

PRESS RELEASE:

SET Enterprises launches 340b covered entity suspicious purchase identification service for pharmaceutical and biological manufacturers

The tremendous growth and mandated deep discounts for 340B covered entities has created an environment where a few bad actors threaten the integrity of the 340B program

Source: [SET Enterprises](#) | Fri, 02 Aug 2024, 07:00:36 EDT



PHOENIX METRO, Ariz., Aug. 2, 2024 (SEND2PRESS NEWSWIRE) — SET Enterprises (set-enterprises.com), a leading independent management consulting firm serving the government pricing compliance needs of life sciences manufacturers, today announced the launch of SPI340BSM. This new service offering identifies specific 340B covered entities that exhibit suspicious purchasing patterns that suggest the entire volume of products purchased from pharmaceutical and biotechnology manufacturers may not be dispensed solely to eligible patients of the covered entity. 340B entities are required to dispense covered outpatient drugs only to a person who is a patient of the entity and are specifically prohibited from reselling the drug to another entity. Reselling discounted 340B drugs or dispensing to a non-patient is known as diversion.

The Health Resource and Services Administration (HRSA) is the governmental agency with oversight of the 340B program. From 2012-2020, HRSA conducted 1,242 audits of 340B covered entities. HRSA found 546 entities that diverted products to non-patients (44.0% of the total) [*United States Government Accountability Office report (GAO-21-107), December 2020*]. So, the challenge becomes, which 340B covered entities are more likely to be diverting product and should be singled out for further investigation. That is where SET Enterprises' SPI340BSM comes in. Using proprietary algorithms and models developed working with the Drug Enforcement Administration (DEA), SET's SPI340BSM service combs through the manufacturer's direct and indirect sales data looking for specific purchasing patterns that signal evidence of a diversionary buying pattern.



New York City Skyline with World Trade Center Light Towers

These suspicious purchasing patterns were first identified working with the DEA to search for retail pharmacies that were reselling Schedule 2 narcotics on the street. The results were so successful at identifying diversion, the DEA required all of the largest wholesalers to submit their sales data of Schedule 2 narcotics to be monitored for suspicious purchasing activity. SET Enterprises was engaged by a top ten pharmaceutical manufacturer to uncover why chargeback discounts exceeded sales on a deeply discount product sold to doctor's offices. Using enhanced DEA suspicious order monitoring algorithms and models, SET discovered the product was being diverted by physician's offices back to wholesalers to be resold. Further, SET identified which wholesalers were purchasing the product illegally and which specific customers were purchasing the product at a discount, then reselling the product (diversion) back to wholesalers to be resold again generating additional (excessive) chargeback discounts.

What makes product diversion particularly attractive for 340B covered entities is the differential between the price they pay for the product and how much they are reimbursed upon dispensing the product. This pricing spread can be significant as reported by the Community Oncology Alliance which found that "340B hospitals' own self-reported pricing data reveals that they price the top oncology drugs at 4.9 times their 340B acquisition costs" [*Examining 340B Hospital Price Transparency, Drug Profits, and Incentives, September 2022*]. In many cases, the manufacturers are required to sell 340B products at \$0.01 per unit, in which case virtually the entire reimbursement is spread. Instead of guessing who the potential 340B bad actors are, SPI340BSM provides manufacturers with a targeted list of 340B entities whose purchasing patterns signal a greater likelihood of product diversion. This knowledge can significantly increase a manufacturer's ability to reduce revenue leakage with minimal investments.

More information: <https://set-enterprises.com/diversion/>

ABOUT SET ENTERPRISES:

SET Enterprises (S•E•T Enterprises) has been working with large pharmaceutical and vaccine manufacturers for the past 30 years improving their government pricing compliance, automating their pricing calculations, auditing their price submissions, integrating their commercial pricing strategies with the impact on their required regulatory pricing and optimizing their portfolio contracting and pricing strategies.

For more information about the Suspicious Purchasing Identification 340B service, please email SPI340B@set-enterprises.com

Learn more at: <https://set-enterprises.com/>