



September 22, 2017

The Honorable Greg Walden
Chairman
Committee on Energy and Commerce
United States House of Representatives
2125 Rayburn House Office Building
Washington, DC 20515-6115

The Honorable Tim Murphy
Chairman
Subcommittee on Oversight and Investigations
United States House of Representatives
2125 Rayburn House Office Building
Washington, DC 20510-6115

Dear Mr. Walden and Mr. Murphy:

On behalf of Grady Health System (“Grady”), thank you for the opportunity to provide more information about the vital role the 340B Drug Pricing Program serves in Grady’s ability to fulfill its mission and commitment to the underserved. In adopting the 340B Program, Congress stated its intent is “to permit covered entities to stretch scarce Federal resources as far as possible, reaching more eligible patients and providing more comprehensive services.”ⁱ

We believe that Grady is exactly the kind of health system Congress envisioned when it created the 340B Program. Our hospital depends upon federal funding. Since the inception of the 340B Program, we have utilized the Program to stretch the limited resources of the hospital and our patients. In 2016, Grady filled more than 803,000 outpatient prescriptions, and a majority of those were for uninsured and Medicaid patients whose out-of-pocket costs were \$5 or less.

Grady Health System is home to the metro Atlanta region’s only nationally verified Level 1 Trauma Center, one of only two verified burn centers in Georgia, a Joint Commission certified Advanced Comprehensive Stroke Center, and one of the nation’s best and largest HIV/AIDS centers. Grady is the largest hospital – and the largest essential safety net hospital – in Georgia, with over 620,000 patient visits annually. One quarter of the state’s physicians train at Grady and we serve patients from every county in the state each year. Nearly 30% of our total patient population is uninsured. And, in the outpatient setting, where 340B savings are realized, the percentage of uninsured patients is even higher: 44%.

The drugs most commonly prescribed through the 340B Program at Grady are for the management of chronic conditions, including blood pressure, diabetes, cholesterol, cardiovascular disease, seizure disorders, HIV, and cancer. These are illnesses that must be managed with medication, and the medications play a direct role in improving patient health outcomes and preventing hospitalizations. Grady could not afford to provide access to these lifesaving drugs for our patients without the 340B Drug Pricing Program.



Grady reinvests all of its savings from the 340B Program into the health system. Those savings have helped Grady provide enhanced care for our ever-growing number of low income and uninsured patients. Between 2012 and 2016, a 24/7 cardiac STEMI program was launched, an innovative eye screening program for early detection of diabetic retinopathy was introduced in our primary care centers, and investments in our orthopedic, GI, pulmonary, and surgical service lines increased patient access to care.

Simply put, the 340B Drug Pricing Program helps Grady keep its doors open. Grady's 340B savings, along with federal supplemental payments like Disproportionate Share Hospital payments and county government funding, collectively enable Grady to operate without incurring annual losses. Without these critical safety net programs, Grady's ability to fulfill its mission to care for the underserved would be in jeopardy.

We enclose our responses to the specific questions posed in your letter dated September 8, 2017. We have moved quickly to meet the requested response deadline and have attempted to address each item as fully and comprehensively as possible in the short time allotted. Accordingly, this information has been compiled from readily accessible data sources, and, in certain limited circumstances, may be incomplete, as expressly noted in applicable responses. Please do not hesitate to follow up for additional clarification, if necessary.

We appreciate this opportunity to share with you how we use our savings from the 340B Drug Pricing Program. We look forward to working with you and your staff to safeguard this valuable program.

Sincerely,

John Hauptert, FACHE
Chief Executive Officer

Enclosure

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

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

ⁱ Veterans Health Care Act of 1992, Pub. L. No. 102-585 § 602, 106 Stat. 4943, 4967-4971 (1992).

**Response to House Committee on Energy and Commerce
Subcommittee on Oversight and Investigations
Grady Memorial Hospital**

Item 1a. – The number of 340B drugs purchased by Grady, and all associated sites and off-site outpatient facilities registered as child sites, in each year:

Number of 340B drugs purchased*

Year	2012	2013	2014	2015	2016
Covered entity	476,632	451,574	391,478	469,140	561,810
Child sites	163,730	171,873	174,557	179,208	189,237
Total	640,362	623,447	566,035	648,348	751,047

*Based on purchased units (packages)

For example, one asthma inhaler = 1 unit; 1 bottle of 30 atorvastatin (Lipitor) tablets = 1 unit.

Due to the short timeframe in which this information has been compiled, the tallies above are based on Grady's 340B drug purchases made through its primary wholesaler through which Grady purchases more than 99% of its 340B drugs.

Item 1b. – The percentage of 340B drugs purchased and dispensed that fall into each of the following categories:

Percentage of 340B drugs purchased in the following categories*

Year	2012	2013	2014	2015	2016
Analgesics	6.9%	6.0%	6.8%	5.1%	4.5%
Antidepressants	4.0%	4.0%	3.9%	3.1%	3.1%
Oncology Rx	1.4%	1.7%	2.0%	1.5%	1.5%
Antidiabetic agents	7.4%	11.0%	10.5%	10.2%	7.9%
Antihyperlipidemic agents	6.6%	6.0%	4.2%	4.6%	4.4%

*Based on purchased units (packages)

**Item 1c. – The number of 340B drugs Grady purchased that were dispensed to insured patients &
Item 1d. – The number of 340B drugs Grady purchased that were dispensed to uninsured patients:**

Eligible patients receive 340B drugs through Grady's outpatient prescription pharmacies, and/or when they are seen and treated in one of our hospital-based outpatient departments. The tallies below reflect the numbers of 340B prescriptions furnished through our outpatient prescription pharmacies only. We are continuing to compile the requested information with respect to 340B drugs furnished in our hospital-based outpatient departments, but due to limitations of our split-billing software and the large volume of data involved, we have been unable to derive these figures in time to include them in this response. We respectfully request a 2-week extension of time in which to supplement our response with the additional data.

Numbers of 340B Prescriptions dispensed from Grady Outpatient Pharmacies

Year	2012	2013	2014	2015	2016
Commercial*	107	77	6,893	22,369	29,210
Medicare Part D	176,005	163,488	152,258	159,794	166,566
Medicaid**	125,174	132,774	140,750	140,602	141,715
Uninsured	399,905	396,321	348,148	313,617	312,304
Other***	144,029	137,152	132,229	140,031	153,267
Total Rx Dispensed	845,220	829,812	780,278	776,413	803,062

*Prior to 2014, Grady's outpatient pharmacies were contracted with a limited number of commercial health insurance plans. In 2014, Grady executed an agreement with a Pharmacy Services Administrative Organization that expanded the number of participating health plans accessible through our pharmacies.

**Medicaid (includes Managed Medicaid)

***Other includes prescriptions provided to patients that may be partially reimbursed through condition-specific, government or grant funded programs such as the AIDS Drug Assistance Program, Ryan White HIV/AIDS Program, Cancer State Aid, and psychiatric grants.

Item 1e. – The amount of savings (in dollars), as compared to the GPO price for the same drug, that Grady generated through participation in the 340B drug pricing program:

Year	2012	2013	2014	2015	2016
Estimated savings: GPO price, less 340B price*	\$29,375,343	\$28,139,538	\$27,004,453	\$41,610,167	\$48,183,675
Percentage of 340B spend included in this estimate**	70.3%	74.0%	77.2%	80.0%	80.4%

*To estimate these annual savings dollar figures, we subtracted the historic 340B prices paid in each year, from the 2016 GPO prices for each of the top 50 highest-cost drugs Grady purchased under the 340B Program in each year. For estimation purposes, Grady used 2016 GPO prices because Grady does not maintain data on GPO prices in prior years. (Please note, the 2012 data is incomplete due to the unavailability of 2016 GPO pricing for certain products that are no longer on the market.)

**The estimated savings associated with the top 50 highest-cost drugs in each year, reflected above, account for the specified percentages of Grady's annual 340B spend in each year. Total 340B savings, therefore, would be somewhat higher and would not necessarily be expected to be a straight-line projection.

Item 1f. – The amount of charity care (in dollars) that Grady provided:

Charity Care

Year	2012	2013	2014	2015	2016
Total dollars	\$342,592,636	\$339,679,484	\$390,679,198	\$391,244,441	\$451,864,279

Item 1g. – The number of patients that received charity care from Grady

Year	2012	2013	2014	2015	2016
Unique Patients	105,861	105,939	119,873	128,307	124,282

Item 2 – (a) How does Grady calculate the amount of savings it generates through participation in the 340B Drug Pricing Program? (b) How does Grady track the amount of money it receives when an insured patients' insurance reimbursement exceeds the 340B price paid for the drug?

- (a) Grady does not routinely calculate the amount of savings it generates each year through participation in the 340B Drug Pricing Program, though Grady does periodically (as needed for informational purposes) develop working estimates of its 340B savings, using methodologies similar to the one employed herein (described above, in response to **Item 1e**). Tabulating 340B savings annually would require the establishment of separate and time intensive data capture and accounting processes to inventory and compare various drug prices (*e.g.*, GPO, WAC, and 340B) and document cost differences. We are not set up to do this presently and would need to redirect scarce resources to do so.
- (b) As mentioned above, eligible patients receive 340B drugs through Grady's outpatient prescription pharmacies, and/or when they are seen and treated in one of our hospital-based outpatient departments.

Grady's outpatient prescription pharmacies use a point-of-sale system that provides drug reimbursement information on each individual third-party payment transaction (including federal and commercial payors). Payments from third-party payors are tracked through the finance department and reported in aggregate monthly. The amount of reimbursement received over and above Grady's 340B cost is also tracked.

Grady does not separately track the amount of reimbursement received (in excess of 340B prices) from third-party payors (either federal or commercial) with respect to drugs purchased at 340B prices furnished to patients in hospital-based outpatient departments.

Item 3. – How does Grady use program savings to care for vulnerable populations? Are program savings used for any other purposes?

Please refer to the attached cover letter for a detailed description of the many important programs, services, and low-cost drugs Grady is able to provide to vulnerable patients as a direct result of the savings we achieve through the 340B Program. As explained above, Grady does not track annual 340B

savings, *per se*, and so savings are not expressly allocated to support specific hospital programs. Rather, 340B savings represent a significant cost avoidance for Grady, and as such, the savings are captured in Grady's reduced drug budget. The fact that Grady saves tens of millions of dollars each year on drugs purchased under the 340B Program enables us to keep our doors open and to devote a greater proportion of our budget to the provision of essential services and financial assistance for vulnerable patient populations.

Item 3a. – Does Grady provide any additional charity care to uninsured and underinsured patients with funds derived from sources other than the 340B Drug Pricing Program. Please elaborate.

Yes. In addition to patient service revenue (reimbursements from third-party payors such as Medicare, Medicaid and commercial insurance), Grady relies on a number of supplemental payments to provide the level of charity care that it does each year. These funds are derived from the:

- Medicaid and Medicare Disproportionate Share Hospital (DSH) Programs
- Medicaid Upper Payment Limit (UPL) Program
- Medicaid and Medicare Graduate Medical Education Programs
- Federal and State Grants
- Philanthropic and Corporate Donations
- Grady's contract with two counties to provide indigent care to their residents

Item 3b. – What percentage of total health care services provided by Grady is charity care?

11%

According to Grady's 2015 Community Benefit report, 20% of Grady's expenses are unreimbursed and provide a direct benefit to the community through expanded access to care, medical education and research, and the provision of subsidized services to patients.

Item 4 – Does Grady have any policies to help ensure that uninsured and underinsured patients directly benefit from the program by receiving discounts on 340B drugs? If so, please elaborate.

Yes. Grady has a financial assistance policy that identifies the amount low-income patients are responsible to pay for prescriptions and other drugs. Uninsured patients below 400% of the Federal Poverty Level receive outpatient prescriptions for \$5 or less per prescription. Patients classified as homeless pay \$1 per prescription or less. Co-pays for essential medications, including insulin, seizure medications, blood pressure medications and others, may be waived. Over 200 individual medications are available as 90-day supplies for the \$5 co-pay.

Grady's financial assistance policy also offers a sliding fee scale for inpatient and outpatient services to un- and underinsured patients living at up to 400% of the Federal Poverty Level.

Item 5 – How many child-sites does Grady have registered to participate in the 340B Drug Pricing Program? Please provide a list of all child-sites, including the location of the child-site and the date it began participating in the program.

Grady Memorial Hospital Child Sites	Address, Zip Code, and Program Participation Start Date		
Kirkwood Family Medical Center	1863 Memorial Drive, Atlanta, Ga	30317	10/1/2002
East Point Health Center	1595 West Cleveland Avenue, East Point Ga	30344	10/1/2002
Asa Yancey Health Center	1247 Donald Lee Hollowell Parkway NW, Atlanta, Ga	30318	10/1/2002
North DeKalb Health Center	3807 Clairmont Rd, SE, Chamblee, Ga	30341	10/1/2002
Hughes Spalding Children's Hospital	35 Jesse Hill Jr. Drive, Atlanta, Ga	30303	10/1/2002
Grady Infectious Disease Center	341 Ponce De Leon Avenue, Atlanta, Ga	30308	1/1/2004
Grady Behavioral Health Center	10 Park Place, Atlanta, Ga	30303	7/1/2012
North Fulton Health Center	7741 Roswell Road, Sandy Springs, Ga	30350	7/1/2012
Lindbergh/Brookhaven Health Center	2695 Buford Highway NE, Atlanta, Ga	30324	7/1/2012

Item 6 – How many pharmacies has Grady contracted with to dispense drugs purchased through the 340B Drug Pricing Program on your behalf?

None. We operate our own outpatient prescription pharmacies (13) in Fulton and DeKalb Counties, so Grady has not pursued contract pharmacy relationships.