

Late

**PRESENTATION OF THE
BOARD OF PHARMACY**

TO THE SENATE COMMITTEE ON
HUMAN SERVICES AND PUBLIC HOUSING

L A T E

AND

TO THE SENATE COMMITTEE ON
HEALTH

TWENTY-FOURTH LEGISLATURE
Regular Session of 2008

Wednesday, January 30, 2008
1:15 p.m.

WRITTEN TESTIMONY ONLY

**TESTIMONY ON SENATE BILL NO. 2534, RELATING TO PRESCRIPTION
DRUG COST CONTAINMENT AND AFFORDABLE ACCESS.**

TO THE HONORABLE SUZANNE CHUN OAKLAND, CHAIR,
TO THE HONORABLE DAVID Y. IGE, CHAIR,
AND MEMBERS OF THE COMMITTEES:

My name is Elwin Goo, Chairperson of the Board of Pharmacy ("Board"), and the Board thanks you for the opportunity to present **written testimony** on Senate Bill No. 2534, Relating to Prescription Drug Cost Containment and Affordable Access. The Board opposes Section 3 of the bill and asks that it be deleted.

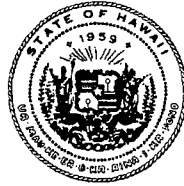
The purpose of this bill is to establish a pharmacy best practices and cost control program in which public and private health plans may participate. In section 3 of the bill and as an amendment to Section 461-4.5, Hawaii Revised Statutes, the Board will be required to develop, in consultation with pharmacists, hospitals, nursing homes, physicians, and other prescribers and affected parties,

criteria for a standardized tamper-resistant prescription pad that can be used by all health care providers who prescribe drugs.

The Board believes this is an unnecessary mandate since, in May 2007, the federal government passed a measure that required all Medicaid prescriptions to be written on tamper-resistant prescription paper in order to be reimbursed by Medicaid. Further, criteria for tamper-resistant prescription paper established by the Department of Health & Human Services, Centers for Medicare and Medicaid Services, are set forth in the federal law and also, State Medicaid offices are allowed to exceed these baseline requirements. The Board feels that developing criteria for tamper-resistant prescription paper would duplicate what federal regulations already mandate and would delay the implementation of the best practices and cost control program.

We respectfully request that you delete Section 3 from the bill. Thank you for the opportunity to testify on Senate Bill 2534.

LINDA LINGLE
GOVERNOR



LILLIAN B. KOLLER, ESQ.
DIRECTOR

HENRY OLIVA
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
P. O. Box 339
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LATE

January 30, 2008

MEMORANDUM

TO: Honorable Suzanne Chun Oakland, Chair
Senate Committee on Human Services and Public Housing

Honorable David Y. Ige, Chair
Senate committee on Health

FROM: Lillian B. Koller, Director

SUBJECT: **S.B. 2534 – RELATING TO PRESCRIPTION DRUG COST
CONTAINMENT AND AFFORDABLE ACCESS**
Hearing: Thursday, January 30, 2008, 1:15 p.m.
Conference Room 016, State Capitol

PURPOSE:

This bill requires the Director of Human Services to establish a pharmacy best practices and cost control program including Medicaid and other state public assistance health benefits plans, in which any public and private health plan may participate. Includes a prescription drug preferred list and prior authorization review process. Requires drug manufacturers to disclose economic benefits of \$25 or more provided to persons who prescribe, dispense, or purchase prescription drugs.

DEPARTMENT'S POSITION:

The Department agrees with the Hawaii Legislature that reduction of the costs of prescription drugs should not adversely affect access to and quality of prescription drug provided to Hawaii

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residents. We believe that these measures need to be accommodated in the budget, and their impact on the budget may result in reduced funding for other worthy causes. Therefore, the Department instead prefers and strongly supports the continuation of the Department's current, budgeted programs that have been addressing rising costs of prescription drugs and promotion of quality.

This bill is an unfunded mandate that requires the DHS to establish, implement, support, coordinate and manage the entire sphere of responsibility for the Pharmacy Best Practices and Cost Control Program for the State. This includes contract development, execution of purchasing agreements, researching various cost containment and disease management strategies, establishing a specific pharmacy discount plan, development and implementation of education programs, policy development and submission of reports. All of these activities will require substantial staff support which will adversely impact the Department's current staffing and operational resources that are already stretched and adversely impact the priorities in the Executive Supplemental Budget.

The Department currently the following cost containment mechanisms in place:

Drug Use Review (DUR) Committee

The Department has a Drug Use Review (DUR) Committee that meets quarterly and is made up of physicians and pharmacists. This Committee reviews drugs of high cost and/or high utilization and if these drugs are being appropriately used. The Committee makes best practices recommendations to the Department. Physicians whose prescribing patterns do not meet best practices are notified in a letter and compared with their peers and community standards.

Preferred Drug List (PDL)

In 2004, the Department released a Request for Proposals (RFP) for an agent for its Preferred Drug List (PDL). First Health (FH) was selected to develop and implement Hawaii Medicaid's PDL. FH provided the opportunity for Hawaii Medicaid to participate in its National Medicaid Pooling Initiative (NMPI), in which states join together to receive discounts (supplemental rebates) based on the total number of Medicaid recipients in all of the participating states. (There are currently fourteen (14) states in the NMPI—including Hawaii, Kentucky, Michigan, Minnesota, Montana, Nevada, New Hampshire, New York, Georgia, Alaska, Rhode Island, District of Columbia and Tennessee.)

The Department selected a Pharmacy and Therapeutic (P & T) Advisory Committee to help it determine which drugs should or should not be included in the PDL. The P & T Advisory Committee makes clinical recommendations to the Department on the safety and efficacy of drug classes and specific drugs.

Since its inception, more than \$7 million in supplemental rebates have been credited to the Department.

Although the PDL applies to persons who are aged, blind, and disabled and covered by the fee-for-service Medicaid program, the Department understands the need to involve its QUEST managed care plans in providing recommendations to the Department. Pharmacists and physicians affiliated with three (3) of the four (4) QUEST plans are members of the P & T Advisory Committee. P & T meetings are held quarterly. The schedule is posted on First Health's website and also at the Lt. Governor's office. The meetings are open to the public.

Federal Drug Rebates

The Omnibus Budget Reconciliation Act (OBRA) 1990 mandates that federal Medicaid funding will only be allowed for drugs from manufacturers that sign rebate agreements with CMS (Centers for Medicare and Medicaid Services). These rebate agreements require drug manufacturers to rebate funds to CMS and to state Medicaid agencies so that the net payment by CMS and Medicaid equal the lowest rates charged for their drugs. Federal rebates only apply to persons covered by Medicaid.

Coverage of Over the Counter (OTC) Drugs

In the Hawaii Medicaid Program, drugs must be prescribed by a physician or a health care professional with prescriptive authority. Thus, OTC drugs are covered if prescribed.

State Maximum Allowable Charges (SMAC)

In 2001, the Department implemented the SMAC program. Through this program, generic drugs made by multiple manufacturers are paid the average of the three (3) lowest prices based on the drugs' average wholesale price. The Department is looking into refining the methodology for SMAC pricing. In 2007, the legislature adopted HCR 54/HR 34 SMAC evaluation task force. The task force will review the SMAC program's reimbursement policy and its impact on small, independent community pharmacies and will submit a report with finding and recommendations to the Governor and the legislature.

The Department also has a new program to address the quality of care for the Aged, Blind and Disabled population:

Thank you for the opportunity to comment on this bill.