

Nos. 21-3167, 21-3379, 21-3168, 21-3380, & 22-1617

**IN THE UNITED STATES COURT OF APPEALS FOR
THE THIRD CIRCUIT**

SANOFI-AVENTIS U.S. LLC, *Appellant*,
v.
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES, *et al.*,
Appellees,

NOVO NORDISK INC., *Appellant*,
v.
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES, *et al.*,
Appellees,

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES, *et al.*,
Appellants,
v.
ASTRAZENECA PHARMACEUTICALS LP, *Appellee*.

On Appeals from the United States District Court for the District of New Jersey, Nos. 3:21-cv-634 & 3:21-cv-806 (Hon. Freda L. Wolfson), and the United States District Court for the District of Delaware, No. 1-21-cv-00027 (Hon. Leonard P. Stark)

**BRIEF OF *AMICI CURIAE* NATIONAL ASSOCIATION OF
COMMUNITY HEALTH CENTERS AND RYAN WHITE CLINICS FOR
340B ACCESS IN SUPPORT OF APPELLEES**

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CORPORATE DISCLOSURE STATEMENT

Pursuant to Federal Rule of Appellate Procedure 26.1 and Third Circuit Rule 26.1, *amici curiae* National Association of Community Health Centers (“NACHC”) and Ryan White Clinics for 340B Access (“RWC-340B”) make the following disclosure: both Amici are not-for-profit organizations and do not issue stock. Therefore, no parent companies or publicly held corporations own 10% or more of the stock of the Amici.

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INTERESTS OF AMICI CURIAE

The National Association of Community Health Centers (“NACHC”) and Ryan White Clinics for 340B Access (“RWC-340B”) (collectively the “Amici”), are nationwide non-profit membership associations of safety-net health care providers—Federally-qualified health centers (“FQHCs”) and RWCs—that participate in the 340B Program as covered entities. Both FQHCs and RWCs rely heavily on 340B drug discounts and contract pharmacy arrangements to serve their vulnerable patients.¹ The Court’s decision in these appeals will significantly impact the 340B Program’s intended beneficiaries, including Amici’s safety-net provider members.

Amici submit this brief to provide the Court with the perspective of those beneficiaries, detail how contract pharmacy arrangements enable safety-net providers to receive necessary discounts on outpatient drugs, and describe how the U.S. drug distribution system actually operates, which is critical to understanding the legal issues in this case. The 340B Program entitles safety-net healthcare providers to significant discounts on outpatient drugs at no cost to the federal

¹ FQHCs receive, or are eligible to receive, federal grants under Section 330 of the Public Health Service (“PHS”) Act to serve four patient populations regardless of ability to pay: residents of federally-designated medically underserved areas; homeless individuals; migrant and seasonal farmworkers; and residents of public housing. 42 U.S.C. § 254b(a)(1). RWCs receive federal grants to provide health care and related services to people living with HIV. *See* 42 U.S.C. § 300ff *et seq.*

government. Many covered entities do not have the resources to operate their own in-house pharmacies and can only participate in the program by purchasing drugs for shipment to contract pharmacies, where they are dispensed to the covered entities' patients. The contract pharmacy distribution model is the only viable way that many covered entities—including Amici's members—can participate in and obtain the benefits of the 340B Program. The future of the 340B Program will affect the Amici's members' continued ability to provide critical services and discounted drugs to vulnerable patients.

No party's counsel authored this brief in whole or in part. No party or party's counsel contributed money intended to fund this brief. Amici NACHC and RWC-340B contributed funding to this brief. Amici RWC-340B also received funding from RxStrategies, Inc. and Wellpartner, LLC to prepare and submit this brief.

All parties consent to the filing of this brief.

INTRODUCTION

The 340B Program is indispensable to help offset the costs to safety net providers of furnishing uncompensated and under-compensated care. Covered entities have long relied on 340B savings, and without them, many would be forced to restrict or curtail services or even cease operations. Without the drug discounts covered entities receive under the 340B Program, taxpayers would

absorb the costs of the uncompensated care these providers are required to furnish. From 1996 until late 2020, Appellants sold their drugs to covered entities at 340B discounted prices when shipped to contract pharmacies. This suit arose as part of Appellants' campaign to undermine the 340B Program by cutting off discounts on drugs shipped to covered entities' contract pharmacies, imperiling safety-net providers and their patients.

Appellants radically reinterpret the 340B statute and their obligations under their Pharmaceutical Pricing Agreements ("PPAs") with the Department of Health and Human Services ("HHS"). Appellants contend that the 340B statute and PPAs do not require them to offer 340B discounted drugs if those drugs are distributed through a contract pharmacy. Appellants are wrong. The 340B statute governs pricing, not distribution. It unambiguously requires drug manufacturers to provide covered entities with discounts on all covered outpatient drugs. The statute's silence on drug distribution generally, and contract pharmacies in particular, does not create ambiguity. The statute does not limit distribution at all, and drugs in this country are distributed by many means, including contract pharmacies. The statute does not allow drug manufacturers to limit or restrict their *own obligation* to provide discounts. Instead, the statute intentionally leaves distribution decisions to covered entities as governed by preexisting state and federal regulations. Indeed,

Congress confirmed this statutory design and intent when it considered and rejected bills that would have placed limits on the distribution of 340B drugs.

If the Court adopts Appellants' reading, drug manufacturers may unilaterally broaden their policies to apply to all covered entities, effectively shutting Amici's members out of the 340B Program with little recourse. Moreover, if Appellants prevail, drug manufacturers will be free to further condition their own statutory and contractual 340B pricing duties, including by attacking access at other components of the complex U.S. drug distribution system. The nation's healthcare safety-net will continue to be significantly harmed if the Court supports Appellants' unilateral decision to restrict the sale of 340B drugs to covered entities simply because the drugs reach their patients through contract pharmacy arrangements. Amici urge the Court to protect the nation's health care safety-net as Congress intended when it enacted the 340B Program by requiring drug companies to discount covered outpatient drugs regardless of where medications are dispensed to covered entity patients.

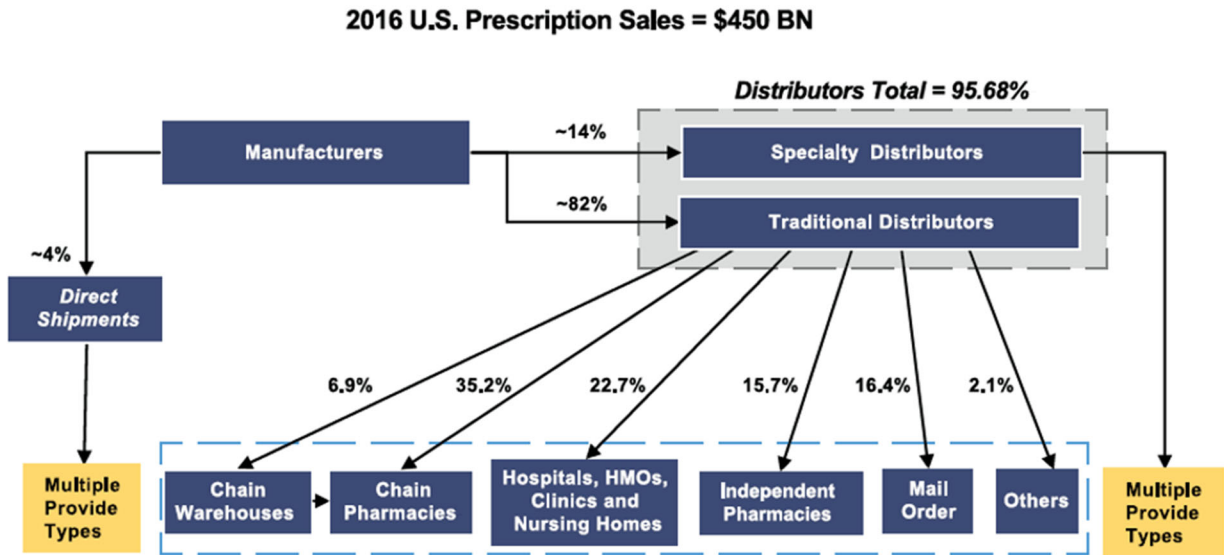
BACKGROUND ON U.S. DRUG DISTRIBUTION

The U.S. drug distribution system is complex. Drugs are distributed via numerous mechanisms, only one of which is contract pharmacies. A short summary of the more common elements of drug distribution is provided to aid the Court's understanding of the broader context of this dispute.

Wholesalers distribute the large majority of drugs in the U.S. See Terry Hisey *et al.*, Healthcare Distrib. All. & Deloitte Consulting LLP, The Role of Distributors in the US Health Care Industry (2019) [hereinafter “Deloitte Report”].² Wholesalers are not only custodians of a manufacturers’ drugs. They also purchase and take title to the drugs before reselling them to pharmacies and providers. *Id.* at 11. As a result, the drugs shipped by a manufacturer in response to a particular pharmacy’s order are not the same drugs the wholesaler delivers on the manufacturer’s behalf. They do not have to be the same because prescription drugs are manufactured in such a precise and reproduceable manner that they are treated in the commercial market as fungible. They share the same labeling, chemical composition, and administration route but are otherwise different products. The fungibility of prescription drugs in the U.S. enables wholesalers, rather than manufacturers, to be the primary suppliers of drugs, including 340B drugs. The chart below depicts the essential role that wholesalers/distributors serve in the U.S. pharmaceutical market.

² <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/life-sciences-health-care/us-hda-role-of-distributors-in-the-us-health-care-industry.pdf>. The terms “wholesaler” and “distributor” are often used interchangeably. See, e.g., 21 U.S. Code § 360eee(29) (defining “wholesaler distributor”).

Flow of U.S. Prescription Sales (\$B) and Contribution by Dispenser Type (%)



Healthcare Distrib. All. Rsch. Found., *The Role of Reverse Distribution* 6 (2018), <https://pharmalinkinc.com/wp-content/uploads/2018/11/2018-Role-of-Reverse-Distribution.pdf>.

Wholesalers typically buy their drugs from manufacturers at wholesale acquisition cost (“WAC”). Deloitte Report at 10. If they resell the drug at a lower cost, which is often the case, they are made whole by the manufacturer by submitting a “chargeback” invoice for the difference between WAC and the price paid by the pharmacy or provider. *Id.*

Consignment arrangements permit hospitals, pharmacies, and other providers to obtain physical possession of on-site inventories of high-cost drugs,

while legal title remains with the wholesaler or manufacturer.³ After the drug is furnished to a patient, the consignment vendor bills the pharmacy or provider for the drug's cost.

Contract Pharmacies, as the name suggests, are pharmacies or pharmacy companies that contract with health care providers. Typically, drugs dispensed by contract pharmacies are purchased under a “bill to/ship to” arrangement in which the drugs are billed to the health care provider but shipped to the contract pharmacy. See HRSA, *FAQs, What Is a “Ship to Bill to” Arrangement?* (July 2020).⁴ The provider purchaser takes title to the drugs but not physical possession of them and directs their shipment, usually by a wholesaler, to the contract pharmacy, which then takes physical custody of the drugs and dispenses them on the provider's behalf. Contract pharmacy arrangements are common and not unique to the 340B program. See, e.g., Fed. Trade Comm'n, University of Michigan Advisory Opinion Letter to Dykema Gossett (Apr. 9, 2010); 134 Cong. Rec. H6971-02 (1988) (statement of Rep. Charlie Rose: “health centers often include onsite pharmacies or agreements with community pharmacists to ensure

³ *Consignment Program*, CardinalHealth, <https://www.cardinalhealth.com/en/solutions/specialty-distribution/consignment.html> (last visited May 16, 2022).

⁴ <https://www.hrsa.gov/opa/faqs/index.html/>.

that the medicines needed to treat or control these chronic conditions are available”).

Repackagers take a drug from its original manufacturer packaging and place it into smaller, often simpler, packaging, or combine various finished products for ease of dispensing at health care facilities. *See* 21 C.F.R. § 207.1. Repackaging is typically regulated under both federal and state law. Repackagers may provide such services on contractual basis, despite never taking legal title to the drugs. Similar to contract pharmacies, repackagers often rely on bill to/ship to arrangements for shipment and receipt of the drugs prior to repackaging.

Relabelers change the existing label or labels on a drug or drug package without repacking the drug. *Who Must Register, List and Pay the Fee*, FDA (Sept. 27, 2018), <https://www.fda.gov/medical-devices/device-registration-and-listing/who-must-register-list-and-pay-fee#relabeler>. Relabelers often help reduce manufacturer burden by printing new labels, changing artwork, or adding warning stickers to drug packages.

Warehousing/third party logistics providers are hired by manufacturers, wholesalers, and pharmacies to coordinate drug storage and provide other logistical drug distribution services. These third parties neither take ownership of the product, nor have responsibility to direct the product’s sale or disposition. 21

U.S.C. § 360eee(22). They are generally required to be licensed under state and federal law. 21 U.S.C. § 360eee-3.

Reverse Distributors move unsold, saleable pharmaceutical inventory within the supply chain or remove unsaleable inventory from it. *The Role of Reverse Distribution* at 1. Depending on the product, reverse distribution may occur through manufacturers, wholesalers, or reverse logistics providers. *Id.* at 3. An estimated 120 million units with a product value in excess of \$14 billion flow through the combined saleable and unsaleable pharmaceutical reverse distribution channel annually. *Id.* at 1, 15.

ARGUMENT

I. The 340B Statute Unambiguously Obligates Manufacturers to Provide Discounted Drugs Regardless of Delivery Location

Appellants' refusal to provide 340B pricing to eligible covered entities, simply because the drugs they purchase are shipped to and dispensed by contract pharmacies, is a clear violation of the 340B statute and Appellants' PPAs with HHS. The statute broadly requires manufacturers to provide discounts on all covered outpatient drugs regardless of how covered entities dispense the drugs to their patients. Congress has traditionally left regulation of the complex U.S. drug distribution system to the states. The absence of any mention in the 340B statute of any one of the multiple channels and entities typically involved in drug distribution—including not only contract pharmacies but also wholesalers,

repackagers, brokers, and third-party logistics providers, among others— demonstrates Congress’s intent that covered entities obtain discounted drugs through existing mechanisms, including contract pharmacies. The 340B statute, by design, leaves those practical decisions to the covered entity within the pre-existing and complex laws of the state(s) in which they operate.

This Court should reject Appellants’ self-serving effort to restrict or condition their own statutory pricing obligations, including by limiting how 340B drugs are distributed. Such an interpretation would effectively gut the law by allowing manufacturers to avoid offering discounts at all.

A. The Statute’s Plain Text Requires Manufacturers to Sell Discounted Drugs and Places No Restrictions on Distribution

The 340B statute’s plain text unambiguously requires drug manufacturers, such as Appellants, to sell covered outpatient drugs to covered entities at statutorily determined prices regardless of the site of delivery or dispensation. 42 U.S.C. § 256b. The statute requires drug manufacturers to enter into a PPA under which the manufacturer agrees to sell covered outpatient drugs to covered entities at or below the 340B ceiling price as a condition of coverage of those drugs under Medicaid and Medicare Part B. 42 U.S.C. § 1396r-8(a)(1); 42 U.S.C. § 256b(a)(1). The PPA must “require that the manufacturer offer each covered entity covered

outpatient drugs for purchase at or below the applicable ceiling price if such drug is made available to any other purchaser at any price.” *Id.*

Indeed, HHS, through its Health Resources and Services Administration (“HRSA”), has correctly interpreted the 340B statute to require drug companies to sell discounted drugs for shipment to covered entities’ contract pharmacies. *See, e.g.,* Contract Pharmacy Notice, 61 Fed. Reg. 43,549–50 (Aug. 23, 1996) (“There is no requirement for a covered entity to purchase drugs directly from the manufacturer or to dispense drugs itself ... Congress envisioned that various types of drug delivery systems would be used to meet the needs of the very diversified group of 340B covered entities.”). In 1996, HRSA stated, “[i]f the entity directs the drug shipment to its contract pharmacy, we see no basis on which to conclude that section 340B precludes this type of transaction or otherwise exempts the manufacturer from statutory compliance.” *Id.* In 2010, the Secretary reconfirmed the agency’s longstanding interpretation that covered entities are entitled to 340B discounts on drugs shipped to a contract pharmacy, acknowledging that covered entities may enter into multiple contract pharmacy arrangements. Notice Regarding 340B Drug Pricing Program-Contract Pharmacy Services, 75 Fed. Reg. 10,272, 10,275 (Mar. 5, 2010).

HHS’s May 17, 2022, letters to Appellants and other drug manufacturers restate what all participants in 340B have long understood: “[n]othing in the 340B

statute grants a manufacturer the right to place conditions on its fulfillment of its statutory obligation to offer 340B pricing on covered outpatient drugs purchased by covered entities.” JA __[21-806.VLTR.7], JA __[21-806.VLTR.9-10], JA __[21-806.VLTR.1-2].

B. The 340B Statute Leaves Drug Distribution Regulation to the States and Dispensing Decisions to Covered Entities

The statute’s silence on contract pharmacies is not a grant of authority to drug manufacturers to limit their own 340B obligations. Congress has traditionally left most regulation of drug distribution to the states. Permissible drug distribution takes many forms, including distribution by wholesalers, consignment arrangements, repackagers, and relabelers. Appellants’ arguments, if accepted, would empower manufacturers to restrict or deny 340B sales when drugs are distributed via any of these common mechanisms. Congress clearly did not intend this result in a statute designed to provide broad assistance to safety net providers “to stretch scarce Federal resources as far as possible, reaching more eligible patients and providing more comprehensive services.” H.R. Rep. No. 102-384, pt. 2, at 12 (1992).

When the 340B statute was enacted, there was a preexisting and complex framework of state and federal laws regulating drug distribution. *See, e.g.*, Prescription Drug Marketing Act of 1987, Pub. L. No. 100-293, §6, 102 Stat. 95, 98-99 (1988) (regulating wholesale distributors of prescription drugs under both

state and federal law); Comprehensive Drug Abuse Prevention and Control Act of 1970, Pub. L. No. 91-513, § 303, 84 Stat. 1236, 1253-54 (1970) (regulating distribution of controlled substances under both state and federal laws). By *not* inserting additional requirements for 340B drug distribution into this legal framework, such as dictating permissible shipment and dispensing locations, Congress made clear that covered entities may avail themselves of any existing, established mechanism for delivering 340B drugs to their patients.

1. The 340B Statute Regulates Drug Pricing and Does Not Limit Distribution

The 340B statute governs the sale and purchase of 340B drugs and dictates to whom 340B drugs may be dispensed or administered. 42 U.S.C. § 256b. It thus regulates the beginning and end of a drug's journey from manufacturer to patient, but not the journey itself. The path that a drug travels from a drug company's manufacturing plant to the patient is long and circuitous in the U.S. drug market. When Congress drafted and enacted the 340B statute, it intentionally chose not to specify or place limits on the mechanisms available to covered entities and manufacturers for delivering 340B drugs to patients. A ruling in Appellants' favor could permit manufacturers to dictate unilaterally how 340B drugs are distributed, or even to limit distribution to direct sales, eviscerating section 340B by depriving its intended beneficiaries of the discounted pricing it is designed to provide.

Congress considered placing geographical limitations on 340B drug distribution as part of the 340B statute, but purposefully declined to do so. Eight months before enacting the 340B statute, the Senate considered a precursor bill with several limits on drug distribution, including defining a covered entity as an entity capable of dispensing 340B drugs through “on-site pharmacy services.” S. Rep. No. 102-259, at 2 (1992) (considering S. 1729, 102d Cong. (1992)). Under the Senate’s proposed legislation, the distribution of 340B drugs was limited to on-site pharmacies using one of two options: “distribution with respect to drug purchases must be made through wholesalers,” and direct distribution from manufacturers was the “secondary means of drug distribution.” *Id.* at 3, 9 (emphasis added).

Contract pharmacy distribution was explicitly discussed during the statute’s enactment. *Bills to Amend the Public Health Service Act and the Social Security Act to Establish Limits on Certain Drug Prices, Hearing on H.R. 2890, H.R. 3405 and H.R. 5614 Before the Subcomm. on Health and the Environment of the H. Comm. on Energy and Commerce, 102d Cong. 77-82 (1992)* (statement of Jose Camacho on behalf of NACHC) (testifying that federally mandated 340B drug distribution requirements “would [not] be the most efficient distribution arrangement [for health centers] due to the ... disruption of ... distribution avenues” and that of 141 health centers surveyed, only 75 operated their own

pharmacies); *id.* at 285 (statement of John Rector, Vice President of Gov't Affs. & Gen. Counsel, Nat'l Ass'n of Retail Druggist) (testifying that drug distribution to contract pharmacies was a common practice for nonprofit hospitals well before the 340B statute's enactment and that "special contracts ... [were] written for nonprofit sales [to nonprofit hospitals], but the regular private drug distribution system [was] used to store and deliver the product"). Congress therefore understood that each type of covered entity had differing distribution needs.

Congress chose not to adopt any distribution limits in the final 340B statute and instead left the regulation of 340B drug distribution to existing federal and state laws. Notably, the statute did not contain a single reference to the terms "wholesaler," "distribute," or "pharmacy."⁵ 42 U.S.C. § 256b (1992). The term "wholesaler" was first included in the 340B statute in 2010 as a "program integrity" provision to ensure "*manufacturer compliance.*" 42 U.S.C. § 256b(d)(1)(B)(v) (2010) (emphasis added) (authorizing HHS to audit "manufacturers and wholesalers").

The House report accompanying the 340B statute indicates that Congress's silence on distribution was intended to accommodate covered entities' distribution

⁵ The original 340B statute only used the term "distribution" to refer to the 340B "prime vendor program under which covered entities may enter into contracts with prime vendors for the distribution of covered outpatient drugs." 42 U.S.C. 256b(a)(8). Rather than placing a limit on distribution, Congress created an additional distribution mechanism under the prime vendor program.

needs rather than limit their purchases. The report stated, “The Committee bill does not limit the amount of drugs that a ‘covered entity’ may procure[,] ... does not authorize the Secretary *to limit in any way* the volume of purchases that can be made at the [340B] price,” and “does not specify whether ‘covered entities’ would receive these favorable prices through a point-of-purchase discount, through a manufacturer rebate, *or through some other mechanism.*” H.R. Rep No. 102-384, pt. 2, at 15 (1992) (emphasis added). That report further stated, “A mechanism that is appropriate to one type of ‘covered entity,’ such as community health centers, may not be appropriate to another type, such as State AIDS drug purchasing programs,” and “[t]he Committee expects that the Secretary of HHS ... will use the mechanism that is the most effective and most efficient *from the standpoint of each type of ‘covered entity.’*” *Id.* (emphasis added). This report demonstrates Congress’s clear intent to provide covered entities broad flexibility to procure 340B drugs, including through contract pharmacies used by many health care providers.

The notion that the 340B statute can be read to preclude bill to/ship to arrangements while saying nothing about wholesaler arrangements—through which most prescription drugs in the U.S. are distributed—is especially irrational. Prescription drugs may not legally be shipped directly from a manufacturer to a patient because they must be dispensed by a licensed pharmacy or health care

provider pursuant to a valid prescription. Manufacturers must instead ship their drugs to a licensed pharmacy or health care provider. But manufacturers rarely ship prescription drugs directly to pharmacies and providers. Over 90 percent of prescription drugs in the U.S. are distributed by wholesalers on manufacturers' behalf. *See, e.g.*, Deloitte Report at 4. This is true regardless of whether the drug is purchased from the wholesaler under a 340B or non-340B account. The prevalence of contract pharmacies is nowhere near the 90-95 percent utilization rate of wholesaler arrangements.

Given the diversity and continued evolution of drug distribution arrangements in this country, it was both understandable and prudent that Congress did not address them in the 340B statute. Congress relied on existing laws that already regulated distribution. Congress's silence on 340B drug distribution does not create a sweeping exception to the statute. *See Bostock v. Clayton Cnty.*, 140 S. Ct. 1731, 1753 (2020) (“Nor is there any such thing as a ‘canon of donut holes.’”).

2. Congress Has a Long History of Relegating Oversight of Drug Distribution to the States

Congress has long recognized the role of states in regulating the distribution of prescription drugs and the health care professionals that dispense them to patients. *See, e.g., Wyeth v. Levine*, 555 U.S. 555, 578-79 (2009) (noting Federal Drug Administration (“FDA”) has long regarded state law “as a complementary

form of drug regulation” that “offers an additional, and important, layer of consumer protection”); *see also, e.g.*, The Prescription Drug Marketing Act of 1987, 21 U.S.C. § 503 *et seq.* (requiring wholesalers to obtain licenses from *each state* in which the wholesaler operates); Drug Supply Chain Security Act of 2013, 21 U.S.C. § 353(e) (requiring wholesalers to be licensed by the State from which, and to which, the drug is distributed); *id.* § 360eee-2 (requiring the FDA to establish national standards for the state licensure of wholesalers to curb counterfeit drugs). The FDA approves new drugs as safe and effective but has very limited authority to dictate how a pharmacy or provider may receive the drug. *See Am. Pharm. Ass’n v. Weinberger*, 377 F. Supp. 824 (D.D.C. 1974), *aff’d*, 530 F. 2d 1054 (D.C. Cir. 1976) (FDA lacks statutory authority to control post-approval distribution of methadone to certain pharmacies and providers); *see also*, 21 U.S.C. § 355-1 (authorizing FDA to require post-approval risk evaluation and mitigation strategies solely for certain high-risk drugs).

States have traditionally shared authority with the federal government over the licensing and conduct of drug manufacturers and wholesale drug distributors. For example, in New Jersey, wholesalers must meet specific application requirements and evaluation criteria to satisfy necessary registration requirements. N.J. Stat. Ann. §§ 8:21-3A.4 to 3A.6. In Delaware, it is unlawful to engage in wholesale distribution without first meeting proper qualifications and state

licensure requirements. Del. Code Ann. tit. 24, §§ 2507-09. To allow the distribution of controlled substances, Delaware, New Jersey, and Pennsylvania all require a distributor be registered in their states and meet certain record keeping requirements. Del. Code Ann. tit. 16, §§ 4732, 4738; N.J. Stat. Ann. §§ 24:21-10, 21-13; 35 Pa. Cons. Stat. §§ 780-106, 112. The Pharmaceutical Research and Manufacturers of America (“PhRMA”), a trade association that includes Appellants as members, explicitly recognized states’ police powers over drug distribution in the context of a covered entity’s use of 340B contract pharmacies. *See* Plaintiff’s Complaint ¶ 37, *PhRMA v. Shalala*, No. 1:96-cv-1630 (D.D.C. July 12, 1996) (citing Florida and Georgia controlled substance distribution laws and arguing that “[n]othing in Section 340B preempts state [controlled substance] laws”).

When Congress enacted the 340B statute, it was aware of the existing legal framework for distributing drugs. Congress’s silence on distribution was therefore the exact opposite of an invitation for manufacturers to impose their own limitations on the program. If Appellants’ arguments prevail, drug companies would be free to condition 340B pricing on every iteration of each component of the distribution system, which would render the 340B statute ineffective and compromise the nation’s public health against Congress’s unambiguous intent.

II. Appellants Misrepresent the Nature of Contract Pharmacies, Which Covered Entities Have Used for More Than Two Decades to Dispense Drugs to Their Patients

Appellants' opening briefs mischaracterize the contract pharmacy model as an unconstitutional windfall for large, corporate chain pharmacies. Sanofi Br. at 52; Novo Br. at 27. But contract pharmacies do not purchase 340B drugs. The covered entity, in a bill to/ship to arrangement, buys drugs at 340B discounts and directs the drugs to be shipped to a contract pharmacy, which stores and dispenses the drugs to the covered entity's patients, and, importantly, remits third-party payments and/or patient co-payments to the covered entity, minus the pharmacy's fee. Contract pharmacies provide needed pharmaceuticals and convenience to often underserved communities.

Most illnesses and injuries are treated or managed through one or more medications. Providers of health care—such as the Amici's members—must ensure that their patients have access to a pharmacy to fill their prescriptions. Some providers own and operate their own in-house pharmacies. However, because the construction and management of a pharmacy is expensive and requires special expertise, many providers contract with independently owned pharmacies to meet the needs of their patients. *See, e.g.,* McKesson Ed. Staff, *Starting a Pharmacy*, McKesson (Oct. 8, 2018), <https://www.mckesson.com/Blog/Pharmacy-Ownership/> (estimating that the cost of establishing a pharmacy is between

\$350,000 to \$450,000). In most cases, these contract pharmacies are located in the provider's service area in locations that are convenient and accessible to the provider's patients. Wholesalers do not establish 340B accounts for contract pharmacies because contract pharmacies are not eligible for these discounts.

It became abundantly clear after passage of the 340B statute in 1992 that, if covered entities could not acquire drugs through bill to/ship to arrangements, many of them—specifically those lacking in-house pharmacies—would never have been able to participate in the 340B Program, even though they clearly met the eligibility criteria established by Congress. In 1996, HRSA thus issued guidance explicitly recognizing covered entities' existing right to use bill to/ship to arrangements for meeting their patients' pharmacy needs. Contract Pharmacy Notice, 61 Fed. Reg. at 43,549–50. For nearly three decades, every drug company participating in the 340B Program, including Appellants, honored bill to/ship to arrangements and treated contract pharmacies the same as in-house pharmacies.

Contract pharmacy arrangements are not unique to the 340B Program. They are used whenever a purchaser wishes to use an independent pharmacy to dispense prescription drugs on the purchaser's behalf. The availability and use of bill to/ship to arrangements outside the 340B Program has been explicitly recognized by the Federal Trade Commission ("FTC"). In 2010, the FTC issued an advisory opinion affirming the right of certain non-profit organizations to contract with

retail pharmacies for dispensing drugs subject to discounts within the parameters of the Robinson-Patman Antidiscrimination Act and the Non-Profit Institutions Act (“NPIA”). Fed. Trade Comm’n, University of Michigan Advisory Opinion Letter to Dykema Gossett (Apr. 9, 2010). The FTC examined and approved the same bill to ship to model used in the 340B Program with only one difference—the drugs dispensed by the contract pharmacies were subject to discounts obtained under the NPIA, not the 340B statute. *Id.*

Appellants also take issue with the “replenishment model,” in which a contract pharmacy dispenses a non-340B drug to a covered entity’s patient from the pharmacy’s inventory, and the covered entity then places a replenishment order for the same drug at 340B discounted prices. Contrary to Appellants’ assertions, the replenishment model is merely an accounting tool, which reconciles all 340B and non-340B sales after the fact, thereby ensuring that 340B discounted drugs are dispensed only to the covered entity’s patients. Far from causing diversion to ineligible patients in violation of the 340B statute, the replenishment model’s reconciliation process serves as an accurate and effective means to protect *against* 340B drugs being dispensed to individuals who are not patients of the covered entity.

As an alternative to the replenishment model, pharmacies may maintain a supply of drugs that the covered entity has pre-purchased at 340B discounts. *See*

U.S. Dep't of HHS, Off. of Inspector Gen., OEI-05-13-00431, Contract Pharmacy Arrangements in the 340B Program 5 (2014). The pre-purchased inventory model, however, is a poor fit for most 340B contract pharmacy arrangements for at least two reasons. First, a pre-purchased inventory is an expense to the covered entity in advance of a potential prescription. Such inventory will go to waste if it expires before any covered entity patients need the drug. Second, the pharmacy often does not know whether the individual who presented the prescription is a patient of a covered entity at the time the prescription is dispensed. Without that real-time information, the pharmacy cannot effectively use a pre-purchased 340B inventory. In contrast, under the replenishment model, the pharmacy fills all prescriptions from its inventory, and that inventory is replenished with 340B drugs purchased by the covered entity only if the contract pharmacy filled prescriptions for the covered entity's own patients, as determined outside the bustle of the pharmacy environment.

Appellants' misunderstanding about the replenishment model extends to its impact on prohibited Medicaid duplicate discounts. *Sanofi Br.* at 16; *Novo Br.* at 26. The replenishment model actually helps *prevent* duplicate discounts. The 340B statute protects manufacturers from providing a 340B discount and a Medicaid rebate on the same drug. 42 U.S.C. § 256b(a)(5)(A). To comply with this requirement, some covered entities "carve out" Medicaid patients, which

means that these covered entities do not dispense 340B discounted drugs to any Medicaid patients. *See Duplicate Discount Prohibition*, HRSA (July 2020).⁶ However, patients are often retroactively enrolled in Medicaid, and an individual's Medicaid status may not be known at the time the prescription is filled. Because replenishment occurs after the point of sale, the covered entity tends to have more current, updated information on its patients' Medicaid status when determining 340B eligibility. The replenishment model thus helps ensure that manufacturers are protected from paying duplicate discounts.

The Supreme Court has endorsed an inventory replenishment system as compliant with a statutory scheme analogous to 340B. The Supreme Court analyzed whether hospital purchases through group purchasing organizations are consistent with federal antitrust law, which, like 340B, permits certain health care providers to purchase discounted drugs for some patients. *Abbott Laboratories v. Portland Retail Druggists Ass'n, Inc.*, 425 U.S. 1, 3-4 (1976). The Supreme Court *recommended* a replenishment system where providers manage their inventories according to general accounting principles by adjusting inventories at a later date. *Id.* at 20-21. There is nothing nefarious or unusual about replenishment inventory systems, which serve the needs of both covered entities and manufacturers.

⁶ <https://www.hrsa.gov/opa/program-requirements/medicaid-exclusion/index.html>.

III. Eliminating 340B Contract Pharmacy Shipments Would Inflict Significant Harms on All Covered Entities and Their Patients and Compromise Vital Safety-Net Services Throughout the Nation

Covered entities provide vast uncompensated or undercompensated safety-net services through 340B savings, much of which is attainable only through contract pharmacy arrangements. Covered entities, on the front lines of caring for our nation's most vulnerable patients, use 340B discounts to support their missions of increasing access to care, improving health outcomes, and fortifying the nation's safety net. Appellants' unilateral denial of 340B pricing is antithetical to Congress's design of the 340B Program, which is intended to expand care to patient populations served by safety net providers. Without 340B savings, covered entities cannot possibly "reach[] more eligible patients and provid[e] more comprehensive services" to those patients. H.R. Rep. No. 102-384, pt. 2, at 12 (1992). Drug manufacturers' deprivation of 340B Program benefits have already harmed covered entities, patients, and broader communities because covered entities have had to reduce critical 340B-funded services. Eliminating 340B contract pharmacy arrangements will harm our nation's most vulnerable communities by denying them affordable medications, critical health care, and related services that covered entities provide through the 340B Program.

A. Covered Entities Use 340B Contract Pharmacy Savings to Provide Deep Discounts on High-Cost Medications to Eligible Patients

The 340B Program enables covered entities to provide discounted drugs to financially needy patients. Because 340B discounted prices are significantly lower than non-340B prices, patients who previously relied on obtaining medications at the 340B cost must now pay much higher costs. Glover Aff. ¶ 30.⁷ Covered entities, or their patients, are now bearing the increased cost of drugs manufactured by Appellants for prescriptions filled at contract pharmacies. Auclair Aff. ¶¶ 26, 30.⁸ Appellants' policies cutting off 340B pricing at contract pharmacies will cause many patients to lose affordable access to life-sustaining diabetes, hypertension, asthma/chronic obstructive pulmonary disease ("COPD"), and heart disease medications. JA__ [21-806.VLTR.7274] (Rickertsen Aff. ¶ 30). For example, FamilyCare, a West Virginia-based FQHC, has a drug discount program allowing indigent patients to pay only FamilyCare's cost for the drug. Glover Aff. ¶ 17.

⁷ The following declarations were submitted as exhibits in *Sanofi-Aventis U.S., LLC v. Becerra*, No. 3:21-cv-00634 (D.N.J. Mar. 4, 2021), ECF No. 36-3: Declaration of Craig Glover, FamilyCare Health Center ("FamilyCare") (Ex. A, "Glover Aff."); Declaration of Terri S. Dickerson, FamilyCare (Ex. B, "Dickerson Aff."). *Novo Nordisk Inc v. HHS*, No. 3:21-cv-00860 (D.N.J. June. 29, 2021), ECF No. 56-1 contains the Declaration of D. Tucker Slingerland, CEO of Hudson Headwaters Health Network (Ex. C, "Slingerland Aff."). *RWC-340B v. Azar*, No. 1:20-cv-02906 (D.D.C. Nov. 23, 2020), ECF No. 24 contains the Declaration of Peter Johnson, Springhill Medical Center (Ex. D, "Johnson Aff.").

⁸ The Declaration of Gail Auclair, Little Rivers Inc., is Exhibit E ("Auclair Aff.").

Through contract pharmacies, uninsured and under-insured covered entity patients get their prescriptions at convenient locations, often at a greatly reduced or no cost. FQHCs and RWCs care for increasing numbers of patients with chronic conditions managed primarily through prescription drugs. Auclair Aff. ¶ 11; Glover Aff. ¶ 15. With discounted drugs no longer available at covered entities' contract pharmacies, many covered entity patients lost access to lifesaving medications.

Covered entities serving remote or rural areas in particular have lost access to discounted drugs over large geographic areas, making it nearly impossible for their patients to access affordable medications. For example, Hudson Headwaters Health Network (“HHHN”), an FQHC based in upstate New York, provides care to over 90,000 patients across a 7,000 square-mile area that HHS designated as a Health Professional Shortage Area. Slingerland Aff. ¶ 10. HHHN's service area has only one major road that traverses from north to south, other roads are often impassable in the winter, and the service area is generally not served by public transport. Slingerland Aff. ¶ 10. HHHN uses contract pharmacies to minimize the many “geographic and logistical barriers” that its patients face to access affordable medications. Slingerland Aff. ¶ 10.

B. Covered Entities Rely on 340B Contract Pharmacy Savings to Pay for Necessary and Required Health Care and Related Services

Amici's members use 340B Program savings to subsidize the cost of important and life-saving health care services. For insured patients, covered entities benefit from the difference between the 340B price and the insurer's payment for the drug. Covered entities use these funds to supplement their federal grants and other program income, thereby "reaching more eligible patients and providing more comprehensive services" as Congress intended. H.R. Rep. No. 102-384, pt. 2, at 12 (1992). Many of the programs and services that covered entities support with 340B savings are critical to treating the whole patient, but are not reimbursed by public or private insurance, and are often most needed by patients who lack insurance altogether. Auclair Aff. ¶¶ 20-21; Glover Aff. ¶ 15; Johnson Aff. ¶ 10; Slingerland Aff. ¶ 7; JA__ [21-806.VLTR.7274] (Simila Aff. ¶ 18). Congress designed the 340B Program to provide a funding stream for just these sorts of programs and services.

Many 340B safety-net providers do not have the financial resources necessary to bear the additional costs of drugs for financially needy patients. Auclair Aff. ¶¶ 25-26; Glover Aff. ¶ 27; Dickerson Aff. ¶ 9. Little Rivers Health Care, Inc., located in Wells River, Vermont, has consistently operated at a loss, with operating expenses barely exceeding its revenue in 2020 but thanks only to federal COVID-19 relief funds. Auclair Aff. ¶¶ 23-24. Little Rivers calculates

that it has lost, and will continue to lose, approximately \$315,000 in 340B savings and revenue as a result of drug company policies that restrict or eliminate 340B pricing on drugs shipped to Little Rivers' contract pharmacies. Auclair Aff. ¶ 22. If Little Rivers continues to lose these savings, it will inevitably have to cut or eliminate services. Auclair Aff. ¶¶ 25, 29, 31.

HHHN estimates that it will lose \$8,400,000 in revenue due to manufacturers cutting off access to 340B drugs at contract pharmacies. Slingerland Aff. ¶¶ 20-23. Community HealthCare System in St. Marys, Kansas announced that it is closing its emergency room and reducing its inpatient beds due, in part, to manufacturers' restrictive 340B contract pharmacy policies. Sarah Motter, *Community HealthCare System in St. Marys to Close Emergency Room Doors, Adjust Services*, WIBW (Apr. 28, 2021).⁹

Many covered entities, including Amici's members, rely entirely on contract pharmacies to dispense covered outpatient drugs to their patients. *See, e.g.*, Auclair Aff. ¶ 18; Glover Aff. ¶ 18; Slingerland Aff. ¶ 10. For some covered entities, 340B Program revenue has meant the difference between remaining in operation and closing. Springhill Medical Center ("Springhill") is a not-for-profit, 58-bed hospital located in Springhill, Louisiana, and the net revenue from the 340B

⁹ <https://www.wibw.com/2021/04/28/community-healthcare-system-in-st-marys-to-close-emergency-room-doors-adjust-services/>.

Program is the difference between keeping its facilities operational and closing. Johnson Aff. For FamilyCare, revenue from its contract pharmacy arrangements is comparatively almost half of the funding it receives from federal grants. Glover Aff. ¶ 21; Dickerson Aff. ¶¶ 4-5.

The loss of all 340B savings to Amici's members would be even more devastating to their operations and the patients they serve. Auclair Aff. ¶ 32; Glover Aff. ¶ 31; Dickerson Aff. ¶ 11; Slingerland Aff. ¶¶ 19-23. Per patient costs will increase dramatically if these providers are burdened with covering the full price of manufacturers' drugs. Many covered entities that have relied on 340B participation lack the financial resources necessary to bear the additional costs of drugs for indigent patients. Auclair Aff. ¶¶ 35-36; Glover Aff. ¶ 25; Dickerson ¶ 9; Slingerland Aff. ¶¶ 20-23.

Holding for Appellants would significantly harm covered entities, their patients, and the health care safety-net community by freeing Appellants and other drug companies from their obligations under the 340B statute, upending an over two-decades-long status quo upon which all covered entities have depended.

CONCLUSION

For all the above reasons, Amici respectfully request this Court to hold that the 340B statute obligates pharmaceutical manufacturers to provide 340B

discounts on drugs ordered by covered entities for shipment to contract pharmacies.

Dated: May 16, 2022

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CERTIFICATE OF COMPLIANCE

1. Pursuant to Local Rule 28.3(d), I, Ronald S. Connelly, certify that I am a member in good standing of the bar of this Court.
2. This document complies with the type-volume limit of Fed. R. App. P. 29(d) because, excluding the parts of the document exempted by Fed. R. App. P. 32(a)(7)(B)(iii) this document contains 6,438 words.
3. This document also complies with the typeface requirements of Fed. R. App. P. 32(a)(5) and the type-style requirements of Fed. R. App. P. 32(a)(6) because this document has been prepared in a proportionally spaced typeface using Microsoft Office 365 in Times New Roman 14-point font.
4. In accordance with Third Circuit Local Appellate Rule 31.1(c), the text of this document as electronically filed is identical to the text of the document to be submitted in paper copy, subject to Federal Rule of Appellate Procedure 30(c)(2)(B).
5. In accordance with Third Circuit Local Appellate Rule 31.1(c), this document has been scanned with a virus detection program, CylancePROTECT (version 2.0.1540), and no virus was detected.

Dated: May 16, 2022

Respectfully submitted,

/s/ Ronald S. Connelly

Ronald S. Connelly

CERTIFICATE OF SERVICE

The undersigned counsel hereby certifies that on May 16, 2022, I electronically filed the foregoing document with the United States Court of Appeals for the Third Circuit by using the appellate CM/ECF system. All participants in the case are registered CM/ECF users, and service will be accomplished by the appellate CM/ECF system.

Dated: May 16, 2022

Respectfully submitted,

/s/ Ronald S. Connelly
Ronald S. Connelly

**INDEX OF EXHIBITS
TO BRIEF OF *AMICI CURIAE* NACHC AND RWC-340B IN SUPPORT OF
APPELLEES¹**

- EXHIBIT A Declaration of Craig Glover, MBA, MA, FACHE, CMPE, CEO of WomenCare, Inc., dba FamilyCare Health Center (“FamilyCare”)
- EXHIBIT B Declaration of Terri S. Dickerson, CFO, FamilyCare
- EXHIBIT C Declaration of D. Tucker Slingerland, M.D., CEO of Hudson Headwaters Health Network
- EXHIBIT D Declaration of Peter Johnson, Rph., Chief of Pharmacy and Ancillary Services of Springhill Medical Center
- EXHIBIT E Declaration of Gail Auclair, CEO of Little Rivers Inc.

¹ All prior ECF stamps have been redacted so that the ECF stamps for this Court are legible.

Exhibit A

- 4) FamilyCare provides patient care services covering a wide variety of specialties, which include: adult health care; pediatric health care; prescription savings program; behavioral health; psychiatry; substance use disorder treatment; urgent care; dental care; women's health care; prenatal health care; birth services; school-based health programs; chronic care management; diabetes education; medical nutrition education; and social services.²
- 5) FamilyCare is certified as a Federally Qualified Health Center ("FQHC") by the Health Resources and Services Agency ("HRSA") within the United States Department of Health and Human Services.
- 6) HRSA awarded FamilyCare a certificate as a 2020 National Quality Leader and designated FamilyCare as a 2020 awardee as a Health Care Quality Leader and in Advancing HIT [Health Information Technology] for Quality.³ HRSA also designated FamilyCare as a Patient Centered Medical Home ("PCMH").⁴ According to the HRSA website, "PCMH recognition assesses a health center's approach to patient-centered care. Health centers can achieve PCMH recognition by meeting national standards for primary care that emphasize care coordination and on-going quality improvement."⁵
- 7) FQHCs are providers of primary care services that must comply with certain federal requirements, including being operated by a Board of Directors that is comprised of at least 51% of individuals who are active patients of the clinic and who represent the individuals served by the health center in terms of such factors as race, ethnicity, and gender. FQHCs provide health care services regardless of a patient's ability to pay, and

² Source: <https://familycarewv.org/services/>

³ Source: <https://data.hrsa.gov/tools/data-reporting/program-data?type=AWARDEE#titleId>

⁴ Source: <https://data.hrsa.gov/tools/data-reporting/program-data?type=AWARDEE#titleId> .

⁵ Source: <https://bphc.hrsa.gov/qualityimprovement/clinicalquality/accreditation-pcmh/index.html> .

charge for services on a sliding fee scale according to the patient's financial resources.

FamilyCare complies with all requirements to be certified as an FQHC.

- 8) In 2019, FamilyCare provided services to 32,353 patients. Approximately 31.28% of these patients were under the age of 18 and 12.12% were 65 years of age or older. Almost 15% of FamilyCare's patients are a racial or ethnic minority.⁶
- 9) In 2019, FamilyCare patients included 205 homeless individuals, 67 agricultural workers and families, and 942 veterans.⁷
- 10) In 2019, FamilyCare provided medical services to 31,292 patients, dental services to 2,136 patients, mental health services to 2,118 patients, substance use disorder services to 450 patients, and enabling services (services that allow access to health care services) to 1,477 patients.⁸
- 11) FamilyCare provides services in Scott Depot, Charleston, Madison, Eleanor, Hurricane, Barboursville, Buffalo, Winfield, Dunbar, Cross Lanes, and St. Albans, West Virginia. FamilyCare provides services to elementary, middle school and high school students in Putnam County through a mobile unit and expanded these services to two schools in Boone County in 2019.⁹
- 12) In 2019, 37.11% of FamilyCare's patients had hypertension, 15.76% had diabetes, and 5.08% had asthma. FamilyCare provided prenatal services to 509 patients.¹⁰

⁶ Source: Health Resources and Services Administration, Bureau of Primary Care: <https://data.hrsa.gov/tools/data-reporting/program-data?type=AWARDEE#titleId>

⁷ Source: <https://data.hrsa.gov/tools/data-reporting/program-data?type=AWARDEE#titleId> .

⁸ Source: <https://data.hrsa.gov/tools/data-reporting/program-data?type=AWARDEE#titleId> .

⁹ Source: https://familycarewv.org/wp-content/uploads/2020/05/FamilyCare_AnnualReport2019.pdf , p.6.

¹⁰ Source: <https://data.hrsa.gov/tools/data-reporting/program-data?type=AWARDEE#titleId> .

- 13) For patients whose income is known, 99.53% have annual incomes at or below 200% of the Federal Poverty Level. Of these patients, 50.43% have annual incomes at or below 100% of the Federal Poverty Level.
- 14) FamilyCare operates a Medication Assisted Treatment (“MAT”) program, which provides services to individuals who are on a drug regimen to treat addiction.
- 15) FamilyCare employs community health workers to visit patients with chronic illnesses in their homes to provide additional education about addressing their chronic conditions, assess whether their living conditions are conducive to controlling their illness, and determine whether additional support services are needed to support the patient’s health. These services are not covered by insurance and are only partially covered by grant funding.
- 16) FamilyCare’s services area is very large, as shown on the HRSA website.¹¹ Some patients drive for an hour to reach one of our locations.
- 17) FamilyCare provides a Prescription Savings Program. As stated on our website:
- Our Prescription Savings Program (Federal 340B Drug Pricing Program) allows you to purchase medications at discounted prices. We provide those medications at discounted prices to our patients at local pharmacies. Uninsured patients can receive, on average, a 40% discount on the cost of their drugs.¹²
- 18) FamilyCare does not operate an in-house retail pharmacy. It relies exclusively on contract pharmacy arrangements to dispense 340B retail drugs to its patients.
- 19) FamilyCare has several contract pharmacy locations registered with the 340B program and listed on the Office of Pharmacy Affairs (“OPA”) database. FamilyCare believes that it is necessary to have arrangements with contract pharmacies that reach across its

¹¹ Source: <https://data.hrsa.gov/tools/data-reporting/program-data?type=AWARDEE#titleId> .

¹² Source: <https://familycarewv.org/service/prescription-savings-program/> .

service area so that its patients may receive discounted drugs through its Prescription Savings Program. FamilyCare has contract pharmacy agreements with pharmacies owned by several chain organizations (Fruth, Kroger, Rite Aid, Wal-Mart, and Walgreens). If a covered entity has contract pharmacy arrangements, HRSA's policy is that the covered entity must registers each of the locations for these chains in the OPA database.

20) The net revenues from FamilyCare's contract pharmacy arrangements allow it to: 1) pay for drugs needed by its patients who cannot afford to pay for the drugs; and 2) pay for support services for its patients that are not covered by insurance or paid for through grant funding.

21) Based on data from January 1 to June 30, 2020 and extrapolated to twelve months, FamilyCare realizes approximately \$2,115,422 in net revenues annually through its contract pharmacy agreements with contract pharmacies other than Walgreen's. (FamilyCare was not able to obtain data from Walgreen's at the time that this Affidavit was required.) In comparison, FamilyCare received approximately \$4.3 million in FQHC grant funding in the fiscal year ended June 30, 2020. FamilyCare's FQHC grant funding in 2020 was greater than in prior years because of additional federal funding that provided to health care providers that were treating COVID-19 patients and testing for COVID-19.

22) Based on data from January 1 through June 30, 2020 and extrapolated to twelve months, FamilyCare achieves approximately \$ 449,178 annually in 340B net revenue for drugs manufactured by Eli Lilly Company ("Lilly"), Zeneca Pharmaceuticals, L.P. ("AstraZeneca"), and Sanofi-Aventis US LLC ("Sanofi"), and their corporate affiliates and filled through contract pharmacies other than Walgreen's.

- 23) In 2018, FamilyCare's revenues exceeded its expenses by only \$168,469. In 2019, FamilyCare's revenues exceed its expenses by only \$298,258.¹³
- 24) FamilyCare will have to cut or scale back some of the services that it provides if FamilyCare loses over \$449,178 annually as the result of the actions of Lilly, AstraZeneca, and Sanofi.
- 25) Cutting or eliminating services to FamilyCare's patients will be detrimental to the patients' health and well-being. As one example, FamilyCare currently operates a dental clinic five days per week. If FamilyCare loses over \$449,178 annually as the result of the actions of Lilly, AstraZeneca, and Sanofi, FamilyCare will likely have to offer these services fewer days each week. If FamilyCare has to reduce or eliminate its chronic care management program which educates patients about preventative care, patients will be at an increased risk for developing a preventable illness or condition.
- 26) If FamilyCare loses over \$449,178 annually as the result of the actions of Lilly, AstraZeneca, and Sanofi, FamilyCare, FamilyCare may also have to scale back the scope or amount of services provided by its Community Health workers. Scaling back these services will likely mean that the health care condition of the patients receiving these services, or that would have received these services, is likely to deteriorate. Patients will be at risk of not receiving additional educational support to address their chronic conditions or being linked to necessary support services.
- 27) If FamilyCare's patients do not receive the full range of support services that FamilyCare currently provides, their health is likely to decline, and they are more likely to require more extensive and expensive health care visits at FamilyCare and at hospitals and

¹³ https://familycarewv.org/wp-content/uploads/2020/05/FamilyCare_AnnualReport2019.pdf , p.5.

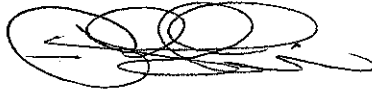
specialists. The cost of providing additional health care visits not previously accounted for will cause a strain on FamilyCare's resources.

- 28) In order to continue providing at least some of the services that FamilyCare currently offers to its patients, FamilyCare will have to seek other funding sources and there is no certainty that FamilyCare would be able to obtain additional funding.
- 29) The mission of FamilyCare, which is to "make high-quality, whole-person care available to every member of the family and every member of the community" will be compromised if FamilyCare is not able to provide the full range of support services that it currently provides due to the unavailability of 340B discounts on drugs manufactured by Lilly, AstraZeneca, and Sanofi. FamilyCare will be hampered in its goal to provide our patients with the affordable, comprehensive, and holistic care they need and deserve.
- 30) FamilyCare's Prescription Savings Program is offered for drugs that are purchased with 340B discounts. If FamilyCare cannot purchase drugs manufactured by Lilly, AstraZeneca, and Lilly with 340B discounts, those drugs will no longer be part of its program. FamilyCare does not have funds allocated to provide discounted drugs to patients absent obtaining the drugs at 340B prices.
- 31) I am concerned that other drug manufacturers will follow the lead of Lilly, AstraZeneca, and Sanofi and decide to no longer provide 340B pricing through contract pharmacies. If FamilyCare lost access to all 340B drugs at its contract pharmacies, it would be devastating to FamilyCare's operations and the patients it serves.

[Signature on next page]

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed this 23RD day of November 2020.

Respectfully submitted,

A handwritten signature in black ink, appearing to be 'Craig Glover', written over a horizontal line.

Craig Glover, MBA, MA, FACHE, CMPE
President and Chief Executive Officer
WomenCare, Inc., dba FamilyCare Health Center

Exhibit B

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA**

Ryan White Clinics for 340B Access,)
et al.,)
)
Plaintiffs,)
)
v.)
)
Alex M. Azar, Secretary)
U.S. Department of Health and Human)
Services,)
et al.,)
)
Defendants.)
_____)

Case Number: 1:20-cv-02906 KBJ

AFFIDAVIT

I, Terri S. Dickerson, hereby attest and state as follows:

- 1) I am the Chief Financial Officer (“CFO”) of WomenCare, Inc., dba FamilyCare Health Center (“FamilyCare”).
- 2) As CFO of FamilyCare, I am responsible for overseeing the accuracy of its financial statements and reports. I am knowledgeable about all of FamilyCare’s sources of funding and its expenses.
- 3) The net revenues from FamilyCare’s contract pharmacy arrangements allow it to: 1) pay for drugs needed by its patients who cannot afford to pay for the drugs; and 2) pay for support services for its patients that are not covered by insurance or paid for through grant funding.
- 4) Based on data from January 1 to June 30, 2020 and extrapolated to twelve months, FamilyCare realizes approximately \$ 2,115,422 in net revenues annually through its

contract pharmacy agreements with contract pharmacies other than Walgreen's.

(FamilyCare was not able to obtain data from Walgreen's at the time that this Affidavit was required.)

- 5) In comparison, FamilyCare received approximately \$4.3 million in FQHC grant funding in the fiscal year ended June 30, 2020. FamilyCare's FQHC grant funding in 2020 was greater than in prior years because of additional federal funding that provided to health care providers that were treating COVID-19 patients and testing for COVID-19.
- 6) Based on data from January 1 through June 30, 2020 and extrapolated to twelve months, FamilyCare achieves approximately \$449,178 annually in 340B net revenue for drugs manufactured by Eli Lilly Company ("Lilly"), Zeneca Pharmaceuticals, L.P. ("AstraZeneca"), and Sanofi-Aventis US LLC ("Sanofi"), and their corporate affiliates and filled through contract pharmacy arrangements other than the one with Walgreen's.
- 7) In 2018, FamilyCare's revenues exceeded its expenses by only \$168,469. In 2019, FamilyCare's revenues exceed its expenses by only \$298,258.¹
- 8) FamilyCare will have to cut or scale back some of the services that it provides if FamilyCare loses over \$449,178 annually as the result of the actions of Lilly, AstraZeneca, and Sanofi.
- 9) In order to continue providing at least some of the services that FamilyCare currently offers to its patients, FamilyCare will have to seek other funding sources, and there is no certainty that FamilyCare would be able to obtain additional funding.
- 10) The mission of FamilyCare, which is to make "making high-quality, whole-person care available to every member of the family and every member of the community" will be

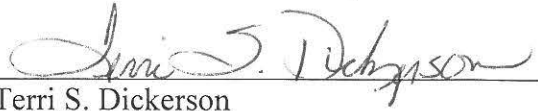
¹ https://familycarewv.org/wp-content/uploads/2020/05/FamilyCare_AnnualReport2019.pdf, p.5.

compromised if FamilyCare is not able to provide the full range of support services that it
31) I am concerned that other drug manufacturers will follow the lead of Lilly,
AstraZeneca, and Sanofi and decide to no longer provide 340B pricing through contract
pharmacies. If FamilyCare lost access to all 340B drugs at its contract pharmacies, it
would be devastating to FamilyCare's operations and the patients it serves.

[Signature on next page]

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed this 23 day of November 2020.

Respectfully submitted,

A handwritten signature in cursive script, reading "Terri S. Dickerson", written over a horizontal line.

Terri S. Dickerson
Chief Financial Officer
WomenCare, Inc., dba FamilyCare Health Center

Exhibit C

**UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA**

RYAN WHITE CLINICS)
FOR 340B ACCESS)
1501 M Street, N.W., Suite 700)
Washington, DC 20005,)

Civil Action No. 20-cv-2906

and)

MATTHEW 25 AIDS SERVICES, INC.)
452 Old Corydon Road)
Henderson, KY 42420,)

and)

CHATTANOOGA C.A.R.E.S., DBA)
CEMPA)
COMMUNITY CARE)
1000 E. 3rd Street, Suite 300)
Chattanooga, TN 37403,)

Plaintiffs,

v.

ALEX M. AZAR II, in his official capacity as
Secretary of the United States Department of
Health and Human Services
200 Independence Avenue, S.W.
Washington, DC 20201,

and

UNITED STATES DEPARTMENT OF
HEALTH AND HUMAN SERVICES
200 Independence Avenue, S.W.
Washington, DC 20201,

and

THOMAS J. ENGELS, in his official capacity as
Administrator for the Health Resources and
Services Administration
5600 Fishers Lane
Rockville, MD 20857,

and

HEALTH RESOURCES AND SERVICES
ADMINISTRATION
5600 Fishers Lane
Rockville, MD 20857

Defendants

Declaration of D. Tucker Slingerland, M.D.

I, D. Tucker Slingerland, M.D., declare as follows:

1. I am Chief Executive Officer for Hudson Headwaters Health Network (HHHN) and have held this role since July 1, 2017. As Chief Executive Officer I am responsible for responsible for the overall performance of the organization, including clinical, administrative, finance, and governance functions and related activities for the purpose of attaining the goals and strategies as set forth by the Board of Directors. This includes oversight of our 340B Drug Pricing Program management and compliance. To prepare this declaration, I consulted with our Chief Financial Officer, Chief Information Officer, Chief Medical Officer, Chief Operations Officer, and the President of Hudson Headwaters 340B, LLC.
2. I have personal knowledge of all facts stated in this declaration, and if called to testify, I could and would testify truthfully thereto.
3. Hudson Headwaters Health Network is a Federally-qualified health center that receives federal grant funds under Section 330 of the Public Health Service Act. Hudson Headwaters Health Network, a not-for-profit 501(c)3 organization, has served the Adirondack and North Country regions of Upstate New York as a Federally-qualified health center since 1981. Hudson Headwaters Health Network's service area includes the southern, eastern, and Tri-Lakes regions of the Adirondack Park, the City of Glens Falls and its surrounding suburbs, and the northern corridor communities centered on the Towns of Champlain and Plattsburg near the Canadian border. The area is approximately 140 miles by 50 miles (or 7,000-square miles) and mostly rural, with limited east-west transportation routes. The region is designated by the federal Bureau of Health Workforce as Health Professional Shortage Area due to significant health care provider shortages in primary care, dental health, and mental health. In many towns, HHHN is the sole medical provider.
4. In 2019, Hudson Headwaters Health Network provided care to 90,077 unique patients through 363,911 primary medical, dental, and behavioral health visits. Of 45,608 patients for whom income is known, 51.8% live at or below 200% of Federal poverty guidelines. Of

Hudson Headwater Health Network's 90,077 patients, 21.3% are covered under Medicaid, 25.9% are covered under Medicare or are dual-eligible, 2.1% are covered under another form of public insurance, 46.4% are covered by private insurance, and 4.3% are uninsured.

5. Hudson Headwaters Health Network is a "covered entity" for purposes of the 340B Drug Program. HHHN was approved as a covered entity in the 340B Drug Pricing Program on April 1, 2001. As required by law, it recertifies this status annually with the Health Resources and Services Administration (HRSA).
6. The 340B Drug Program allows Hudson Headwaters Health Network to purchase outpatient prescription drugs from manufacturers or wholesalers at a significant discount. HHHN purchases drugs from wholesalers via one third party administrator for its 101 contract pharmacies.
7. Hudson Headwaters Health Network's participation in the 340B Drug Program helps it to stretch scarce resources and meet the needs of its medically underserved patients, including uninsured and underinsured patients. Federal law and regulations, as well as Hudson Headwaters Health Network's mission, require that every penny of 340B savings be invested in services that expand access for its medically underserved patient population. HHHN uses 340B savings to provide medication discounts and other financial assistance programs for uninsured patients and those living at or below 200% of the federal poverty level. In addition, Hudson Headwaters Health Network uses 340B savings to support core programs and services that are consistent with its mission, including dental care, patient and student education, home-based care, obstetrics and gynecology, palliative care, and phlebotomy. HHHN also uses these revenues to offset the costs of COVID-19 antigen and antibody testing in its service area. Finally, Hudson Headwaters Health Network also uses 340B savings to improve infrastructure, renovating facilities, and expanding services into underserved communities in Northeastern New York who otherwise would have limited or no local access to care.
8. From January 1, 2019 to December 31, 2019, Hudson Headwaters Health Network captured 51,066 prescriptions for 340B savings at its 101 contract pharmacies.
9. As a covered entity, Hudson Headwaters Health Network is permitted to choose how it will deliver pharmacy services to its patients. HHHN does this by contract pharmacy prescription capture. Hudson Headwaters Health Network has 101 contract pharmacies through 13 written agreements. A list of active contract pharmacies and locations is provided in the attached "Hudson Headwaters Health Network Active Contract Pharmacies."
10. Hudson Headwaters Health Network does not operate an in-house pharmacy. Given the Network's 7,000 square mile service area, by necessity HHHN must rely on contract pharmacies to provide 340B-eligible prescription drugs to its patients. The use of contract pharmacies has greatly expanded Hudson Headwaters Health Network patients' ability to

access affordable drugs, given the size and geographic isolation of the Network. There is only one major road, Interstate 87, that traverses the area from north to south. No four-lane highways cross the service area from east to west, so residents of the region must travel on mountainous two-lane roads to access services. Patients living within the Adirondack Park or North Country must travel significant distances for treatment and care. Public transportation is available in the towns of Plattsburgh and Glens Falls, but there is no public transportation elsewhere in the region. The nearly six months of winter conditions in the region, often rendering roads impassable for days at a time, also complicates travel. To minimize these geographic and logistical barriers to accessing prescription drugs, HHHN has agreements with 101 contract pharmacies. The use of contract pharmacies also increases the Network's 'capture rate' (i.e., the percentage of prescriptions written by the health center for its patients). This allows Hudson Headwaters Health Network to retain more 340B savings, and therefore support more services for its patients.

11. Hudson Headwaters Health Network's use of contract pharmacies is authorized under the Section 330 statute that authorizes the Federally-qualified health center program. That statute allows organizations like HHHN to contract out for required services that they do not provide.
12. In 2018, Hudson Headwaters Health Network estimates that 340B savings generated from contract pharmacies accounts for about 31.0% of our direct patient care expenses.
13. On or about July 30, 2020, I became aware that certain drug manufacturers, including Astra Zeneca, Eli Lilly, Merck, Novartis, and Sanofi, had unilaterally decided, without government approval, to cease providing outpatient prescription drugs at 340B prices to most or all of Hudson Headwaters Health Network's contract pharmacies.
14. On or about November 2, 2020, I became aware that Novartis had unilaterally decided to honor contract pharmacy arrangements as long as they're within 40 miles of a Hudson Headwaters Health Network facility. I also became aware that Novartis had again begun providing outpatient prescription drugs at 340B prices to some but not all of HHHN's contract pharmacies.
15. Because of the actions taken by certain drug manufacturers, including Astra Zeneca, Eli Lilly, Merck, Novartis, and Sanofi, some Hudson Headwaters Health Network patients have decreased access to critically needed medicines. Other patients still have access to their eligible medications at their local pharmacy, but HHHN will no longer receive the 340B revenue.
16. In 2011, the U.S. Supreme Court held that 340B-covered entities like Hudson Headwaters Health Network do not have the right to sue drug manufacturers for overcharges. Only the Secretary of the Department of Health and Human Services may enforce the pricing requirements of the 340B Drug Program. *Astra*, 563 U.S. at 113-14. This ruling was

premised, in part, on the Department of Health and Human Services' representation that an administrative dispute resolution process as required by Section 7102 of the Patient Protection and Affordable Care Act would be forthcoming:

The [2010 administrative dispute resolution provision] provides for more rigorous enforcement [and] directs the Secretary to develop formal procedures for resolving overcharge claims. Under those procedures, which are not yet in place, HRSA will reach an 'administrative resolution' that is subject to judicial review under the Administrative Procedure Act (APA). *Astra*, 563 U.S. at 116.

18. Due to the Department of Health and Human Services lack of action to enforce the 340B statute, include the failure to implement an administrative dispute resolution process as required by Section 7102 of the Patient Protection and Affordable Care Act, Hudson Headwaters Health Network has no legal recourse to remedy manufacturer overcharging for 340B-covered drugs.
19. Hudson Headwaters Health Network is suffering immediate and irreparable harm from the Secretary's failure to enforce its right to purchase discounted 340B-eligible drugs via contract pharmacy arrangements.
20. Based on an analysis of current 340B-eligible drugs currently prescribed to patients, HHHN will lose approximately \$8,400,000 in revenue as a result of the actions taken unilaterally by the drug manufacturers.
21. As a result of the loss in revenue, key patient services and programs are at risk of being diminished or potentially eliminated. This includes reducing provider, nursing, and care management staffing levels, eliminating the prescription drug assistance program, altering the sliding fee scale, reducing palliative care and home-based health services, and eliminating the direct provision of specialty services like dental, obstetrics and gynecology, and phlebotomy. COVID-19 testing services could be reduced or eliminated at a time when the pandemic still threatens the health and well-being of Americans.
22. In addition to this reduction or loss of services, reduced contract pharmacy 340B savings would negatively affect plans for renovations to modernize existing health centers and planned expansion of services into unserved areas of New York's Clinton, Franklin, and Washington Counties.
23. Reduced contract pharmacy 340B savings may also result in the closing of Hudson Headwaters Women's Health Center (currently staffed by 50 employees, including seven physicians, one physician assistant, one nurse practitioner, and nine nurse-midwives) or other health centers in rural areas, further reducing patient access to care in a region that is already designated as a Health Professional Shortage Area.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed on December 10, 2020

D. Tucker Stroupeland, MD

Attachment: Hudson Headwaters Health Network Active Contract Pharmacies

Pharmacy Name	DBA	Street Address	City	State	Zip	Contract Begin Date	Contract Approval Date
ACCREDITO HEALTH GROUP INC		1620 CENTURY CENTER PKWY # 109	MEMPHIS	TN	38134	4/1/2019	1/8/2019
ACCREDITO HEALTH GROUP INC		3000 ERICSSON DRIVE, SUITE 100	WARRENDALE	PA	15086	4/1/2019	1/8/2019
ACCREDITO HEALTH GROUP INC		2040 W RIO SALADO PKWY STE 101B	TEMPE	AZ	85281	4/1/2019	1/8/2019
ACCREDITO HEALTH GROUP, INC.		2825 W PERIMETER RD SUITE 112	INDIANAPOLIS	IN	46241	4/1/2019	1/8/2019
ACCREDITO HEALTH GROUP, INC.		6272 LEE VISTA BLVD SUITE 100	ORLANDO	FL	32822	4/1/2019	1/8/2019
ACCREDITO HEALTH GROUP, INC.		2 BOULDEN CIR STE 1	NEW CASTLE	DE	19720	4/1/2019	1/8/2019
ADIRONDACK APOTHECARY LLC	SCHROON LAKE PHARMACY	1081 MAIN STREET US RT.9	SCHROON LAKE	NY	12870	12/30/2011	12/30/2011
ADIRONDACK APOTHECARY LLC	MORIAH PHARMACY	4315 MAIN ST	PORT HENRY	NY	12974	12/30/2011	12/30/2011
ADVANCED CARE SCRIPTS, INC	ACS PHARMACY #48226	6251 CHANCELLOR DRIVE	ORLANDO	FL	32809	10/1/2020	7/10/2020
CAREMARK FLORIDA SPECIALTY	CVS/SPECIALTY	7930 WOODLAND CENTER BLVD STE 500	TAMPA	FL	33614	7/1/2017	4/13/2017
CAREMARK ILLINOIS SPECIALTY	CVS/SPECIALTY	800 BIERMANN COURT	MOUNT PROSPECT	IL	60056	7/1/2017	4/13/2017
CAREMARK KANSAS SPECIALTY PHARMACY	CVS/SPECIALTY	11162 RENNER BLVD	LENEXA	KS	66219	7/1/2017	4/13/2017
CAREMARK LLC	CVS/SPECIALTY #48604	1001 SPINKS ROAD, STE 280	FLOWER MOUND	TX	75028	10/1/2020	7/10/2020
CAREMARK MASSACHUSETTS SPECIALTY PHARMACY	INGENIORX SPECIALTY OR CVS SPECIALTY	25 BIRCH STREET, BLDG B, SUITE 100	MILFORD	MA	01757	7/1/2017	4/13/2017
CAREMARK MICHIGAN SPECIALTY PHARMACY LLC	CVS/SPECIALTY	1307-H ALLEN DR	TROY	MI	48083	7/1/2017	4/13/2017
CAREMARK NEW JERSEY SPECIALTY PHCY, LLC	CVS/SPECIALTY OR INGENIORX SPECIALTY	180 PASSAIC AVENUE, UNIT B-5	FAIRFIELD	NJ	07004	7/1/2017	4/13/2017
CAREMARK NORTH CAROLINA SPECIALTY PHARMA	CVS/SPECIALTY	10700 WORLD TRADE BLVD STE 110	RALEIGH	NC	27617	7/1/2017	4/13/2017

CAREMARK PUERTO RICO SPECIALTY PHARMACY,	CVS CAREMARK	280 AVENIDA JESUS T. PINERO	RIO PIEDRAS	PR	00927	10/1/2020	7/10/2020
CAREMARK TENNESSEE SPECIALTY PHARMACY, L	CVS/SPECIALTY	8370 WOLF LAKE DRIVE	BARTLETT	TN	38133	7/1/2017	4/13/2017
CAREMARK, LLC	CVS/SPECIALTY	1127 BRYN MAWR AVE	REDLANDS	CA	92374	7/1/2017	4/13/2017
CAREMARK, LLC	CVS/SPECIALTY	7251 S. EASTERN AVE.	LAS VEGAS	NV	89119	10/1/2020	7/10/2020
CVS ALBANY, LLC	CVS/PHARMACY # 00419	216 QUAKER ROAD	QUEENSBURY	NY	12804	4/1/2014	1/13/2014
CVS ALBANY, LLC	CVS/PHARMACY # 02091	5 MAIN STREET	QUEENSBURY	NY	12804	4/1/2014	1/13/2014
CVS ALBANY, LLC	CVS/PHARMACY # 02685	1253 DIX AVE.	HUDSON FALLS	NY	12839	4/1/2014	1/13/2014
CVS ALBANY, LLC	CVS/PHARMACY # 05166	170 BROADWAY SUITE 1	WHITEHALL	NY	12887	1/1/2018	10/13/2017
CVS ALBANY, LLC	CVS PHARMACY # 16951	578 AVIATION RD STE 1S	QUEENSBURY	NY	12804	1/1/2018	10/13/2017
CVS ALBANY, LLC	CVS/PHARMACY # 17512	60 SMITHFIELD BLVD	PLATTSBURGH	NY	12901	7/1/2019	4/4/2019
CVS ALBANY, LLC	CVS/PHARMACY # 05456	2027 DOUBLEDAY AVE.	BALLSTON SPA	NY	12020	4/1/2020	1/2/2020
CVS ALBANY, LLC	CVS/PHARMACY # 05348	1169 ROUTE 29	GREENWICH	NY	12834	4/1/2020	1/2/2020
CVS ALBANY, LLC	CVS/PHARMACY # 03379	653 RTE. 9	WILTON	NY	12831	4/1/2020	1/2/2020
CVS ALBANY, LLC	CVS/PHARMACY # 00731	34 CONGRESS ST.	SARATOGA SPRINGS	NY	12866	4/1/2020	1/2/2020
CVS CAREMARK		1 GREAT VALLEY BOULEVARD	WILKES BARRE	PA	18706	1/1/2021	10/15/2020
CVS CAREMARK ADVANCED TECHNOLOGY PHARMAC	CVS/CAREMARK	1780 WALL ST	MT PROSPECT	IL	60056	1/1/2021	10/15/2020
CYSTIC FIBROSIS SERVICES, LLC	ALLIANCERX WALGREENS PRIME #16280	10530 JOHN W ELLIOTT DRIVE	FRISCO	TX	75033	4/1/2020	1/6/2020
ECKERD CORPORATION	RITE AID #10717	124 RIDGE STREET	GLENS FALLS	NY	12801	3/7/2012	3/7/2012
ESI MAIL PHARMACY SERVICE	EXPRESS SCRIPTS	7909 S HARDY DR STE 106	TEMPE	AZ	85284	4/1/2019	1/8/2019
EXPRESS SCRIPTS	ESI MAIL PHARMACY	4600 N HANLEY RD	SAINT LOUIS	MO	63134	4/1/2019	1/8/2019

SERVICE INC							
EXPRESS SCRIPTS PHARMACY, INC.	EXPRESS SCRIPTS	2040 ROUTE 130 NORTH	BURLINGTON	NJ	08016	4/1/2019	1/8/2019
EXPRESS SCRIPTS PHARMACY, INC.	EXPRESS SCRIPTS	4750 E. 450 S.	WHITESTOWN	IN	46075	4/1/2019	1/8/2019
GLENS FALLS HOSPITAL INC		100 PARK ST	GLENS FALLS	NY	12801	1/1/2014	10/3/2013
GOLUB CORPORATION		354 BROADWAY	FORT EDWARD	NY	12828	4/1/2017	1/2/2017
GOLUB CORPORATION	MARKET 32 PHARMACY 168	19 CENTRE DRIVE	PLATTSBURGH	NY	12901	10/1/2019	7/10/2019
KPH HEALTHCARE SERVICES, INC.	KINNEY DRUGS #104	161 CAREY ROAD	QUEENSBURY	NY	12804	5/18/2012	5/18/2012
KPH HEALTHCARE SERVICES, INC.	KINNEY DRUGS #52	868 STATE RTE. 11	CHAMPLAIN	NY	12919	10/27/2012	1/11/2013
KPH HEALTHCARE SERVICES, INC.	KINNEY DRUGS #19	288 CORNELIA STREET	PLATTSBURGH	NY	12901	4/1/2015	1/5/2015
KPH HEALTHCARE SERVICES, INC.	KINNEY DRUGS #40	6 VETERANS LANE	PLATTSBURGH	NY	12901	4/1/2015	1/5/2015
KPH HEALTHCARE SERVICES, INC.	KINNEY DRUGS #50	1588 MILITARY TURNPIKE	PLATTSBURGH	NY	12901	4/1/2015	1/5/2015
KPH HEALTHCARE SERVICES, INC.	KINNEY DRUGS #76	7550 COURT STREET	ELIZABETHTOWN	NY	12932	4/1/2015	1/5/2015
KPH HEALTHCARE SERVICES, INC.	KINNEY DRUGS #39	94 DEMARS BLVD.	TUPPER LAKE	NY	12986	7/1/2020	4/1/2020
KPH HEALTHCARE SERVICES, INC.	KINNEY DRUGS #02	277 BROADWAY ST.	SARANAC LAKE	NY	12983	7/1/2020	4/1/2020
KPH HEALTHCARE SERVICES, INC.	KINNEY DRUGS #59	C/O PHARMACY	PLATTSBURGH	NY	12901	10/1/2020	7/8/2020
KPH HEALTHCARE SERVICES, INC.	KINNEY DRUGS #121	3 GORMAN WAY	PERU	NY	12972	10/1/2020	7/8/2020
MARTIN'S FOODS OF SOUTH BURLINGTON, LLC	HANNAFORD SUPERMARKET & PHARMACY #83	27-41 GANSEVOORT ROAD	SOUTH GLENS FALLS	NY	12803	7/1/2016	4/7/2016
MARTIN'S FOODS OF SOUTH BURLINGTON, LLC	HANNAFORD SUPERMARKET & PHARMACY #83	190 QUAKER ROAD	QUEENSBURY	NY	12804	4/1/2017	1/4/2017
MARTIN'S FOODS OF SOUTH BURLINGTON, LLC	HANNAFORD FOOD & DRUG #8374	175 BROAD STREET	GLENS FALLS	NY	12801	4/1/2017	1/4/2017

MARTIN'S FOODS OF SOUTH BURLINGTON, LLC	HANNAFORD SUPERMARKET & PHARMACY #83	3758 BURGOYNE AVENUE	HUDSON FALLS	NY	12839	4/1/2017	1/4/2017
NOBLE HEALTH SERVICES INC.		6040 TARBELL ROAD	SYRACUSE	NY	13206	1/1/2016	10/1/2015
OMNICARE OF EDISON	CARE4, L.P.	120 FIELDCREST AVE	EDISON	NJ	08837	1/1/2021	10/15/2020
OPTUM PHARMACY 702, LLC		1050 PATROL ROAD	JEFFERSONVILLE	IN	47130	7/1/2020	4/15/2020
OPTUM PHARMACY 703, LLC		8350 BRIOVA DR.	LAS VEGAS	NV	89113	7/1/2020	4/15/2020
OPTUMRX INC	OPTUMRX	2858 LOKER AVE E STE 100	CARLSBAD	CA	92010	7/1/2020	4/15/2020
OPTUMRX INC	OPTUMRX	6800 W 115TH ST STE 600	OVERLAND PARK	KS	66211	7/1/2020	4/15/2020
PHARMACY ASSOCIATION OF GLENS FALLS	OMNICARE OF BALLSTON SPA	14 COMMERCE DR	BALLSTON SPA	NY	12020	1/1/2021	10/15/2020
PRICE CHOPPER OPERATING CO., INC.	HOUSE CALLS PHARMACY 200	100 BROAD ST PLAZA	GLENS FALLS	NY	12801	12/30/2011	12/30/2011
PRICE CHOPPER OPERATING CO., INC.	HOUSECALLS PHARMACY 201	3761 MAIN STREET	WARRENSBURG	NY	12885	2/23/2012	2/23/2012
PRIME THERAPEUTICS SPECIALTY PHARMACY LLC	ALLIANCERX WALGREENS PRIME #16568	2354 COMMERCE PARK DRIVE	ORLANDO	FL	32819	4/1/2020	1/6/2020
PROACT PHARMACY SERVICES, INC.		1226 US HIGHWAY 11	GOUVERNEUR	NY	13642	4/1/2015	1/5/2015
PROCARE PHARMACY DIRECT, LLC	CVS/SPECIALTY	105 MALL BOULEVARD	MONROEVILLE	PA	15146	7/1/2017	4/13/2017
PROCARE PHARMACY DIRECT, LLC	CVS/PHARMACY #2909	1521 4TH AVE., SOUTH	BIRMINGHAM	AL	35233	10/1/2020	7/10/2020
PROCARE PHARMACY DIRECT, LLC	CVS/PHARMACY #2915	ONE WATERFRONT PLAZA	HONOLULU	HI	96813	10/1/2020	7/10/2020
PROCARE PHARMACY DIRECT, LLC	DBA CVS/PHARMACY #2923	3250 HARDEN ST. EXT. SUITE #300	COLUMBIA	SC	29203	10/1/2020	7/10/2020
THE GOLUB CORPORATION	PRICE CHOPPER PHARMACY 040	677 UPPER GLEN ST	QUEENSBURY	NY	12804	12/30/2011	12/30/2011
WALGREEN EASTERN CO., INC	WALGREENS # 17860	94 MAIN ST.	SOUTH GLENS FALLS	NY	12803	2/8/2018	2/8/2018
WALGREEN EASTERN CO., INC	WALGREENS # 19689	3864 MAIN STREET	WARRENSBURG	NY	12885	2/8/2018	2/8/2018

WALGREEN EASTERN CO., INC	WALGREENS # 19426	724 UPPER GLEN ST	QUEENSBURY	NY	12804	2/8/2018	2/8/2018
WALGREEN EASTERN CO., INC	WALGREENS # 17154	284 MAIN STREET	NORTH CREEK	NY	12853	2/8/2018	2/8/2018
WALGREEN EASTERN CO., INC	WALGREENS # 17722	90 WEST AVE	SARATOGA SPRINGS	NY	12866	7/1/2019	4/12/2019
WALGREEN EASTERN CO., INC	WALGREENS # 17227	173 CHURCH ST.	SARANAC LAKE	NY	12983	7/1/2020	4/1/2020
WALGREEN EASTERN CO., INC	WALGREENS # 19706	4 PLEASANT AVE	TUPPER LAKE	NY	12986	7/1/2020	4/1/2020
WALGREEN EASTERN CO., INC.	WALGREENS	202 BROAD ST.	GLENS FALLS	NY	12801	4/1/2018	1/15/2018
WALGREEN EASTERN CO., INC.	WALGREENS # 10384	3020 ROUTE 50	SARATOGA SPRINGS	NY	12866	4/1/2018	1/15/2018
WALGREEN EASTERN CO., INC.	WALGREENS	301 CORNELIA ST.	PLATTSBURGH	NY	12901	4/1/2018	1/15/2018
WALGREEN EASTERN CO., INC.	WALGREENS # 17717	116 QUAKER ST	GRANVILLE	NY	12832	2/8/2018	2/8/2018
WALGREEN EASTERN CO., INC.	WALGREENS # 19965	6272 STATE ROUTE 9	CHESTERTOWN	NY	12817	2/8/2018	2/8/2018
WALGREEN EASTERN CO., INC.	WALGREENS # 19328	2160 STATE ROUTE 9	LAKE GEORGE	NY	12845	2/8/2018	2/8/2018
WALGREEN EASTERN CO., INC.	WALGREENS # 17960	1262 DIX AVENUE	HUDSON FALLS	NY	12839	2/8/2018	2/8/2018
WALGREEN EASTERN CO., INC.	WALGREENS # 19911	1 PALMER AVE	CORINTH	NY	12822	2/8/2018	2/8/2018
WALGREEN EASTERN CO., INC.	WALGREENS	887 STATE ROUTE 11	CHAMPLAIN	NY	12919	2/8/2018	2/8/2018
WALGREEN EASTERN CO., INC.	WALGREENS # 18030	1161 NYS ROUTE 9N	TICONDEROGA	NY	12883	2/8/2018	2/8/2018
WALGREEN EASTERN CO., INC.	WALGREENS # 19494	92 MAIN ST	HUDSON FALLS	NY	12839	2/8/2018	2/8/2018
WALGREEN EASTERN CO., INC.	WALGREENS # 18207	2 NORTH PARK ST	CAMBRIDGE	NY	12816	7/1/2019	4/12/2019
WALGREENS MAIL SERVICE, LLC	ALLIANCERX WALGREENS PRIME #03397	8350 S RIVER PARKWAY	TEMPE	AZ	85284	4/1/2018	1/15/2018
WALGREENS SPECIALTY PHARMACY LLC	ALLIANCERX WALGREENS PRIME #15443	10530 JOHN W. ELLIOTT DRIVE	FRISCO	TX	75033	4/1/2020	1/6/2020
WALGREENS SPECIALTY PHARMACY LLC	ALLIANCERX WALGREENS PRIME #16287	130 ENTERPRISE DRIVE	PITTSBURGH	PA	15275	4/1/2020	1/6/2020

WALGREENS SPECIALTY PHARMACY, LLC	ALLIANCERX WALGREENS PRIME #12314	9775 SW GEMINI DR, STE 1	BEAVERTON	OR	97008	4/1/2020	1/6/2020
WALGREENS SPECIALTY PHARMACY, LLC	ALLIANCERX WALGREENS PRIME #15438	41460 HAGGERTY CIRCLE SOUTH	CANTON	MI	48188	4/1/2020	1/6/2020
WALGREENS.COM, INC.	WALGREENS	2225 S. PRICE ROAD	CHANDLER	AZ	85286	4/1/2018	1/15/2018
WAL-MART CENTRAL FILL 10-2670		608 SPRING HILL DR # 3 SUITE 300	SPRING	TX	77386	10/1/2017	7/3/2017
WAL-MART PHARMACY	WAL-MART PHARMACY 10-1994	25 CONSUMER SQUARE	PLATTSBURGH	NY	12901	10/1/2014	7/1/2014
WAL-MART PHARMACY	WAL-MART PHARMACY 10-2056	16 OLD GLICK ROAD	SARATOGA SPRINGS	NY	12866	1/1/2016	10/1/2015
WAL-MART PHARMACY	WAL-MART PHARMACY 10-2116	891 ROUTE #9	QUEENSBURY	NY	12804	1/25/2013	1/25/2013
WAL-MART PHARMACY	WAL-MART PHARMACY 10-2424	1134 WICKER STREET	TICONDEROGA	NY	12883	1/24/2013	1/24/2013
WAL-MART PHARMACY	WAL-MART PHARMACY 10-4403	24 QUAKER RIDGE BLVD.	QUEENSBURY	NY	12804	4/1/2014	1/3/2014
WAL-MART PHARMACY	WAL-MART PHARMACY 10-5997	9600 PARKSOUTH CT. SUITE 100	ORLANDO	FL	32837	10/1/2017	7/3/2017

Exhibit D

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA**

Ryan White Clinics for 340B Access,)
et al.,)
Plaintiffs,)
v.)
Alex M. Azar, Secretary)
U.S. Department of Health and Human)
Services,)
et al.,)
Defendants.)

Case Number: 1:20-cv-02906 KBJ

AFFIDAVIT

I, Peter Johnson, RPh., hereby attest and state as follows:

- 1) I am the Chief of Pharmacy and Ancillary Services at Springhill Medical Center located in Springhill, Louisiana. I have held this position since January 2019.
- 2) Springhill is a not-for-profit, 58-bed hospital that is designated by the Center for Medicare and Medicaid Services as a sole community hospital or “SCH”. SCH status is granted to rural hospitals that meet certain criteria to demonstrate that they are the sole source of inpatient care within a certain geographic area. 42 C.F.R. § 412.92.
- 3) According to an article by Evan Comen in “24/7 Wall Street”, entitled “*Who is missing out on economic recovery? America’s 30 poorest towns*”, Springhill, Louisiana is one of the thirty (30) most impoverished towns in America.¹ The data for this article was based on U.S. Census Bureau’s American Community Survey in every American town

¹ <https://www.rgj.com/story/money/economy/2018/06/18/who-missing-out-economic-recovery-americas-30-poorest-towns/35936583/>

- with a population between 1,000 and 25,000.² At the time that this article was written, the median household income in Springhill was \$26,260 and the poverty rate was 36.7%
- 4) Based on my personal experience, I know that the poverty level and unemployment rate in Springhill are very high.
 - 5) Springhill was one of three hospitals located in Louisiana that was named as “100 Top Hospitals” in 2018 by IBM Watson Health.³
 - 6) Springhill has operated at a loss for at least the last two fiscal years. Springhill’s operating loss in 2020 was approximately \$70,000 and its operating loss in 2019 was approximately \$750,000.
 - 7) Springhill participates in the 340B federal drug discount program as a SCH. Between January 1 and October 30, 2020, Springhill realized net revenue from its contract pharmacies of approximately \$982,829. In 2019, Springhill realized net revenue from its contract pharmacies of approximately \$976,551. Springhill also realizes net revenues from administering 340B drugs within its hospital, but the net revenues from those 340B drugs purchases is only about \$36,000 annually.
 - 8) Based on my review of revenues from Springhill’s contract pharmacies, Springhill will lose about \$24,000 per month, or \$288,000 annually, due to the recent actions of Eli Lilly Company (“Lilly”), Zeneca Pharmaceuticals, L.P. (“AstraZeneca”), and Sanofi-Aventis US LLC (“Sanofi”), and Novartis Pharmaceuticals (“Novartis”) with respect to contract pharmacies.

² <https://www.rgj.com/story/money/economy/2018/06/18/who-missing-out-economic-recovery-americas-30-poorest-towns/35936583/>

³ https://www.ktbs.com/news/springhill-hospital-one-of-3-in-state-named-to-top-100-hospitals/article_e6233bd2-26ff-11e8-97dd-b76991e72fd0.html

- 9) I believe, and I have heard a member of the Board of Directors of Springhill state, that the difference between keeping Springhill operational and closing its doors is the net revenues from the 340B program.
- 10) Springhill provides many services to its community including participation in community health fairs at which it provides free health screenings. It has a financial assistance policy that allows it to provide health care services to individuals that are uninsured or underinsured.
- 11) Springhill offers a “Cash Savings Program” that allows eligible patients to purchase retail, self-administered drugs at low prices at its contract pharmacies. The Cash Savings Program assists uninsured patients or patients who have to meet a high deductible. If a patient qualifies for the Cash Savings Program, the patient pays Springhill’s 340B cost for the drug plus a dispensing fee to the pharmacy.
- 12) A pharmacist at one of our contract pharmacies told me that a patient that was eligible for the Cash Savings Program recently came to the pharmacy to refill a prescription for Lantus®, a long-acting insulin product manufactured by Sanofi- Aventis. Many diabetic patients are better able to stabilize their blood sugar levels using Lantus® than they are with other insulin products because the effects of Lantus® last longer than other products. This individual had previously paid approximately \$17.00 for the Lantus® prescription but because Sanofi-Aventis products are no longer available at 340B prices at contract pharmacies, the cost for the Lantus® increased to approximately \$1,300. The patient left the pharmacy without the prescription in order to return to his or her doctor to get a prescription for another insulin product that is not manufacturer by Sanofi-Aventis.

- 13) I have concerns that the safety and health of diabetic patients who have a history of taking Lantus® will be compromised if they have to switch to another product due to the cost of Lantus®.
- 14) I do not have any expectation that the cost of insulin will come down given the recent trends of drug manufacturers to increase the cost of insulin.⁴
- 15) I also have concerns that other Springhill patients eligible for the Cash Savings Program will discontinue their medications manufactured by Lilly, AstraZeneca, Sanofi and Novartis because the cost of those drugs will be much higher if they are not purchased at 340B discounts. The first month of not having access to medications from these manufacturers for the Cash Savings program customer savings were down \$16,331.00 (\$195,000 annually).
- 16) Lilly has stated that it will allow 340B covered entities to access its insulin products at contract pharmacies if certain conditions are met. One of those conditions is that the pharmacy not collect a dispensing fee as compensation for filling the prescription. This condition makes the Lilly insulin “exception” entirely impractical because pharmacies will not agree to dispense drugs without any compensation.
- 17) Springhill has several hospital outpatient departments that are located many miles from the main facility. For example, Springhill has a hospital outpatient department in Homer, Louisiana, which is located between 31 to 38 miles from the main facility, depending on the route taken. Springhill has two contract pharmacies located in Homer that allow patients that are seen at the Springhill outpatient department in Homer to participate in the Cash Savings Program by using one of those pharmacies.

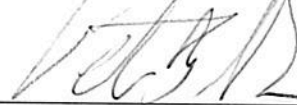
⁴ Rajkumar, S. Vincent, The High Cost of Insulin in the United States: An Urgent Call to Action, Mayo Clinic Proceedings, Jan. 1, 2020; available at [https://www.mayoclinicproceedings.org/article/S0025-6196\(19\)31008-0/fulltext](https://www.mayoclinicproceedings.org/article/S0025-6196(19)31008-0/fulltext) .

- 18) Lilly has stated that it will allow 340B covered entities to access 340B drugs at one contract pharmacy only. Springhill has designated The Corner Drug Store, located in Springhill, as its one contract pharmacy for purposes of accessing 340B pricing for drugs manufactured by Lilly. A patient that is treated at the Springhill outpatient department in Homer and is prescribed a drug manufactured by Lilly will have to drive up to 38 miles to have his or her prescription filled at the Corner Drug Store if that patient wants to take advantage of the Cash Savings Program.
- 19) Springhill recently registered some specialty contract pharmacies in the 340B program in order to access 340B pricing for certain specialty drugs. These specialty pharmacies are located more than 40 miles from Springhill's inpatient facility. Springhill will not be able to access 340B pricing for Novartis drugs at these pharmacies because Novartis recently announced that it will not provide 340B prices at contract pharmacies that are located more than 40 miles from the main hospital facility.
- 20) I am concerned that other drug manufacturers will follow the lead of Lilly, AstraZeneca, Sanofi and Novartis and decide to no longer provide 340B pricing through contract pharmacies. If Springhill lost access to all 340B drugs at its contract pharmacies, I do not believe that it will be able to remain in operation.

[Signature on next page]

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed this _____ day of November 2020.

Respectfully submitted,



Peter Johnson, RPh, MBA
Chief of Pharmacy and Ancillary Services
Springhill Medical Center

Exhibit E

**UNITED STATES COURT OF APPEALS FOR THE
THIRD CIRCUIT**

SANOFI-AVENTIS U.S. LLC, *Appellant*,

v.

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES, *et al.*,
Appellees,

NOVO NORDISK INC., *Appellant*,

v.

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES, *et al.*,
Appellees,

AstraZeneca Pharmaceuticals LP, *Appellant*,

v.

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES, *et al.*,
Appellees.

On Appeals from the United States District Court for the District of New Jersey,
Nos. 3:21-cv-634 & 3:21-cv-806 (Hon. Freda L. Wolfson), and the United States District
Court for the District of Delaware, No. 1-21-cv-00027 (Hon. Leonard P. Stark)

AFFIDAVIT

I, Gail Auclair, M.S.M.-H.S.A., B.S.N., R.N., hereby attest and state as follows:

- 1) I am the Chief Executive Officer of Little Rivers Health Care, Inc. ("Little Rivers"). I have held this position for over fifteen (15) years. I have over forty (40) years of experience as a nurse.

2) Little Rivers has four facilities in Vermont. The facilities are located in Wells River, Newbury, Bradford, and East Corinth, Vermont.

3) The stated mission of Little Rivers is as follows:

Our mission is to provide respectful, comprehensive primary health care for all residents in our region, regardless of their ability to pay. We offer quality health care services to everyone. In the spirit of community, we make efforts to reach out and welcome those who need health services, but may have insufficient means to access them. We commit ourselves to continually reduce the burden of illness, injury, and disability, and to improve the health and quality of life of those for whom we care.¹

4) One of our guiding principles for patient care is that Little Rivers provides holistic care that takes the patients' social, emotional and situational needs into consideration to support them in managing their health.

5) Little Rivers provides patient care services covering a wide variety of specialties, including Family Medicine, Pediatrics, Obstetrics, Behavioral Health and Oral Health Care.

6) Little Rivers is certified by the United States Department of Health and Human Services as a Federally Qualified Health Center ("FQHC").

7) FQHCs are providers of primary care services that must comply with certain federal requirements, including being operated by a Board of Directors that is comprised of at least 51% of individuals who are active patients of the clinic and who represent the individuals served by the health center in terms of such factors as race, ethnicity, and gender. FQHCs provide health care services regardless of a patient's ability to pay, and charge for services on a sliding fee scale according to the patient's financial resources. Little Rivers complies with all requirements to be certified as an FQHC.

¹ Little Rivers Health Care, *About*, <https://www.littlerivers.org/about> (last visited May 12, 2022).

- 8) In 2020, Little Rivers provided services to 5,753 patients. Approximately 16.55% of these patients were under the age of 18 and 25.24% were 65 years of age or older.²
- 9) In 2020, Little Rivers patients included 100 agricultural workers and families, 35 homeless individuals, 248 veterans, and 276 uninsured.³
- 10) Between March 16, 2020 to March 15, 2021, Little Rivers conducted 5,864 behavioral health visits and 4,105 phone and behavioral health televisits.⁴
- 11) Little Rivers operates a chronic care management program to assist patients with chronic diseases. Patients in the chronic care management program receive individualized education and assistance from a registered nurse to help the patient manage their chronic conditions. Registered nurses also visit patients in their homes between health care visits at a Little Rivers facility. The chronic care management team also provided education about COVID-19, as well as state and CDC guidelines to staff, patients, and people from the communities, including non-patients. In 2020, 122 patients were enrolled in the Little Rivers' chronic care management program.⁵
- 12) Little Rivers works with Willing Hands, a non-profit, charitable organization with a mission to receive and distribute donations of fresh food that otherwise might go to waste in order to improve health and provide reliable access to nutritious food for community members in need.⁶ A Little Rivers employee coordinates with Willing Hands to distribute fresh produce and dairy to Little Rivers' clinics for care coordinators to deliver to patients in need. During the COVID-19 public health emergency ("PHE"), Little

² Health Resources and Services Administration, Bureau of Primary Care: <https://data.hrsa.gov/tools/data-reporting/program-data?type=AWARDEE#titleId>

³ *Id.*

⁴ Little Rivers 2020 Annual Report, p. 8, <https://www.littlerivers.org/annual-meeting>.

⁵ *Id.*, p. 9.

⁶ *Id.*, p. 11.

Rivers increased deliveries of fresh produce and dairy from 205 pounds to 405-460 pounds a week.⁷

- 13) Little Rivers offers behavioral health services at local public schools that include counseling for students and families. At some public schools, Little Rivers provides extensive training and education for faculty and staff regarding resiliency, classroom behaviors, and trauma-informed approaches.⁸ (Trauma-informed care recognizes the presence of trauma symptoms and the role that trauma may play in an individual's life.)
- 14) Little Rivers operates a Medication Assisted Treatment ("MAT") program, which provides services to individuals who are on a drug regimen to treat addiction. In 2020, Little Rivers MAT program served approximately 100 patients.⁹
- 15) A critical component of the health care that Little Rivers provides is its care coordination services. Little Rivers employs six care coordinators, including at least one care coordinator who specializes in behavioral health issues and works with patients to "improve their overall social-emotional wellbeing. Care coordinators provide assistance with transportation, insurance enrollment, sliding fee discount eligibility, linkage to affordable housing, food access, and patient care advocacy."¹⁰
- 16) Based on my 40 plus years of experience as a registered nurse, care coordination is a vital factor in helping our patients to stay well and manage their health care conditions. Without care coordinators, many of Little Rivers' patients would not be able to access the health care that they need or obtain affordable housing or food. These services are critical in preventing our patients' health from deteriorating. Care coordination is

⁷ *Id.*, p. 9.

⁸ *Id.*, p. 7-8.

⁹ *Id.*, p. 8.

¹⁰ *Id.*, p. 7.

particularly important for homeless and indigent individuals, who require additional support services to ensure that they continue to receive necessary health care services.

- 17) Little Rivers offers a sliding fee scale to patients whose incomes are under 200% of the Federal Poverty Level. This discount includes access to prescription drugs through our 340B program when they receive a prescription as the result of health care services provided by Little Rivers. If a patient's income is at or below 100% of the federal poverty level, and the patient does not have insurance coverage for retail prescription drugs, Little Rivers pays 100% of that patient's drug costs. For patients whose income is between 100% and 200% of the federal poverty level, Little Rivers pays a percentage of the cost of the drug (25%, 50% or 75%, depending on the patient's income level). Most of our patients in the sliding fee program qualify for the 100% discount.
- 18) Little Rivers does not operate an in-house retail pharmacy. It relies exclusively on contract pharmacy arrangements to dispense 340B retail drugs to its patients.
- 19) Little Rivers has six contract pharmacies arrangements registered with the 340B program and listed on the Office of Pharmacy Affairs ("OPA") database. Little Rivers has registered three Wal-Mart locations. Two of those locations (Texas and Florida), however, are for repackaging drugs for sale at retail pharmacies, including repacking for distribution by the Wal-Mart retail pharmacy in New Hampshire, which is the third Wal-Mart registration. Stated differently, only four of the contract pharmacies registered by Little Rivers on the OPA database dispense 340B drugs directly to Little Rivers' patients. Because Little Rivers is located in a rural area with many low-income residents, lack of transportation is one of the most common problems for accessing resources. Having four

contract pharmacy locations is very important for patients that do not have the means or ability to travel to pick up their medications.

- 20) The savings from Little Rivers' contract pharmacy arrangements allow it to: 1) pay for drugs needed by its patients who cannot afford to pay for the drugs; and 2) pay for support services for its patients that are not covered by insurance or paid for through grant funding.
- 21) All of the services described above are provided to patients without insurance and to patients whose insurance does not cover the services. In addition, the costs of these services are not covered, or not fully covered, by grant funding.
- 22) Based on its calculations of the 340B savings that Little Rivers has historically achieved through filling prescriptions for drugs manufactured by Eli Lilly Company ("Lilly"), Zeneca Pharmaceuticals, L.P. ("AstraZeneca"), Sanofi-Aventis US LLC ("Sanofi"), and Pfizer, Inc. ("Pfizer") [MLI] and their corporate affiliates, Little Rivers has lost approximately \$315,000 in 340B savings over a 22-month period as a result of the decision by these manufacturers not to honor contract pharmacy arrangements.
- 23) In 2018 and 2019, Little Rivers operated at a loss. In 2019, Little Rivers' expenses exceeded its revenues by \$188,451. In 2018, Little Rivers' expenses exceeded its revenues by \$289,380.¹¹
- 24) The COVID-19 PHE has had a detrimental impact on Little Rivers' finances because patients have been reluctant to schedule in-person appointments for health care services. If not for one-time funding from the U.S. Department of Health and Human Services to

¹¹ Source: Little Rivers 2019 Annual Report, p. 13 (available at littlerivers.org).

support health care providers during the COVID-19 PHE, Little Rivers would have operated at a loss in 2020 as well.

25) Little Rivers will have to cut or eliminate some of the services that it provides if Little Rivers loses another \$315,000 as the result of the actions of Lilly, AstraZeneca, Pfizer, and Sanofi.

26) Cutting or eliminating services to Little Rivers' patients will be detrimental to the patients' health and well-being. As one example, if Little Rivers has to reduce or eliminate its chronic care management program which educates patients about preventative care, the health care condition of the patients in that program is likely to deteriorate. Similarly, if Little Rivers has to reduce or eliminate its care coordination services, patients will be at risk of not being connected to necessary health care services, affordable housing opportunities, or access to low-cost food.

27) If Little Rivers' patients do not receive the full range of support services that Little Rivers currently provides, their health is likely to decline and they are more likely to require additional and more extensive and expensive health care visits at Little Rivers and at hospitals and specialists. The cost of providing additional health care visits not previously accounted for will cause a strain on Little Rivers' resources.

28) In order to continue to provide at least some of the services that Little Rivers currently offers to its patients, Little Rivers will have to seek other funding sources, either through increased donations or additional grant funding.

29) The mission of Little Rivers, which is to provide "comprehensive primary health care" and "to improve the health and quality of life of those for whom we care" will be compromised if Little Rivers is not able to provide the full range of support services that

it currently provides due to the unavailability of 340B discounts on drugs manufactured by Lilly, AstraZeneca, Pfizer, and Sanofi. We will be hampered in our goal to provide for our patients with the affordable, comprehensive, and holistic care they need and deserve.

30) Little Rivers will not be able to provide low-cost drugs through its drug discount program if Little Rivers cannot purchase drugs at 340B prices and instead will have to pay undiscounted prices for those drugs. As one example, behavioral health drugs are an expensive category of drugs. In my experience as a nurse, there are important societal reasons, such as controlling unemployment, family strife and crime, for ensuring that behavioral health patients have access to their medications.

31) The loss of \$315,000 in 340B savings as the result of the actions of Lilly, AstraZeneca, Pfizer, and Sanofi will have a severe financial impact on Little Rivers. Little Rivers strives to keep three months' operating expenses in reserves, which is consistent with sound business practices and guidance from the Bureau of Primary Care within the Health Resources and Services Administration, the federal agency that administers the FQHC program. Little Rivers often struggles to meet this goal and the loss of \$315,000 has exacerbated the problem and impose undue operational and financial burdens on Little Rivers.

32) I am concerned that other drug manufacturers will follow the lead of Lilly, AstraZeneca, Pfizer, and Sanofi and decide to no longer provide 340B pricing through contract pharmacies. If Little Rivers lost access to 340B pricing for all retail drugs, it would be devastating to Little Rivers' operations and the patients it serves.

33) In 2020, I compared the 340B price and non-340B price of two drugs that some of our financially needy patients are prescribed. I found that the cost of a 30 day supply of

Humulin®, an insulin product manufactured by Lilly for which no biosimilar is available, increased from \$117.24 to \$450.17.

34) In 2021, I requested information from Hudson Headwaters, which assists Little Rivers in processing 340B contract pharmacy claims, to provide pricing on the 340B price and non-340B price of Bevespi Aerosphere®. Bevespi Aerosphere® is an inhaler produced by AstraZeneca to treat chronic obstructive pulmonary disorder (COPD), and for which no generic substitute is available. Hudson Headwaters provided this information:

NDC	Average Wholesale Price	Wholesale Acquisition Cost	340B Cost
0310460012- 12 PKG	\$474.13	\$395.11	\$90.30
0310460039 28 PKG	\$261.44	\$217.81	\$49.79


35) Some of Little Rivers' financially need patients are prescribed Humulin® and Bevespi Aerosphere® and Little Rivers will no longer be able to offer these drugs at the 340B discounted pricing to those patients.

36) Because Little Rivers has historically operated at a loss, it does not have the financial resources to bear the additional cost of these drugs for our financially needy patients. The increased costs to Little Rivers to pay for the drugs under its drug discount program will exacerbate its already precarious financial position.

[Signature on next page]

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed this 16th day of May 2022.

Respectfully submitted,



Gail Auclair, M.S.M.-H.S.A., B.S.N., R.N.
Chief Executive Officer
Little Rivers Health Care, Inc.