



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

July 5, 2018

The Honorable David McKinley
2239 Rayburn House Office Building
Washington, DC 20515

The Honorable Mike Thompson
231 Cannon House Office Building
Washington, DC 20515

Dear Representatives McKinley and Thompson:

On behalf of the nation's medical schools and teaching hospitals, thank you for introducing H.R. 4392, which would rescind the administration's policy in the calendar year (CY) 2018 Medicare Outpatient Prospective Payment System (OPPS) final rule to cut Medicare Part B drug payments to safety-net hospitals that participate in the 340B Drug Pricing 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 leadership in support of the 340B program, which enables safety-net hospitals to provide critical services to patients and communities at no cost to taxpayers. Under the 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. This puts 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. A May 2018 report from S&P Global Ratings concludes that the impact of these cuts will weaken the operating performance of safety-net hospitals at a time of already tightening margins.

Previously, Medicare paid for separately payable, non pass-through outpatient drugs (i.e., drugs not included in a bundle or vaccines) at the average sales price (ASP) plus 6%. Under this rule, CMS now pays for drugs purchased under the 340B program at ASP minus 22.5% beginning on

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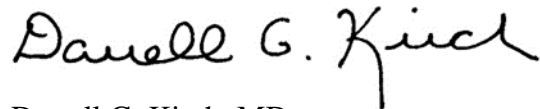
July 5, 2018

Page 2

January 1, 2018. This is a significant reduction targeted at the subset of hospitals that are the nation's safety net, undermining the purpose and benefits of the 340B program and crippling the ability of these crucial hospitals to serve vulnerable and low-income patients.

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

Sincerely,

A handwritten signature in black ink that reads "Darrell G. Kirch". The signature is written in a cursive, flowing style.

Darrell G. Kirch, MD
President and CEO

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Page 2