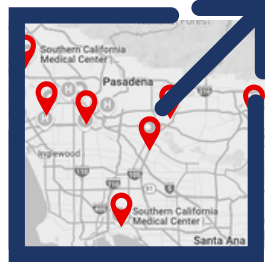


SOUTHERN CALIFORNIA MEDICAL CENTER (SCMC)

CASE STUDY

340B
WHAT ABOUT
ME?



tiicann.org

OVERVIEW

FQHCs with a history of fraud, like SCMC, are misusing 340B and exploiting taxpayer-funded healthcare programs for their own personal gain. In 2024, the “non-profit” settled allegations with the Department of Justice regarding illicit activities that jeopardized patient care. SCMC is a 501(c)(3) operating six clinics in the greater Los Angeles-area, primarily serving low-income and working-class families.

RED FLAGS

- **Medicare & Medi-Cal Fraud**
 - In 2024, agreed to pay \$15M to settle Department of Justice allegations that SCMC Founder, and the entities he co-owned, submitted false claims to Medicare and Medi-Cal from the payment of illegal kickbacks and self-referring patients.¹
 - Between 2014-2021, SCMC repeatedly violated the Anti-Kickback Statute and the Stark Act’s prohibition against self-referrals.
- **Concerning Ethics**
 - In 2024, SCMC Founder and former Chief Medical Officer surrendered his medical license after complaints he “engaged in a pattern of sexually assaulting young female patients, as well as employees who began as patients.”²

ATTORNEY GENERAL BONTA

“When health care professionals **exploit the Medi-Cal program**, which is intended to help the state’s most vulnerable populations, they betray the very principles of the Hippocratic Oath and **undermine a program designed to support the elderly, the ill, and those in need.**”³

340B MISUSE

- **Use of 340B Contract Pharmacies**⁴
 - 41 contract pharmacy arrangements, majority of which are affiliated with large PBMs and health insurer conglomerates:
 - 26 CVS contract pharmacy sites, 1 of which is located 150 miles outside of Los Angeles.
 - CVS Health Corporation owns CVS Pharmacy, CVS Caremark (PBM), and Aetna (health insurer).⁵
 - Surveys by governmental agencies find that contract pharmacies do not offer discounts to patients on 340B prescriptions.^{6,7}

CONCLUSION

Despite a history of concerning ethics and prioritizing profits over patient care, SCMC is still an active 340B covered entity with dozens of contract pharmacy affiliations.

1) United States Attorney’s Office, Central District of California: [Southern California-Based Clinics, Laboratory, and Owners to Pay \\$15 Million to Settle Allegations of False Claims Arising from Kickbacks and Self-Referrals](#), December 26, 2024.

2) Medical Board of California, Department of Consumer Affairs: [Stipulated Surrender of License and Order](#), November 25, 2024.

3) Long Beach Post: [Local health care clinic owner agrees to pay \\$10M to settle Medi-Cal fraud accusations](#), January 3, 2025.

4) Health Resources & Services Administration, Office of Pharmacy Affairs 340B OPAIS: [Contract Pharmacy Search](#).

5) Ohio Capital Journal: [With new acquisition, CVS to get bigger and broader, raising concerns](#), September 14, 2022.

6) United States Government Accountability Office: [Report to Congressional Requesters, Drug Discount Program: Federal Oversight of Compliance at 340B Contract Pharmacies Needs Improvement](#), June 2018.

7) United States Department of Health and Human Services: Office of Inspector General: [Memorandum Report: Contract Pharmacy Arrangements in the 340B Program, OEI-05-13-00431](#), February 4, 2014.