UW Medicine
HARBORVIEW
MEDICAL CENTER

November 1, 2017

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

The Honorable Morgan Griffith, Vice-Chair
House Subcommittee on Oversight & Investigations
2202 Rayburn House Office Building
Washington, DC 20515-6115

Re: UW Medicine & the Federal 340B Drug Pricing Program

Dear Chairman Walden and Chairman Griffith:

I write to follow up on our initial response to the House Energy & Commerce Committee's letter of inquiry regarding UW Medicine's participation in the federal 340B drug pricing program. As you know, UW Medicine provided an initial response to the Committee's inquiry on September 22nd, 2017 in which we attempted to answer a series of data-intensive questions pertaining to our use of the 340B program. We also indicated that much of the data requested by the Committee was not immediately available and that we were currently working on conducting a manual count and summary to fully answer some of the questions due to the volume and nature of our key data sources. We have worked diligently since receiving the Committee's letter to gather the necessary information and answers to all of the questions posed, and our answers are enclosed.

UW Medicine supports Congress's examination of the 340B program. It is a significant federal program and we believe Congress should evaluate its efficacy and ensure it is operating to maximum impact. We believe UW Medicine exemplifies how critical this program is. 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 critical to operations in this effort. Congress created the 340B Program in 1992 with that intent in mind. We believe our data reflects our commitment to that purpose.

Not only does UW Medicine provide safety net services through charity and uncompensated care, we use funding generated by the 340B program to benefit our community by providing education and services in a non-monetary manner. For instance, our long-term housing services for recovering patients and families, our regional instruction to rural primary care providers through programs like Project Echo and our Tele-pain opioid addiction program, and our education of everyday citizens to care for one another through our "Stop the Bleed" campaign in conjunction with the Department of Homeland Security, are all programs are paid for by utilizing funding saved through the 340B program.

While the Committee considers the application of the 340B program by hundreds of healthcare provider systems throughout their respective communities, we encourage a robust examination of the program

since the United State General Accounting Office (GAO) issued a report in 2012 because healthcare has fundamentally changed in the time since the GAO completed its review. We would be remiss if we did not highlight several important factors that have changed since the report was issued which has impacted healthcare payments to providers receiving the benefits of the 340B program.

First, the GAO Report's conclusions regarding the use of 340B savings assert that that hospitals receive sufficient margins on Medicare services. However, since 2012, Medicare payments to providers have been cut due to Sequestration (2013), enactment of the ACA (2014) and Medicare Disproportionate Share (DSH) reductions (2014).

Second, the GAO reports that many provider systems increased margins by purchasing physician practices from 2008 to 2012. Not referenced is that, from 2007-2015, the sustainable growth rate gave a largely 0% update to freestanding rates and physicians were subject to a threatened rate cut of 24% in each of those years. Also, not referenced is that, for clinics acquired after 2015, hospitals are only paid at freestanding physician rates.

Finally, the GAO Report does not take into account the fact that through Medicaid carve-in/out and proposed Medicare drug payment reductions for Calendar Year 2018, the 340B savings on these programs largely remits to the federal government and not to the hospitals.

As the Committee continues its work in reviewing the program, we hope that you will keep these factors in mind as a more holistic view of large safety net hospital financing. 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 in the future.

Sincerely,

Paul Hayes, R.N.
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

Paul Ramsey, MD
Chief Executive Officer, UW Medicine