

STAND. COM. REP. NO.

140

Honolulu, Hawaii

Feb 9, 2011

RE: H.B. No. 1243  
H.D. 1

Honorable Calvin K.Y. Say  
Speaker, House of Representatives  
Twenty-Sixth State Legislature  
Regular Session of 2011  
State of Hawaii

Sir:

Your Committees on Labor & Public Employment and Economic Revitalization & Business, to which was referred H.B. No. 1243 entitled:

"A BILL FOR AN ACT RELATING TO REPACKAGED DRUGS AND COMPOUND MEDICATIONS,"

beg leave to report as follows:

The purpose of this bill is to help mitigate unreasonable increases in the cost of prescription drugs, including repackaged prescription drugs and compound medications in Hawaii's workers' compensation insurance system by providing reasonable restrictions on markups.

The Property Casualty Insurers Association of America; Hawaii Employers' Mutual Insurance Company, Inc.; Hawaii Insurers Council; GEICO; and Marriott International, Inc. supported this bill. The Department of Labor and Industrial Relations supported the intent of this measure. The Hawaii Injured Worker's Alliance and Aloha Pain Clinic opposed this bill.

The repackaging of drugs is the practice of breaking a large bottle of drugs down into several bottles of smaller quantities, while compound drugs are created by combining two or more "raw" ingredients into a unique product to provide therapeutic relief of an injury or illness.

HB1243 HD1 HSCR LAB-ERB HMS 2011-1979



Recent workers' compensation cost data has shown an increase in costs. Pharmacy costs, in particular the additional use of repackaged and compound drugs, appear to be the primary driver behind such an increase.

Your Committees note, however, the concerns of some of the stakeholders and therefore respectfully request the Committee on Health, should it choose to hear this measure, to examine how the regulations proposed in this bill may affect both physicians' ability to dispense medications to patients and access to medications in rural areas and on the neighbor islands.

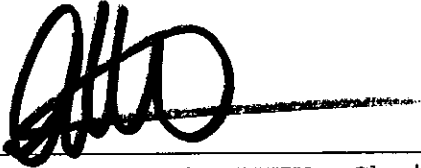
Your Committees have amended this bill by:

- (1) Specifying that the cap on the payment for prescription drugs cannot exceed 140 percent of the average wholesale price as listed in the American Druggist Red Book;
- (2) Removing an insurer, self-insured, or captive insurer's pharmacy benefit network price as a factor in determining the maximum payment for prescription drugs;
- (2) Providing that the unit price of repackaged or relabeled drugs cannot exceed the original manufacturers' average wholesale price plus 40 percent; and
- (3) Making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the records of votes of the members of your Committees on Labor & Public Employment and Economic Revitalization & Business that are attached to this report, your Committees are in accord with the intent and purpose of H.B. No. 1243, as amended herein, and recommend that it pass Second Reading in the form attached hereto as H.B. No. 1243, H.D. 1, and be referred to the Committee on Health.



Respectfully submitted on  
behalf of the members of the  
Committees on Labor & Public  
Employment and Economic  
Revitalization & Business,



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ANGUS L.K. MCKELVEY, Chair



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KARL RHOADS, Chair



State of Hawaii  
House of Representatives  
The Twenty-sixth Legislature

HSCR 140

Record of Votes of the Committee on Labor & Public Employment

Bill/Resolution No.: <b>HB 1243</b>	Committee Referral: <b>LAB/ERB, HLT, FIN</b>	Date: <b>2-4-11</b>		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
LAB Members	Ayes	Ayes (WR)	Nays	Excused
1. RHOADS, Karl (C)	/			
2. YAMASHITA, Kyle T. (VC)	/			
3. AQUINO, Henry J.C.	/			
4. CULLEN, Ty	/			
5. ICHIYAMA, Linda	/			
6. LEE, Marilyn B.	/			
7. LUKE, Sylvia	/			
8. SAIKI, Scott K.	/			
9. SOUKI, Joseph M.	/			
10. TAKUMI, Roy M.	/			
11. FONTAINE, George R.	/			
12. JOHANSON, Aaron Ling	/			
<b>TOTAL (12)</b>	<b>22</b>	—	—	—
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. <small style="margin-left: 100px;">committee acronym(s)</small>				
Vice Chair's or designee's signature: _____				
Distribution: Original (White) – Committee            Duplicate (Yellow) – Chief Clerk's Office            Duplicate (Pink) – HMSO				

