

May 12, 2015

Dear Manufacturers,

I am writing on behalf of Sutter Lakeside Hospital (SLH) to inform manufacturers that SLH (CAH051329-00) recently underwent an audit by the Health Resources and Services Administration (HRSA) of SLH's compliance with 340B Drug Pricing Program (340B Program) requirements.

As background, SLH qualifies for the 340B Program as a Critical Access Hospital and was enrolled in the 340B Program from August 2010 until April 2015, though SLH only participated in the 340B program from August 2010 to July 2013. At the time of the audit, SLH had three contract pharmacies which operated from October 2011 through July 2013.

Through the audit process, the following findings were identified requiring potential repayment to manufacturers:

- 1) SLH dispensed 340B drugs to ineligible individuals at its contract pharmacies, as prohibited by 42 USC 256b(a)(5)(B).

Regarding Finding 1, SLH has identified affected manufacturers and is currently contacting manufacturers to notify them of these findings and determine if repayment is required.

- 2) SLH dispensed 340B drugs to ineligible individuals at the hospital, as prohibited by 42 USC 256b(a)(5)(B).

Regarding Finding 2, SLH conducted a series of comprehensive analyses and found no evidence of diversion within the hospital. Although SLH acknowledges internal control gaps existed, we have found no evidence that would necessitate repayment.

- 5) SLH had inaccurate information in the HRSA Medicaid Exclusion File.

Regarding Finding 5, SLH did not dispense 340B medications to Medi-Cal patients during the audit period. As a result, there should be no duplicate discounts and no repayment necessary.

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SLH strives to create a culture that promotes understanding and adherence to applicable laws. If manufacturers have not received notification from SLH 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,

John Gates
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