

S.B. NO. 1445

JAN 22 2007

A BILL FOR AN ACT

RELATING TO THE STATE PHARMACY ASSISTANCE PROGRAM.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Prescription drugs have become an increasingly
2 important part of health care, especially among older adults.
3 Prescription drugs have also become the most expensive component
4 of health care, accounting for approximately two-thirds of
5 health care costs.

6 In 2002, the legislature adopted the Hawaii Rx program,
7 intended to help a large population of Hawaii residents better
8 afford their prescription drugs through a discount program,
9 thereby increasing the overall health of Hawaii residents,
10 promoting healthy communities, and protecting public health and
11 welfare. In 2004, the program was amended to become the Hawaii
12 Rx plus program. Implemented in July 2005, Hawaii Rx plus has
13 enabled thousands of Hawaii residents, regardless of age, to
14 take advantage of discounted prices for their prescription drug
15 needs when no other insurance or payor are available to them.

16 In 2005, in anticipation of the new Medicare Modernization
17 Act's Part D program which took effect on January 1, 2006, the
18 State medicare part D state pharmacy assistance program was

1 created. The State medicare part D program covers the co-
2 payments for medicare and medicaid dual eligible clients to
3 ensure a smooth transition of prescription drug coverage from
4 medicaid to medicare.

5 The federal Medicare Modernization Act of 2005 also
6 provides special relief for qualified state pharmacy assistance
7 programs. Both the Hawaii Rx plus program and the State
8 Medicare part D program are recognizable under federal law as
9 state pharmacy assistance programs and, if they are combined
10 under an umbrella program and approved as a single federally
11 recognized program, could receive enhanced benefits from the
12 federal Centers for Medicare and Medicaid Services.

13 This bill would consolidate the provisions of both the
14 Hawaii Rx plus program and the State Medicare part D program
15 into a single state pharmacy assistance program for which the
16 State could then seek approval from the federal Centers for
17 Medicare and Medicaid Services to recognize this newly
18 consolidated program as a federally qualified state pharmacy
19 assistance program to receive enhanced benefits.

20 Through this consolidation, the State Medicare part D
21 program would remain the same and its enrollees would be
22 identified as "tier one enrollees" and the Hawaii Rx plus

1 program would remain the same and its enrollees would be
2 identified as "tier two enrollees". In addition, this bill
3 would provide prescription drug assistance for a subset of the
4 Hawaii Rx plus population, identified as the "tier three
5 enrollees", who may be at risk of becoming medicaid eligible and
6 for whom the State will seek approval from the federal Centers
7 for Medicare and Medicaid Services to allow the mandating of
8 rebates from drug manufacturers resulting in greater discounts.

9 The State of Hawaii will continue to receive pharmacy
10 discounts for individuals in the Hawaii Rx plus program with
11 incomes up to 350 per cent of the federal poverty level. With
12 federal Centers for Medicare and Medicaid Services approval, the
13 State will also be able to begin mandating rebates from
14 pharmaceutical companies for prescription drugs purchased by
15 individuals in the Hawaii Rx plus program who are at risk of
16 qualifying for medicaid with incomes equal to or less than 300
17 per cent of the federal poverty level as approved by the federal
18 Centers for Medicare and Medicaid Services.

19 The State of Hawaii may also be able to combine the
20 purchasing power of these two programs to negotiate larger
21 discounts, similar to federal government and private health
22 insurers, as approved by the federal Centers for Medicare and

1 Medicaid Services. Finally, combining both programs into a
2 federally qualified state pharmacy assistance program
3 streamlines operations and promotes effective administration.

4 The federal Centers for Medicare and Medicaid Services is
5 requiring a State statute before they will consider a request
6 for approval of the income eligibility for the medicaid at-risk
7 population and set the percentage of State contribution that
8 will be required towards the cost of the prescription drugs for
9 the at-risk population which will allow the mandating of rebates
10 for this group.

11 This bill, to be known as the "Hawaii Prescription Drug
12 Affordability Act of 2007", seeks to further drive down the cost
13 of prescription drugs for Hawaii's uninsured, underinsured, low-
14 income, elderly and disabled residents.

15 SECTION 2. Chapter 346, Hawaii Revised Statutes, is
16 amended by adding a new section to be appropriately designated
17 and to read as follows:

18 "§346- Program goals. The legislature finds that
19 affordability is critical in providing Hawaii residents with
20 access to prescription drugs. This part is enacted by the
21 legislature to enable the State to make prescription drugs more
22 affordable for qualified Hawaii residents and thereby increase

1 the overall health of Hawaii residents, promote healthy
2 communities, and protect the public health and welfare. The
3 legislature also intends that the program be integrated as much
4 as possible with other state health programs. It is not the
5 intention of the legislature for this law to discourage
6 employers from offering to pay, or from paying for prescription
7 drug benefits for their employees, or to supplant employer-
8 sponsored prescription drug benefit plans."

9 SECTION 3. Chapter 346, Hawaii Revised Statutes, is
10 amended by adding a new section to be appropriately designated
11 and to read as follows:

12 "§346- Hawaii Rx plus preferred drug list. (a) All drugs
13 shall be available at the medicaid discount price, or less. The
14 Hawaii Rx plus preferred drug list shall offer an additional
15 "secondary discount price," or less, on preferred drugs, to be
16 reimbursed through the Hawaii state pharmacy assistance program
17 special fund.

18 (b) The department shall establish secondary discounts for
19 drugs covered by a rebate agreement and shall promote the use of
20 safe, efficacious, and cost-effective drugs, taking into
21 consideration:

- 1 (1) Reduced prices for state and federally capped drug
- 2 programs;
- 3 (2) Differential dispensing fees;
- 4 (3) Administrative costs of the department; and
- 5 (4) The recommendation of the pharmacy and therapeutic
- 6 committee.

7 (c) The department shall establish a Hawaii Rx plus
8 preferred drug list that includes, but is not limited to:

- 9 (1) Drugs listed on the State's medicaid preferred drug
- 10 list;
- 11 (2) Any other drugs listed on the Hawaii Rx plus preferred
- 12 drug list pursuant to this section; and
- 13 (3) Generic drugs that are priced using a maximum
- 14 allowable cost list, as determined by the department.

15 (d) The pharmacy and therapeutic committee shall review
16 and recommend drugs for placement on the Hawaii Rx plus
17 preferred drug list, striving to identify the safest and most
18 efficacious drugs that are available at the lowest cost. The
19 committee's recommendations may take into consideration any of
20 the following factors:

- 21 (1) Therapeutic value for the disease or condition under
- 22 treatment;

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- 1 (2) Clinical efficacy;
- 2 (3) Safety;
- 3 (4) Cost; and
- 4 (5) Other relevant factors as determined by the committee.

5 (e) When considering categories of drugs designed to treat
6 specialized chronic medical conditions and diseases, the
7 committee shall consult with physicians and other health care
8 professionals with specialized clinical knowledge and expertise
9 in this area, either in their capacity as consultants serving on
10 a subcommittee of the committee, or as physicians or pharmacists
11 with a practice or specialty in chronic diseases.

12 (f) The determination of a drug's safety and efficacy
13 shall be consistent with the standards set forth in the peer-
14 reviewed literature and other available sources, including but
15 not limited to:

- 16 (1) The American Hospital Formulary Service Drug
17 Information;
- 18 (2) The United States Pharmacopoeia Drug Information;
- 19 (3) The DRUGDEX System; and
- 20 (4) The American Medical Association Drug Evaluations.

21 (g) The determination of a drug's net cost shall consider
22 the pharmacy reimbursement amount authorized under section

1 346- , as adjusted by manufacturer's rebates to be paid to the
2 department. The committee shall determine that a drug has no
3 significant clinical or safety advantages over one or more
4 alternative drugs when used for a given purpose before it may
5 consider the drug's net cost."

6 SECTION 4. Chapter 346, Hawaii Revised Statutes, is
7 amended by adding a new section to be appropriately designated
8 and to read as follows:

9 "§346- Participating and nonparticipating manufacturers
10 and labelers. (a) The names of manufacturers that enter and do
11 not enter into rebate agreements pursuant to this part shall be
12 deemed public information. The department shall release this
13 information to health care providers and the public.

14 (b) The department or administrator may also provide to
15 health care providers information about the relative cost of
16 drugs produced by manufacturers that enter into rebate
17 agreements compared to the cost of drugs produced by those that
18 do not enter into rebate agreements, as allowed by law."

19 SECTION 5. Chapter 346, Hawaii Revised Statutes, is
20 amended by adding a new section to be appropriately designated
21 and to read as follows:

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1 "§346- Pharmacy reimbursement. (a) A pharmacy shall
2 submit claims to the department to verify the amount charged to
3 tier two and tier three program participants. On a schedule to
4 be determined by the department, the department shall reimburse
5 each pharmacy for the discounts of prescription drugs provided
6 to program participants.

7 (b) The department shall collect pharmacy use data
8 necessary to calculate the amount of the manufacturer rebate
9 under section 346- . The department shall protect the
10 confidentiality of information received as required under state
11 or federal law, rule, or regulation.

12 (c) The department shall not impose transaction charges on
13 participating pharmacies that submit claims or receive payments
14 under the program."

15 SECTION 6. Chapter 346-341, Hawaii Revised Statutes, is
16 amended by:

17 (1) Adding fourteen new definitions to be appropriately
18 inserted and to read as follows:

19 "Administrator" means the director of human services.

20 "Discount" means the amount by which the price of a drug
21 sold by a pharmacy is reduced as determined by the department of
22 human services.

1 "Hawaii Rx plus program" means the prescription drug
2 discount program that provides discounts to qualified Hawaii
3 residents who are uninsured or underinsured through manufacturer
4 rebates and pharmacy discounts.

5 "Hawaii state pharmacy assistance program" means the
6 program that covers the co-payments for eligible seniors and
7 disabled individuals under the medicare part D drug benefit and
8 the prescription drug discounts for the Hawaii Rx plus program.

9 "Initial discount price" as it pertains to a drug means the
10 price that the department pays medicaid participating pharmacies
11 to purchase the drug for its medicaid members.

12 "Manufacturer" means anyone who is engaged in
13 manufacturing, preparing, propagating, compounding, processing,
14 packaging, repackaging, or labeling a prescription drug.

15 "Participating pharmacy" or "retail pharmacy" means a
16 retail pharmacy located in this State, or another business
17 licensed to dispense prescription drugs in this State, that
18 elects to participate in the program.

19 "Pharmacy and therapeutic committee" means the committee
20 established by the department that advises the state medicaid
21 director on the Hawaii Rx plus preferred drug list.

22 "Preferred drug" includes but is not limited to:

- 1 (1) A drug listed on the State's medicaid preferred drug
2 list;
- 3 (2) An antipsychotic drug;
- 4 (3) An antidepressant drug;
- 5 (4) A chemotherapy drug;
- 6 (5) An antiretroviral drug;
- 7 (6) An immunosuppressive drug; and
- 8 (7) Any other drug listed on the Hawaii Rx plus preferred
9 drug list pursuant to this part.

10 "Secondary discount price" as it pertains to a drug means
11 the initial discount price less any further discounts paid out
12 of the Hawaii state pharmacy assistance program special fund.

13 "State medicare part D program" means the medicare part D
14 state pharmacy assistance program that provides co-payments for
15 qualified Hawaii residents."

16 "Tier one enrollee" means a beneficiary who qualifies for
17 the medicare part D state pharmacy assistance program.

18 "Tier two enrollee" means a beneficiary who qualifies for
19 the Hawaii Rx plus program and whose household income is equal
20 to or less than three hundred and fifty per cent of the federal
21 poverty level.

1 "Tier three enrollee" means a beneficiary who qualifies for
2 the Hawaii Rx plus program and whose household income is equal
3 to or less than three hundred per cent of the federal poverty
4 level as approved by the federal Centers for Medicare and
5 Medicaid Services."

6 (2) Amending the following definitions to read as follows:

7 "Asset test" means the asset limits for eligibility in the
8 ~~[state pharmacy assistance program]~~ state medicare part D
9 program as defined by the Medicare Modernization Act and any
10 amendments thereto.

11 "Contractor means the person, partnership, or corporate
12 entity that has an approved contract with the department to
13 administer the Hawaii state pharmacy assistance program as
14 established under this part.

15 "Enrollee" means a resident of this State who meets the
16 conditions specified in this part and in departmental rules
17 relating to eligibility for participating in the Hawaii state
18 pharmacy assistance program and whose application for enrollment
19 in the Hawaii state pharmacy assistance program has been
20 approved by the department."

1 SECTION 7. Section 346-342, Hawaii Revised Statutes, is
2 amended by amending subsections (a), (b), and (c) to read as
3 follows:

4 "(a) There is established within the department the Hawaii
5 state pharmacy assistance program[-], which shall provide
6 benefits for enrollees in the state medicare part D program and
7 the Hawaii Rx plus program. Provided that there are no
8 federally approved prescription drug plans available in the
9 state that provide a full coverage prescription drug benefit,
10 the [~~state pharmacy assistance program~~] state medicare part D
11 program may coordinate the prescription drug coverage with [~~the~~]
12 any benchmark federal medicare part D prescription drug plan
13 benefit, including related supplies, as determined by the
14 department, to each resident who meets the eligibility
15 requirements as outlined in section 346-343. The Hawaii Rx plus
16 program shall combine the purchasing power of all qualified
17 residents to enable the State to reduce prescription drug costs,
18 as approved by the federal Centers for Medicare and Medicaid
19 Services, and further improve the quality of healthcare for
20 qualified Hawaii residents in the program, thereby increasing
21 the overall health of Hawaii residents, promoting healthy
22 communities, and protecting the public health and welfare.

1 (b) The department may provide enrollment assistance to
2 eligible individuals into the [~~state pharmacy assistance~~
3 ~~program~~] state medicare part D program. Enrollment for
4 medicaid dual eligible persons shall begin no later than October
5 1, 2005.

6 (c) [~~The~~] For the state medicare part D program, the
7 department shall allow any willing benchmark prescription drug
8 plan approved by the federal Centers for Medicare and Medicaid
9 Services to provide the coordination of benefits between the
10 [~~State's medicare prescription drug program~~] state medicare part
11 D program and the federal medicare part D drug benefit."

12 Section 8. Section 346-342, Hawaii Revised Statutes, is
13 amended by amending subsection (i) to read as follows:

14 "(i) The department or contractor [~~may~~] shall take into
15 consideration the rebate calculated under the medicaid rebate
16 program pursuant to title 42 United States Code Section 1396r-8,
17 the average [~~wholesale~~] manufacturer price of prescription
18 drugs, and any other cost data related to prescription drug
19 prices and price discounts."

20 SECTION 9. Section 346-343, Hawaii Revised Statutes, is
21 amended to read as follows:

1 "§346-343 Eligibility. (a) All residents of the State
2 shall be eligible to participate in the Hawaii state pharmacy
3 assistance program; provided that the applicant ~~[+]~~ meets the
4 following eligibility requirements:

5 (1) Tier one enrollee:

6 ~~[+1]~~ (A) Is a resident of Hawaii;

7 ~~[+2]~~ (B) Is sixty-five years or older, or is
8 disabled and receiving a social security
9 benefit;

10 ~~[+3]~~ (C) Has a household income ~~[at or below]~~ equal
11 to or less than one hundred fifty per cent
12 of the federal poverty level;

13 ~~[+4]~~ (D) Meets the asset test; ~~[and]~~

14 ~~[+5]~~ (E) Is not a member of a retirement plan who is
15 receiving a benefit from the Medicare
16 Modernization Act ~~[-]~~;

17 (F) Is medicaid dual eligible for and/or receiving
18 medicare part D prescription drug benefit; and

19 (G) Is enrolled in the program.

20 (2) Tier two enrollee:

21 (A) Is a resident of Hawaii;

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1 (B) Has a family income equal to or less than three
2 hundred fifty per cent of the federal poverty
3 level;

4 (C) Lacks prescription drug coverage or has exceeded
5 the extent of the resident's prescription drug
6 benefits; and

7 (D) Is enrolled in the program.

8 (3) Tier three enrollee:

9 (A) Is a resident of the State of Hawaii;

10 (B) Has a family income equal to or less than three
11 hundred per cent of the federal poverty level, as
12 approved by the federal Centers for Medicare and
13 Medicaid Services;

14 (C) Lacks prescription drug coverage or has exceeded
15 the extent of the resident's prescription drug
16 benefits; and

17 (D) Is enrolled in the program.

18 (b) [~~State pharmacy assistance~~] Tier one program
19 applicants who are enrolled in any other public assistance
20 program providing pharmaceutical benefits, other than the
21 Medicare Modernization Act and medicaid, shall be ineligible for
22 the [~~state pharmacy assistance~~] state medicare part D program as

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1 long as they receive pharmaceutical benefits from that other
2 public assistance program, unless the applicant is eligible for
3 medicare. Residents who qualify for, or are enrolled in, the
4 Hawaii Rx plus program shall be eligible for the [~~state pharmacy~~
5 ~~assistance~~] state medicare part D program; provided that they
6 meet all other [~~state pharmacy assistance~~] state medicare part D
7 program requirements.

8 (c) [~~State pharmacy assistance program applicants~~]
9 Applicants who are enrolled in a private sector plan or
10 insurance providing payments for prescription drugs shall be
11 ineligible to receive benefits from the [~~state pharmacy~~
12 ~~assistance~~] state medicare part D program.

13 (d) The department:

14 (1) Shall establish procedures to determine eligibility
15 and shall issue program enrollment cards to eligible
16 qualified residents;

17 (2) Shall provide for outreach efforts to build public
18 awareness of the program and maximize the enrollment
19 of eligible qualified residents; and

20 (3) May adjust the requirements and terms of the program
21 by rule to accommodate any federally funded or
22 authorized prescription drug program."

1 SECTION 10. Section 346-344, Hawaii Revised Statutes, is
2 amended to read as follows:

3 "~~§346-344~~ **Benefits.** (a) For persons meeting the tier one
4 eligibility requirements in section 346-343, the Hawaii state
5 pharmacy assistance program may pay all or some of the co-
6 payments required under the federal medicare part D pharmacy
7 benefit program, subject to the sufficiency of funds in the
8 Hawaii state pharmacy assistance program special fund, as
9 determined by the department.

10 (b) [~~The state pharmacy assistance program~~] For tier one
11 enrollees, the state medicare part D program is the payor of
12 last resort subject to the sufficiency of funds in the Hawaii
13 state pharmacy assistance program special fund, as determined by
14 the department.

15 (c) The [~~state pharmacy assistance program~~] benefits for
16 tier one enrollees shall be funded with state appropriations,
17 including funds derived from revenues to the State from rebates
18 paid by pharmaceutical manufacturers pursuant to section 346-
19 342(g), and with savings resulting from medicare prescription
20 drug coverage for the medicaid dual eligible population.

21 (d) For tier two and tier three enrollees, each retail
22 pharmacy participating in the Hawaii Rx plus program shall sell

1 drugs to qualified residents at the initial discount price, as
2 determined by the department pursuant to this part.

3 (e) Beginning July 1, 2004, a participating pharmacy shall
4 offer the initial discount price.

5 (f) No later than July 1, 2008, a participating pharmacy
6 shall offer the secondary discount price to tier three
7 enrollees, if available.

8 (g) The benefits for tier two and tier three enrollees
9 shall be funded with state appropriations, including funds, as
10 approved by the federal Centers for Medicare and Medicaid
11 Services, derived from revenues to the State from rebates paid
12 by pharmaceutical manufacturers pursuant to title 42 United
13 States Code section 1396r-8 and to section 346-342(g)."

14 SECTION 11. Section 346-345, Hawaii Revised Statutes, is
15 amended to read as follows:

16 "[~~§~~346-345~~]~~ **Special fund.** (a) There is established
17 within the state treasury to be administered by the department,
18 the Hawaii state pharmacy assistance program special fund, into
19 which shall be deposited:

- 20 (1) All moneys received from manufacturers that pay
21 rebates as provided in section 346-342(g);
22 (2) Appropriations made by the legislature to fund; and

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- 1 (3) any other revenues designated for the fund.
- 2 (b) Moneys in the Hawaii state pharmacy assistance program
- 3 special fund may be used for:
- 4 (1) Reimbursement payments to participating pharmacies for
- 5 co-payments required under the federal medicare part D
- 6 pharmacy benefit program as provided to ~~state~~
- 7 ~~pharmacy assistance program participants~~ tier one
- 8 enrollees;
- 9 (2) Reimbursement payments to participating pharmacies for
- 10 discounts provided to tier two and tier three
- 11 enrollees;
- 12 ~~[(2)]~~ (3) The costs of administering the Hawaii state
- 13 pharmacy assistance program, including salary
- 14 and benefits of employees, computer costs, and
- 15 contracted services as provided in section 346-
- 16 342(d); and
- 17 ~~[(3)]~~ (4) Any other purpose deemed necessary by the
- 18 department for the purpose of operating and
- 19 administering the Hawaii state pharmacy
- 20 assistance program.

21 All interest on special fund balances shall accrue to the

22 special fund. Upon dissolution of the Hawaii state pharmacy

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1 assistance program special fund, any unencumbered moneys in the
2 fund shall lapse to the general fund.

3 (c) The department shall expend all [~~revenues~~] moneys in
4 the Hawaii state pharmacy assistance program special fund to pay
5 for the benefits to enrollees in the Hawaii state pharmacy
6 assistance program, the costs of administering the program, and
7 reimbursement of medicaid pharmaceutical costs[-], provided that
8 any mandatory rebate revenues cannot be used for administrative
9 program costs and general funds must be used to pay for a
10 percentage of the secondary discount price unless otherwise
11 approved by the federal Centers for Medicare and Medicaid
12 Services."

13 SECTION 12. Chapter 346, Hawaii Revised Statutes, is
14 amended by amending the title of part XV to read as follows:

15 "[+]PART XV. [+] HAWAII STATE PHARMACY ASSISTANCE PROGRAM"

16 SECTION 13. Part XIII of Chapter 346, Hawaii Revised
17 Statutes, is repealed.

18 SECTION 14. The department shall conduct a study in order
19 to gather information on the size of the target population,
20 utilization data and other information as needed in order for
21 the department to identify the amount of the appropriation

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1 needed to implement the secondary discount price and other costs
2 of the program.

3 SECTION 15. There is appropriated out of the general
4 revenues of the State of Hawaii the sum of \$50,000, or so much
5 thereof as may be necessary for fiscal year 2007-2008, to be
6 paid into the Hawaii state pharmacy assistance program special
7 fund.

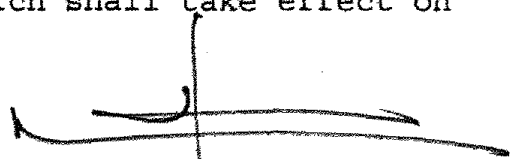
8 There is appropriated out of the Hawaii state pharmacy
9 assistance program special fund the sum of \$50,000, or so much
10 thereof as may be necessary for fiscal year 2007-2008, to the
11 department of human services for the purposes of conducting the
12 study mandated in Section 14 of this Act.

13 The sum appropriated by this Act shall be expended by the
14 department of human services for the purposes of conducting the
15 study mandated in Section 14 of this Act.

16 SECTION 16. Statutory material to be repealed is bracketed
17 and stricken. New statutory material is underscored.

18 SECTION 17. This Act shall take effect on July 1, 2008,
19 except for section 14 and section 15 which shall take effect on
20 July 1, 2007.

21 INTRODUCED BY:



BY REQUEST

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JUSTIFICATION SHEET

DEPARTMENT: Human Services

TITLE: A BILL FOR AN ACT RELATING TO THE STATE PHARMACY ASSISTANCE PROGRAM.

PURPOSE: The purpose of this bill is to create a comprehensive Hawaii State Pharmacy Assistance program by merging the current State Pharmacy Assistance program which coordinates the Medicare Part D drug benefit and the Hawaii Rx Plus program under a single comprehensive Hawaii State Pharmacy Assistance program umbrella. This will provide a mechanism to pursue deeper discounts through potential manufacturer rebates and other means. This bill will also make other housekeeping amendments to both programs.

This bill also requires the department to conduct a study in order to gather information on the size of the target population, utilization data and other information as needed in order for the department to identify the amount of the appropriation needed to implement the secondary discount price and other costs of the program; the bill provides for an appropriation for the study.

MEANS: Add four new sections to chapter 346, amend sections 346-341, -342, -343, -344, and -345, and repeal Part XIII, Hawaii Revised Statutes.

JUSTIFICATION: The current high costs of prescription drugs put people at-risk of eventually needing Medicaid assistance to cover these and other health care costs. Persons who are not currently eligible for Medicaid may become eligible as their medical expenses increase. Individuals up to 350 per cent of the federal poverty level will be eligible for this program, unless

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otherwise approved by the federal Centers for Medicare and Medicaid Services (CMS).

This bill proposes to consolidate the provisions of both the Hawaii Rx plus program and the current State Pharmacy Assistance program, which coordinates the Medicare Part D drug benefit, into a single state pharmacy assistance program for which the State could then seek approval from CMS to recognize this newly consolidated program as a federally qualified state pharmacy assistance program to receive enhanced benefits.

Through this consolidation, the current State Pharmacy Assistance program, which coordinates the Medicare Part D drug benefit, would remain the same and its enrollees would be identified as "tier one enrollees" and the Hawaii Rx plus program would remain the same and its enrollees would be identified as "tier two enrollees". In addition, this bill would provide prescription drug assistance for a subset of the Hawaii Rx plus population, identified as the "tier three enrollees", who may be at risk of becoming medicaid eligible and for whom the State will seek approval from CMS to allow the mandating of rebates from drug manufacturers resulting in greater discounts.

This bill will provide for deeper discounts for prescription drugs through a manufacturer's supplemental rebate program. The State will also be partnering in a national multi-state drug pool to get the supplemental rebates from prescription drug manufacturers as approved by CMS.

This program will require approval by CMS and has to be established as a federally recognized state pharmacy assistance program. CMS is requiring a State statute before they will consider a request for

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approval of the income eligibility for the medicaid at-risk population and set the percentage of State contribution that will be required towards the cost of the prescription drugs for the at-risk population which will allow the mandating of rebates for this group.

This enabling legislation will help the State in negotiations with CMS for approval.

Impact on the public: Individuals in the Hawaii Rx plus program with incomes up to 350 per cent of the federal poverty level, will continue to receive the initial discount price for their prescription drug purchases. Individuals at-risk of becoming Medicaid clients under the current Hawaii Rx Plus program (incomes up to 300 per cent of the federal poverty level as to be later approved by the federal Centers for Medicare and Medicaid Services), get greater help in paying for their prescription drugs so they will be able to maintain their health and avoid or delay the need for Medicaid because the State will be able to mandate manufacturers rebates for this group. The Medicare Part D enrollees will continue to have their co-payments covered by State funds and will not be impacted by the rebate portion of this amended State Pharmacy Assistance program.

Impact on the department and other agencies: This bill will prevent or defer at-risk individuals from coming into Medicaid and will prevent increased health care costs to the State in the long-term.

GENERAL FUNDS: -\$50,000-

OTHER FUNDS: -0-

PPBS PROGRAM DESIGNATION: HMS 230.

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OTHER AFFECTED
AGENCIES:

None.

EFFECTIVE DATE:

July 1, 2007 for the study and appropriations in sections 14 and 15 of this bill. July 1, 2008 for program implementation.