

July 9, 2014

Dear Manufacturers,

On behalf of St. Luke's Regional Medical Center, Ltd. ("SLRMC") (340B ID# DSH130006) this letter informs manufacturers that SLRMC recently completed an audit by the Health Resources and Services Administration (HRSA) in connection with SLRMC's participation in the 340B Drug Discount Program (340B Program).

Background

SLRMC qualifies for the 340B Program as a hospital that cares for a disproportionate share of low income patients. Located in Boise, Idaho, SLRMC has participated in the 340B Program since July of 2004. In keeping with SLRMC's not-for-profit mission, SLRMC maintains an open-door policy, which means it cares for all patients, regardless of their ability to pay. Thousands of people with no or inadequate health care coverage receive free services each year at SLRMC. For example, in 2013, SLRMC provided charity care at a total cost of over \$17 million. During the same period, SLRMC provided services to patients covered by Medicare, Medicaid, County Indigency, and other government programs for which it was reimbursed less than its costs for providing those services. SLRMC's unreimbursed cost for providing care to beneficiaries of these programs was over \$153 million. The discounts that SLRMC receives from drug manufacturers by participating in the 340B Program are vitally important for ensuring that valuable health care services and prescriptions are provided to the uninsured, underinsured, and other vulnerable populations served by SLRMC.

While SLRMC acknowledges that 340B Program errors may occur, we are committed to complying with 340B Program requirements, as evidenced by the presence of a 340B steering committee within our governance structure. The 340B steering committee includes senior leaders and multiple working groups focused on policy, regulatory, and operational compliance. SLRMC has a dedicated 340B staff that collaborates with pharmacy and other clinical leadership teams. In addition, we conduct monitoring and auditing activities in collaboration with our Internal Audit department.

Audit Finding and Corrective Action

HRSA audited SLRMC in 2012 and issued a finding that "SLRMC dispensed 340B drugs to ineligible individuals as prohibited by 42 USC 256b(a)(5)(B)." The individuals who received 340B drugs were transitioning from outpatient to inpatient status. SLRMC investigated the audit finding thoroughly and elected to accept the finding and to take corrective action by offering repayment to manufacturers. SLRMC identified the additional drug purchase discounts received across all 340B drug purchases for patients who transitioned from outpatient to inpatient status. The value of the unintended discounts is estimated at \$37,000 across 60 manufacturers. Based on our research, no patients were harmed and no overcharges to any patients or other payers occurred.

SLRMC has identified all affected manufacturers and will contact affected manufacturers in accordance with the corrective action plan approved by HRSA. Notification to each affected manufacturer will include a brief summary of the finding, a description of SLRMC's corrective action plan and a list of that manufacturer's drugs subject to a refund offer. If manufacturers have any questions or comments regarding the contents of the letter, please contact Dawn Berheim, Senior Director of Pharmacy, at SLHS340BProgram@slhs.org, or St. Luke's Regional Medical Center, 190 East Bannock, Boise, Idaho 83712.

Sincerely,

/S/

Peter DiDio

Vice President of Finance & Controller