



September 22, 2017

The Honorable Greg Walden
Chairman
House Committee on Energy and Commerce
2125 Rayburn House Office Building
Washington, DC 20515

The Honorable Tim Murphy
Chairman
Subcommittee on Oversight and Investigations
House Committee on Energy and Commerce
2125 Rayburn House Office Building
Washington, DC 20515

RE: Northside Hospital, Inc.

Dear Chairman Walden and Chairman Murphy:

Thank you for the opportunity to demonstrate to the Committee and Subcommittee how Northside Hospital, Inc. ("Northside") utilizes the 340B Drug Pricing Program (the "340B Program") to serve Georgia communities. Since opening our doors in 1970, Northside has continually expanded its commitment to provide higher quality, more compassionate, and more comprehensive health care to patients in our community. The 340B Program is critical in assisting Northside with its mission of providing high quality health care for the entire community, regardless of anyone's ability to pay.

Introduction and Background

Northside is an independent Georgia non-profit corporation that owns and/or operates an extensive network of health care facilities in Georgia, including (i) three (3) acute care hospitals¹ located across the northern metropolitan Atlanta area with a total of 926 operational beds, (ii) more than 150 ancillary and physician service sites located across the 28 county Atlanta Metropolitan Statistical Area ("MSA"), including diagnostic imaging, ambulatory surgery, cancer care, and physician services, and (iii) supportive services/facilities, including medical office buildings, located throughout the Atlanta MSA. As one of Georgia's largest and most respected health care delivery systems, Northside offers a full range of services to over 2.5

¹ Northside Hospital Atlanta, Northside Hospital Cherokee and Northside Hospital Forsyth.

million patient encounters each year. It has 14,600 employees and over 2,500 employed or affiliated physicians.

High Risk Deliveries & Maternity Services

As the undisputed national leader in maternity services, Northside Hospital Atlanta (“Northside Atlanta”) delivers more babies than any other single hospital in the country. In Northside Atlanta’s Level III Neonatal Intensive Care Unit, as many as 100 premature and high level special care babies are treated daily, with more than 2,000 annually. Specializing in the diagnosis and management of high-risk pregnancy, Northside’s Center for Perinatal Medicine offers nationally recognized expertise and innovation in maternal fetal medicine and diagnostic radiology. High-risk mothers-to-be can receive consultations from specialists with advanced training in the management of the most complicated pregnancies. Northside has more board-certified obstetricians and perinatologists on staff than any other hospital in the southeast. In 2009, the Joint Commission distinguished Northside Atlanta by awarding it a Disease-Specific Certification in High-Risk Obstetrics, which was followed by recertification in 2011. In 2012 and 2015, Northside Atlanta was awarded High-Risk Obstetric Certification in preterm labor prevention, one of the few hospitals in the nation to achieve this recognition.

Cancer Care

Since first providing cancer services in 1975, Northside has become one of the largest and most respected providers of cancer care services in Atlanta. The Northside Hospital Cancer Institute (“NHCI”) is fully accredited by the American College of Surgeons Commission on Cancer and is one of only 21 community cancer programs nationwide to be selected by the National Cancer Institute, a division of the National Institutes of Health, for participation in the National Cancer Institute Community Oncology Research Program. Selection criteria included scope of patient reach and overall comprehensive delivery of high quality care. At Northside, more cases of breast cancer are diagnosed and/or treated than at any other hospital in the southeast and more gynecologic and prostate cancer cases are diagnosed and/or treated than at any other hospital in Georgia. The Northside Blood and Marrow Transplant Program has among the highest survival rates in the nation and is recognized as a premier program throughout the southeast.

Using a multidisciplinary approach, Northside’s mission is to employ cutting edge technology, advanced clinical research and compassionate, patient-centered care to defeat cancer. We care for the patient from the moment of diagnosis throughout the course of the disease and survivorship by: (i) educating the patient about their form of cancer and the stages of its development; (ii) discussing treatment options and making recommendations to the patient; (iii) monitoring the care and treatment of the patient throughout the course of the disease; and (iv) leading multi-disciplinary teams to coordinate patient care.

Northside’s 340B Program

Northside Atlanta qualifies for participation in the 340B Program because of its disproportionate share (“DSH”) of indigent and low income inpatient encounters, currently running at approximately 16 percent. This calculation is based on the high percentage of

Medicaid inpatient days as a percentage of Total Patient Days.² Northside Atlanta began its 340B drug program in 2013, and the Program has grown along with the hospital system's operations. Indeed, during the five (5) year period of 2012 to 2016, inpatient case volumes grew 2.1 percent across the MSA, while independent case volume at Northside Atlanta increased 6.2 percent. The 340B Program limits the cost of covered outpatient drugs prescribed by eligible physicians to eligible patients within approved locations. During the five (5) year period of 2012 to 2016, outpatient encounters grew 145 percent across Northside Atlanta's hospital outpatient departments.

In response to the Committee's and Subcommittee's specific inquiries regarding a breakdown of the number and types of drugs and number of patients served, please see Attachment A, attached hereto and incorporated herein. As discussed on September 19, 2017 with your staff members, some of the information requested is not available for the entire 2012 to 2016 requested timeframe due to constraints on the information available from our vendors. These restrictions are noted in Attachment A.

Northside 340B Program Savings/Charity and Community Care

All patients at Northside are treated the same regardless of the insurance they have, if any, or their ability to pay. No patient is ever turned away due to their inability to pay for services. Indeed, over the past five (5) years, Northside has provided almost \$1.4 billion in free or discounted care to uninsured, underinsured or self-pay patients. Northside uses a sliding scale to determine a patient's eligibility for financial assistance. Specifically, patients with annual household incomes at or below 125 percent of the Federal Poverty Income Level may qualify to receive free care. Patients above 125 percent of the Federal Poverty Income Level receive discounted care depending on the sliding scale and whether they meet Northside's Financial Assistance Program guidelines. From 2012 to 2016, Northside Atlanta's charity and indigent care, as reported on our Annual Hospital Financial Survey, grew at a rate of 177 percent, or 63 percent greater than Northside's increase in adjusted gross revenue. Further, the number of distinct patients receiving charity care at Northside Atlanta during this time period increased 350 percent.

Northside does not track its annual 340B savings in total dollars or assign these savings to any one program or area. Differences in the unit pricing of drugs purchased at participating 340B clinic locations is monitored against unit pricing of drugs purchased within non-340B clinic locations. This information supports our ongoing awareness of our overall savings rate under the 340B Program.

Further, Northside's systems are not built to track ongoing differences in pricing for product purchased under the 340B Program against the same product purchased under a Group Purchasing Organization ("GPO"). GPO pricing is negotiated and is often product and situation specific. Northside did not capture and save historical GPO rates. Further, products are not always sold in the same units of measure across the two price listings and price points are often not comparable.

² Northside Hospital Cherokee qualified for the 340B Program in 2013, but does not currently qualify because its disproportionate share calculation is below 11.75 percent.

Under current 340B rules, Northside has elected the Medicaid “carve-in” option. This means that Northside passes 340B savings directly along to the Medicaid patient and program. Northside’s savings from the 340B Program enable expansion of clinical services across many service lines and increase our reach to as many disadvantaged patients as possible. Indeed, in addition to uncompensated care, Northside provides a number of services that cater to lower income populations, as outlined below.

- *Oncology* – Since 2013, Northside has made significant improvements in our medical oncology facilities, making state-of-the-art cancer care accessible to more patients in more locations. Northside offers patients affordable, cutting-edge oncology drugs even though the price of such drugs increases faster than the 340B Program discounts. Northside has also expanded the support services it provides to all of its cancer patients, including:
 - * Patient Assistance – Northside’s Oncology Patient Assistance Office now has 20 employees devoted to patient financial assistance. Their efforts to identify and assist those in need produced a 156 percent increase in financial assistance applied toward the oncology service area from 2013 through 2016. One example of their efforts is our Pharmacy Replacement Program, where hospital staff work with outside vendors to qualify our patients to receive reduced pricing or, at times, free drugs needed for their treatment.
 - * Oncology Navigation Program – This program ensures site-specific Oncology Nurse Navigators to provide patients emotional support and clinical education, enhance access to community resources and facilitate communication with physicians and other health care professionals.
 - * Community Outreach Program – Coordinates and implements cancer prevention, education and awareness events and activities in the community. During Fiscal Year 2016, NHCI provided general cancer prevention and breast, prostate, and lung cancer outreach and education to over 32,000 people.
 - * Oncology Support Services – Offers patients nutrition, rehabilitation and behavioral health services to improve health outcomes and reduce additional costs.
 - * Hereditary Cancer Program – Provides board-certified genetic counselors that assess patients’ risks of developing cancer and outline ways to minimize future risk.
 - * National Tumor Registry – Enables continuous improvement and oversight in subspecialty clinical protocols to monitor effectiveness and efficiencies. This program also allows for data analysis that can enhance care, reduce waste and lower costs.

- * Survivorship Program – Works to ensure availability and equal access to all patients of the wellness and support services provided by Northside and community partners.
- *FASP* – Northside’s Financial Access Surgery Program (“FASP”) ensures specialty radiology, cancer, and related surgical services for the uninsured and underinsured. Northside entered into arrangements with several charitable organizations to refer patients who would not otherwise be able to afford or obtain medically necessary outpatient surgery. Patients are pre-screened based on financial status and medical necessity, among other factors. The FASP is designed to cover the entire surgical episode of care including pre- and post-operative services and, as needed, related services such as anesthesia, radiology, pharmacy and laboratory. In 2016, the FASP provided 390 participants across 23 counties with medically necessary surgical and endoscopic procedures.
- *Community Benefit Steering Committee* – As an outgrowth of its most recent Community Health Needs Assessment, Northside has established the Community Benefit Steering Committee. The purpose of the Steering Committee is to: (i) evaluate Northside’s current community benefit programs, utilizing a structured systematic approach, to ensure the programs are effectively meeting the identified health needs of the Community, targeting the highest priority needs and populations, and utilizing evidence-based interventions; (ii) identify any gaps (geographic, population, or subject matter) in Northside’s community benefit activities and make appropriate modifications; (iii) establish each program’s foundation by defining its core components such as the program’s theory, goals, and objectives; (iv) connect Northside employees who implement and plan Northside’s community benefit programs to foster collaboration and efficiencies; and (v) provide a channel for discussing community feedback on Northside’s community health needs assessment, prioritized needs, and community benefit programs. The Committee comprises leadership from Strategic Planning, Charity Outreach, Maternity Services, Oncology Services, Cardiovascular Services, and Corporate and Community Health.
- *Preventive Care* – In 2016, Northside offered free or low-cost disease-specific health screenings at our campuses, providing 349 men with prostate cancer screenings, 521 participants with skin cancer screenings, 130 participants with stroke screenings, and 123 school children with hearing screenings. In addition, Northside provided audiology screening for all newborns.
- *Imaging Outreach* – In 2015, Northside established the Imaging Charity Outreach program, which provides a comprehensive range of imaging services to low income, uninsured or underinsured patients, and staff assists patients with completing Northside’s Financial Assistance application and helping them navigate the Financial Assistance process. In 2015, the program received 382 referrals and in 2016 that number increased to 773.
- *Maternity* – Northside’s MothersFirst Program offers low-cost educational courses on topics related to maternal and infant health, with over 700 classes available and with over 7,000 people having taken advantage of them in Fiscal Year 2016. During the same time

period, another 18,500 individuals accessed Northside's free breastfeeding eLearning program, and more than 31,000 women used our free Lactation Support telephone hotline.

- *Financial Counseling* – Northside provides assistance to uninsured and underinsured patients to make sure they can access potential health care insurance coverage through any state or federal program for hospital services in which they may qualify. This assistance includes, but is not limited to, completing the necessary applications and forms, following up with patients to provide necessary documents, requesting medical records from necessary health care providers, and following up on any submitted applications for approval or denial outcomes.
- *Transitional Care Services* – Northside's Transitional Care Management program encompasses a broad range of services designed to promote the safe and effective transfer of patients between levels of health care and across care settings. Northside provides comprehensive transitional care services to all patients with multiple chronic conditions and complex therapeutic regimens in need of these services.

340B Program and Related Controls

Northside developed its 340B Program under the guidance and oversight of an independent, third-party consultant. All decisions made regarding the 340B Program are made through Northside's 340B Steering Committee, with input and guidance from independent consultants and outside counsel. In addition to constant oversight by the Steering Committee, the 340B Program undergoes frequent and rigorous internal and external auditing and monitoring. Although Northside does not have a policy that explicitly provides that certain patients directly benefit from the 340B Program, all savings are used to provide additional and more comprehensive care to the areas serving vulnerable patient populations.

In 2016, Northside underwent an audit by the Health Resources and Services Administration ("HRSA"), which further confirmed Northside's compliance with 340B Program requirements. Following a thorough review of Northside's 340B Program, HRSA found a single instance of inadvertent diversion, representing less than seven dollars (\$7). The audit also found the possibility of duplicate discounts by Medicaid due to incorrect or incomplete billing information on the 340B Medicaid Exclusion file. A thorough review, however, concluded that no drugs were ordered or dispensed from this location and no duplicate discounts had occurred. HRSA's findings demonstrate Northside's diligent oversight of the 340B Program.

Northside 340B Program "Child Sites"

A listing of each child site location and the date on which it began participating in the 340B Program is attached as Attachment B, incorporated herein. Notably, the number of child sites increased substantially over the past year (by nearly 20 child sites), due mainly to HRSA's guidance that each separate department, office or suite number should be registered as a child site and not the actual building site locations.

Northside 340B Program Contract Pharmacies

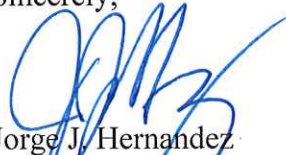
Northside does not have any agreements with any outside pharmacies to dispense drugs purchased through the 340B Program.

Conclusion

Despite declining reimbursements and increased costs across the health system, Northside has continued to expand its charity care and community care programs. Northside is proud of our commitment to charity and the services we provide to our community, the extent of which is made possible through 340B Program savings. Overall, Northside's 340B Program savings empower us to meet the HRSA's broad goal of helping the nation's most vulnerable by "reaching more eligible patients and providing more comprehensive services."³

We appreciate this opportunity to provide this information to the Committee and Subcommittee. Please let us know if you have any questions or need any additional information.

Sincerely,



Jorge J. Hernandez
Vice President of Administrative Services and
Chief Compliance Officer
340B Steering Committee Member
Northside Hospital, Inc.
1000 Johnson Ferry Road, N.E.
Atlanta, GA 30342

³ H.R. Rep. 102-384, Pt. 2 (1992).

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

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