



**Association of  
American Medical Colleges**  
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**Darrell G. Kirch, M.D.**  
President and Chief Executive Officer

July 5, 2018

The Honorable Doris Matsui  
2311 Rayburn House Office Building  
Washington, DC 20515

Dear Representative Matsui:

On behalf of the nation's medical schools and teaching hospitals, thank you for introducing the Stretching Entity Resources for Vulnerable (SERV) Communities Act (H.R. 6071). This important legislation would improve the 340B Drug Pricing Program by rescinding the drastic Medicare cuts to certain hospitals that participate in the program, ensuring that pharmaceutical manufacturers are subject to the same level of oversight as other program participants, and clarifying the intent of the program.

The Association of American Medical Colleges (AAMC) is a not-for-profit association dedicated to transforming health care through innovative medical education, cutting-edge patient care, and groundbreaking medical research. Its members are all 151 accredited U.S. medical schools; nearly 400 major teaching hospitals and health systems, including 51 Department of Veterans Affairs medical centers; and more than 80 academic societies. Through these institutions and organizations, the AAMC serves the leaders of America's medical schools and teaching hospitals and their more than 173,000 full-time faculty members, 89,000 medical students, 129,000 resident physicians, and more than 60,000 graduate students and postdoctoral researchers in the biomedical sciences.

We greatly appreciate your support for the 340B program, which enables safety-net hospitals to provide critical services to patients and communities at no cost to taxpayers. Under the calendar year 2018 Outpatient Prospective Payment System (OPPS) final rule, the administration reduced Medicare reimbursements for certain drugs purchased under the 340B program by nearly 30 percent, totaling \$1.6 billion in cuts annually. These unwarranted cuts put a significant strain on the services that safety-net hospitals are able to provide to their patients and communities, including providing free or substantially discounted prescription drugs, establishing and improving neighborhood clinics, bringing mobile units to communities with no local primary care provider or pharmacy, and creating multidisciplinary clinics to treat substance use and mental health disorders.

We are grateful that the SERV Communities Act seeks to enhance the integrity of the 340B program by creating increased parity between covered entity and manufacturer audits. As the bill notes, the Health and Human Services (HHS) Office of the Inspector General (OIG) has issued several reports that found that drug manufacturers are overcharging covered entities for

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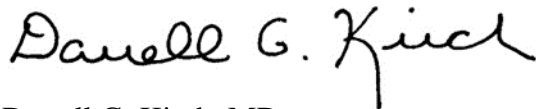
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outpatient drugs. By implementing the ceiling price and civil monetary penalties final rule, this bill would hold drug manufacturers accountable for ensuring covered entities are able to verify the ceiling price and that pricing for covered outpatient drugs does not exceed this ceiling price.

Additionally, this bill would clarify the intent of the 340B program by reiterating its purpose of enabling certain safety-net hospitals to stretch scarce resources to provide vital services to patients and communities and prohibiting the HHS Secretary to narrow the definition of “patient” to reduce the scope of the program.

The AAMC greatly values your continued support and applauds your efforts. We look forward to working with you on this legislation.

Sincerely,

A handwritten signature in black ink that reads "Darrell G. Kirch". The signature is written in a cursive style with a large, prominent "K" and a long, sweeping underline.

Darrell G. Kirch, MD  
President and CEO

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