

July 9, 2014

Dear Drug Manufacturers:

I am writing on behalf of Scott & White Memorial Hospital (340B ID# DSH450054) (SWMH) to inform manufacturers that SWMH recently underwent an audit by the Health Resources and Services Administration (HRSA) of SWMH's compliance with 340B Drug Pricing Program (340B Program) requirements.

As background, SWMH qualified for the 340B Program as a disproportionate share hospital (DSH) in Temple, Texas (Bell County) and has participated in the 340B Program since April 1, 2006.

Through the audit process, SWMH was found to have been non-compliant within the 340B Program and is responsible for potential repayment as a result of the following finding(s):

1. SWMH dispensed 340B drugs to ineligible individuals.

A) Chemotherapy drugs purchased at 340B and stocked in our SWMH outpatient infusion pharmacy satellite were occasionally dispensed to inpatients and manually recorded on a log in order to track accumulations and then subsequently and intentionally re-purchased with an NDC-match at the GPO price upon accumulation to the unit of purchase.

B) Outpatient drugs purchased at 340B and stocked in our outpatient pharmacy satellite were occasionally dispensed to patients who received services from a non-affiliated physician (local dentist, or other non-SWMH provider) and manually recorded on a log in order to track accumulations and then subsequently and intentionally re-purchased with an NDC-match at the GPO price upon accumulation to the unit of purchase.

2. Scott & White was billing Medicaid contrary to the information contained in the HRSA Medicaid Exclusion File.

This action may have resulted in duplicate discounts as prohibited by 42 USC 256b(a)(5)(A).

SWMH has identified the potentially affected manufacturers and is in the process of contacting each to notify them of these violations to offer to begin a dialogue on a method to determine the potential financial impact. If you have any questions or comments regarding the violations described in this letter please contact:

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Sincerely,

/S/

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