

September 22, 2017

The Honorable Greg Walden, Chairman
House Committee on Energy & Commerce
2125 Rayburn House Office Building
Washington, DC 20515-6115

The Honorable Tim Murphy, Chairman
House Subcommittee on Oversight & Investigations
2125 Rayburn House Office Building
Washington, DC 20515-6115

Re: Federal 340B Drug Pricing Program

Dear Chairman Walden and Chairman Murphy:

On behalf of UW Medicine, I write in response to the U.S. House Energy & Commerce Committee's letter of inquiry regarding UW Medicine's participation in the federal 340B drug pricing program. The Committee's letter asks for a series of data-intensive questions and asks us to provide several data sets pertaining to UW Medicine's use of the 340B drug pricing program. Enclosed with this letter is our first, best attempt to answer your questions and provide the data you have requested. In addition to these initial answers we continue to work diligently to gather the necessary info and answers to all of the questions posed.

At UW Medicine we have a single mission: improve the health of the public. With over 27,000 employees, the UW Medicine hospitals admits more than 63,000 patients each year. UW Medicine operates both Harborview Medical Center and University of Washington (UW) Medical Center. Harborview Medical Center is a county-owned hospital in Seattle, Washington that serves as the only Level 1 Trauma Center for the states of Washington, Alaska, Idaho and Montana. UW Medical Center is a quaternary care hospital that provides a spectrum of services from primary care, walk-in services to complex organ transplants. UW Medical Center is owned by the University of Washington. Both Harborview and UW Medical Center are safety net hospitals, providing care to patients regardless of their ability to pay. Both hospitals are also designated 340B drug pricing program entities.

Under the mission of improving the health of the public, Harborview Medical Center and UW Medical Center provide more combined safety net care for uninsured, underserved and low income patients than any other healthcare system in Washington State and the surrounding four state region. Without this access to needed care, these individuals would not only suffer unnecessarily, but they would also enter the care system after preventable and addressable problems have become severe, thus *increasing* the total cost of their healthcare.

One of the mechanisms that allows UW Medicine to provide these necessary safety net services is the utilization of the 340B drug pricing program. Congress created the 340B Program in 1992 with the intent

of allowing certain safety net hospitals and other covered entities to purchase outpatient drugs at a discount from drug manufacturers. At the time members discussed the intent of the program to allow these hospitals “to stretch scarce Federal resources as far as possible, reaching more eligible patients and providing more comprehensive services.”¹

Under the rules of the 340B program, pharmaceutical companies are required to sell covered outpatient drugs to covered entities at a reduced price. Given the structure of the program, funds are largely generated through the discounts received from drug manufacturers, which allows the program to be self-sustaining with little federal investment. In short, at no cost to taxpayers, the discounts from pharmaceutical companies offer hospitals like Harborview and UW Medical Center essential resources to meet the needs of the communities and patients they serve.

At UW Medicine, the 340B drug pricing program allows us to reinvest drug cost savings back into our safety net charity care services. Because Harborview Medical Center and UW Medical Center provide more combined charity care to uninsured and underinsured patients than any other healthcare system in the state of Washington, the savings generated under the 340B drug pricing program are just one of several contributing sources of funds that allow us to provide that safety net care.

Since receiving your letter, UW Medicine’s pharmacy and finance teams have been hard at work to collect the information and data sets that answer your questions. Unfortunately, as you will see, we cannot answer all of the questions within the two-week deadline given the volume of data requested.

However, we continue to work diligently on gathering data to provide to you and your staff as quickly as possible. In those instances where we have not provided complete answers, we have provided an explanation of the challenges we face in providing an answer by the September 22nd deadline and we provide an estimated date by which we believe we can provide answers to your questions once the data collection is complete. We stand ready to answer any questions or concerns you may have after reviewing our initial response.

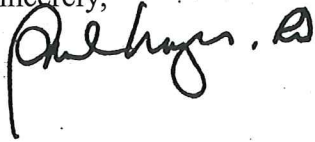
There are several factors that hinder our ability to provide complete information at this time. First and foremost, between 2012 through September 2016, UW Medicine used several different vendor-based purchasing methods to obtain drugs that were 340B eligible for different dispensing units across UW Medicine. Given the funding constraints of being a public safety net hospital, UW Medicine was not able to invest in the software systems we have in place today, which would make this data much easier to produce. As a result, we must request most of the data that you are seeking from several vendor sources in order to then compile the total purchasing figures. Each vendor used unique tracking methods for transactions and data collection, and we are dependent on those vendors providing those data sets to us to answer your questions.

Depending on the vendor and on the data set, UW Medicine did not have a unified, computerized system in place to track the transactions in some instances until 2014 and in other instances, 2016. As a result, we are expecting raw data delivered in a host of mediums ranging from electronic data interchange feeds, portal usage, spreadsheets, to paper copies. Presently, we are working to combine and cull multiple differently compiled data sets to answer the questions. Much of this work must be manually tracked and sorted, hence our time estimates for completion.

¹ H.R. Rept. No. 102-384 (II) at 12 (1992).

Thank you for this opportunity to share our story regarding the 340B drug purchasing program. We consider the program a vital part of our mission to improve the health of the public. We stand ready to answer any questions you have now and our subsequent submittals. We also stand ready to participate in the briefing session you have requested.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul Hayes", followed by a small circular mark.

Paul Hayes, RN
Interim Chief Health System Officer
UW Medicine

Enclosures

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

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

Washington Congressional delegation

Paul Ramsey, MD
Chief Executive Officer, UW Medicine