
HOUSE RESOLUTION

REQUESTING THE DEPARTMENT OF HUMAN SERVICES TO ESTABLISH AN
INTERIM TASK FORCE TO REVIEW THE STATE MAXIMUM ALLOWABLE
COST PROGRAM'S REIMBURSEMENT POLICY AND ITS IMPACT ON
SMALL, INDEPENDENT, COMMUNITY PHARMACIES.

1 WHEREAS, pharmacology is a transitional field between
2 health sciences and chemical sciences and a profession charged
3 with ensuring the safe use of medication; and
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5 WHEREAS, traditionally, pharmacists have compounded and
6 dispensed medications on the orders of physicians, but more
7 recently, the role of the pharmacist has evolved to include
8 other services related to patient care, including clinical
9 practice, medication review, and drug information; and
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11 WHEREAS, pharmacists are highly-trained and skilled
12 healthcare professionals who perform various roles to ensure
13 optimal health outcomes for their patients; and
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15 WHEREAS, many pharmacists are also small-business owners,
16 owning the pharmacy in which they practice; and
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18 WHEREAS, for each prescription that a pharmacy fills under
19 the Medicaid Program, Medicaid pays the pharmacy an amount meant
20 to cover both the cost of acquiring the drug from the
21 manufacturer and the cost of distributing and dispensing it; and
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23 WHEREAS, with the rising cost of healthcare taking a
24 significant toll on federal and state budgets, federal
25 regulations were implemented in 1987 to limit the amount which
26 Medicaid could reimburse for certain generic drugs under the
27 Federal Upper Limit (FUL) Program; and



1 WHEREAS, the concept of the FUL Program is to achieve
2 savings by taking advantage of current market prices; and
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4 WHEREAS, states also limit Medicaid drug reimbursement
5 under the Maximum Allowable Cost (MAC) Program, which generally
6 lists more drugs than the FUL Program and features lower
7 pricing; and
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9 WHEREAS, presently, MAC prices in Hawaii are set to remain
10 below FUL prices to adhere to federal regulations and ensure
11 maximum federal reimbursement for Medicaid expenditures; and
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13 WHEREAS, following federal guidelines, states typically
14 reimburse pharmacies for a prescription on the basis of an
15 estimated acquisition cost (EAC) plus a dispensing fee--both of
16 which vary among the states; and
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18 WHEREAS, Hawaii's EAC is equal to the average wholesale
19 price minus 10.5 percent; and
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21 WHEREAS, the state Department of Human Services (DHS) has
22 posted on its website "unofficial" rules, which state that for a
23 multi-source drug product, the MAC is determined by averaging
24 the EAC of the three least expensive generic versions available
25 with at least one of the three generic products provided by a
26 manufacturer who participates in the Federal Drug Rebate
27 Program; and
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29 WHEREAS, under Hawaii's MAC Program, reimbursement for
30 prescription drugs is as follows:
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32 (1) Single-source drugs are reimbursed at the lowest of
33 either the:
34

35 (A) Billed charge;
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37 (B) Provider's usual and customary charge to the
38 general public; or
39

40 (C) The EAC for a drug product plus a reasonable
41 dispensing fee; and
42

43 (2) Multiple source drug reimbursements shall not exceed
44 the lowest of either the:



- 1 (A) Billed charge;
2
3 (B) Provider's usual and customary charge to the
4 general public;
5
6 (C) EAC for a drug product plus a reasonable
7 dispensing fee;
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9 (D) FUL price plus a reasonable dispensing fee; or
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11 (E) If no FUL exists, the MAC plus a reasonable
12 dispensing fee, currently set at \$4.67;
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14 and
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16 WHEREAS, according to a recent study by the Government
17 Accountability Office (GAO), proposed Medicaid pharmacy
18 reimbursement cuts will force pharmacists to accept Medicaid
19 drug reimbursement that is, on average, 36 percent below their
20 acquisition cost; and
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22 WHEREAS, 86 percent of independent community pharmacists
23 say proposed regulations, as evaluated by the GAO, will
24 influence their decision to continue participating in the
25 Medicaid program; and
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27 WHEREAS, it will be our state's poor, in particular women
28 and children who make up the majority of Medicaid recipients,
29 who will suffer when they can no longer access community
30 pharmacies for the medications they need; and
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32 WHEREAS, more information needs to be collected to better
33 understand how MAC prices are set and how to ensure a reasonable
34 reimbursement to small pharmacies within state spending limits
35 and of federal Medicaid restrictions; now, therefore,
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37 BE IT RESOLVED by the House of Representatives of the
38 Twenty-fourth Legislature of the State of Hawaii, Regular
39 Session of 2007, that DHS is requested to establish an interim
40 State Maximum Allowable Cost Program Evaluation Task Force (Task
41 Force) to review the state MAC Program's reimbursement policy
42 and its impact on small, independent, community pharmacies; and
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