

November 19 2015

Dear Manufacturers,

I am writing on behalf of Sutter Central Valley Hospitals dba Memorial Medical Center (MMC) to inform manufacturers that MMC (DSH050557) recently underwent an audit by the Health Resources and Services Administration (HRSA) of MMC's compliance with 340B Drug Pricing Program (340B Program) requirements.

As background, MMC qualifies for the 340B Program as a Disproportionate Share Hospital and has been enrolled in the 340B Program since September 2008. At the time of the audit, MMC had no contract pharmacy arrangements. Additionally, at the time of the MMC was listed in the HRSA 340B Database as "Memorial Hospital Modesto dba Memorial Medical Center."

Through the audit process, MMC was found to have non-compliance within their 340B Program and responsible for possible repayment as a result of the following findings:

- 1) 340B drugs were not properly accumulated. MMC did not have adequate controls in place to ensure proper accumulation and prevention of diversion of 340B drugs, as prohibited by 42 USC 256b (a)(5)(B).

Regarding Finding 1, the 340B audit and subsequent internal review found two (2) 340B drugs were not appropriately accumulated because MMC's software systems erroneously duplicated a 340B drug administration.

- 2) MMC dispensed 340B drugs to an ineligible individual, as prohibited by 42 USC 256b(a)(5)(B).

Regarding Finding 2, the 340B audit and subsequent internal review found one (1) prescription that was incorrectly deemed 340B eligible due to a patient's electronic status classification.

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MMC strives to create a culture that promotes understanding and adherence to applicable laws. MMC has identified all affected manufacturers and will notify them of these violations to begin a dialogue on a method of repayment. If manufacturers have not received notification from MMC and believe repayment may be owed for the audit findings, or if you have any questions or comments regarding the audit findings, please contact David Chapman, Pharmacy Finance Manager, at (916)286-6543 or ChapmaDW@sutterhealth.org.

Sincerely,

Timothy Noakes
Chief Financial Officer
Memorial Medical Center

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