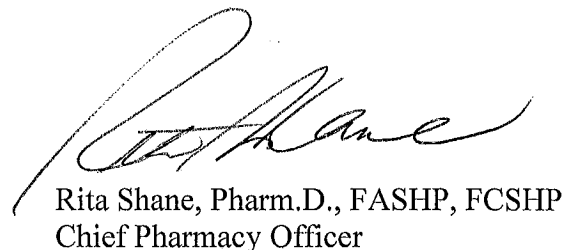
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Thank you for the opportunity to provide additional information regarding our participation in the 340B Drug Pricing Program. If you have any additional questions, please contact Dr. Rita Shane at (310) 423-5611.

Sincerely yours,
CEDARS-SINAI MEDICAL CENTER



David Wrigley
Senior Vice President, Finance



Rita Shane, Pharm.D., FASHP, FCSHP
Chief Pharmacy Officer

cc: The Honorable Frank Pallone, Jr., Ranking Member
Committee on Energy and Commerce

The Honorable Diana DeGette, Ranking Member
Subcommittee on Oversight and Investigations

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