

STAND. COM. REP. NO.

795

Honolulu, Hawaii

MAR 04 2011

RE: S.B. No. 591
S.D. 2

Honorable Shan S. Tsutsui
President of the Senate
Twenty-Sixth State Legislature
Regular Session of 2011
State of Hawaii

Sir:

Your Committee on Judiciary and Labor, to which was referred
S.B. No. 591, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO PHARMACY BENEFIT MANAGEMENT
COMPANIES,"

begs leave to report as follows:

The purpose and intent of this measure is to require
registration and regulation of pharmacy benefit management
companies including periodic audits of pharmacies that submit
claims to pharmacy benefit management companies.

Your Committee received testimony in support of this measure
from six private individuals. Your Committee received testimony
in opposition to this measure from the Insurance Commissioner of
the Department of Commerce and Consumer Affairs; Express Scripts;
Medco Health Solutions, Inc.; Hawaii Medical Service Association;
Pharmaceutical Care Management Association; CVS Caremark
Corporation; and 'Ohana Health Plan.

Your Committee finds that pharmacy benefit management
companies play a growing role in the provision of health insurance
coverage for prescription drugs but are currently unregulated by
any state entity. Your Committee further finds that requiring
registration of pharmacy benefit management companies will allow
the State to exercise some degree of oversight over these
companies to ensure the health and safety of Hawaii's residents.



Your Committee notes the concerns regarding certain provisions of this measure that were raised in the testimony of pharmacy benefit managers, health insurers, and the Insurance Commissioner. Your Committee further notes that these stakeholders engaged in sincere efforts to communicate with the proponents of this measure and your Committee to address concerns and to reach consensus on amendments to this measure.

Accordingly, your Committee has amended this measure by deleting its contents and replacing them with language that:

- (1) Requires registration of a pharmacy benefit management company with and subsequent annual statements filed with the Insurance Commissioner;
- (2) Establishes certain standards and criteria for the conducting of audits of pharmacies by managed care companies, insurance companies, third-party payers, or the representatives of these entities, which will help to enforce existing regulatory standards for providers of prescription drugs as well as supplement the new regulations created by this measure;
- (3) Prohibits certain actions by a pharmacy benefit management company, including actions that limit consumer protection or a patient's method of obtaining prescription medications;
- (4) Authorizes the Insurance Commissioner to assess fines for violations of the new chapter established pursuant to this measure and authorizes appeals of certain decisions made by the Insurance Commissioner;
- (5) Requires a pharmacy benefit management company contracting with an entity to provide prescription drug coverage to provide an annual report, which shall include information regarding the number and total amount paid to pharmacies for prescriptions filled under the contract, as well as other information regarding fulfillment of the contract;
- (6) Mandates that pharmacy benefit management companies shall provide to pharmacies that contract with the pharmacy benefit management company the methodology that the pharmacy benefit management company uses to

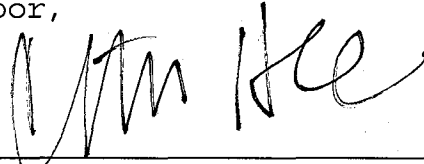


determine reimbursement, as well as other disclosures related to payment of the pharmacy by the pharmacy benefit management company; and

- (7) Mandates disclosures to enrollees that include a list of the names and locations of all affiliated providers, the method of resolving complaints of covered persons, and notice that the pharmacy benefit management company is required to be registered in the State by the insurance commissioner.

As affirmed by the record of votes of the members of your Committee on Judiciary and Labor that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 591, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 591, S.D. 2.

Respectfully submitted on behalf of the members of the Committee on Judiciary and Labor,

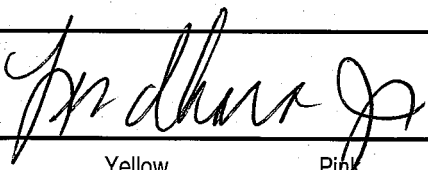


CLAYTON HEE, Chair



The Senate
Twenty-Sixth Legislature
State of Hawai'i

Record of Votes
Committee on Judiciary and Labor
JDL

Bill / Resolution No.:*	Committee Referral:	Date:		
SB 591, SD1	HTH/CPN, JDL	3-1-11		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
HEE, Clayton (C)	✓			
SHIMABUKURO, Maile (VC)				✓
GABBARD, Mike	✓			
IHARA, Jr., Les		✓		
SLOM, Sam	✓			
TOTAL	3	1	0	1
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes