



NEIL ABERCROMBIE  
GOVERNOR

BRIAN SCHATZ  
LT. GOVERNOR

STATE OF HAWAII  
OFFICE OF THE DIRECTOR  
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS  
335 MERCHANT STREET, ROOM 310  
P.O. Box 541  
HONOLULU, HAWAII 96809  
Phone Number: 586-2850  
Fax Number: 586-2856  
www.hawaii.gov/dcca

KEALI'I S. LOPEZ  
DIRECTOR

EVERETT KANESHIGE  
DEPUTY DIRECTOR

TO THE HOUSE COMMITTEE ON  
CONSUMER PROTECTION & COMMERCE

TWENTY-SIXTH LEGISLATURE  
Regular Session of 2011

Monday, February 14, 2011  
2:00 p.m.

**TESTIMONY ON HOUSE BILL NO. 1384, HD 1 – RELATING TO PRESCRIPTION  
MEDICATIONS.**

TO THE HONORABLE ROBERT N. HERKES, CHAIR, AND MEMBERS OF THE  
COMMITTEE:

My name is Gordon Ito, State Insurance Commissioner, testifying on behalf of the Department of Commerce and Consumer Affairs ("Department"). The Department opposes this bill which requires the Insurance Commissioner to develop a standardized form and process for handling prior authorizations for prescription drugs in the health insurance area. We do not object to the concept, but we do object to the Insurance Commissioner being placed in the role of handling the intervention.

The Insurance Division does not regulate or oversee the contractual provisions or requirements between health insurers and medical providers.

We thank this Committee for the opportunity to present testimony on this matter and ask that this bill be held.



STATE OF HAWAII  
DEPARTMENT OF HUMAN SERVICES  
P. O. Box 339  
Honolulu, Hawaii 96809-0339

February 10, 2011

**MEMORANDUM**

TO: The Honorable Robert H. Herkes, Chair  
House Committee on Consumer Protection and Commerce

FROM: Patricia McManaman, Interim Director

SUBJECT: **H.B. 1384, H.D.1 – RELATING TO PRESCRIPTION MEDICATIONS**

Hearing: Monday, February 14, 2011; 2:00 p.m.  
Conference Room 325, Hawaii State Capitol

*Comments*

**PURPOSE:** The purpose of this bill is to require the insurance commissioner to develop a standardized prior authorization form and process to minimize the cost and maximize the efficiency of processing prior authorizations.

**DEPARTMENT'S POSITION:** The Department of Human Services (DHS) supports improving efficiency for prescribing health care providers, without the negative consequences that would result from a single statewide formulary. DHS also supports an increased emphasis on electronic prescribing.

Thank you for the opportunity to provide testimony on this bill.

# HMSA



Blue Cross  
Blue Shield  
of Hawaii

An Independent Licensee of the Blue Cross and Blue Shield Association

February 14, 2011

The Honorable Robert N. Herkes, Chair  
The Honorable Ryan I. Yamane, Vice Chair  
House Committee on Consumer Protection and Commerce

**Re: HB 1384 HD1 – Relating to Prescription Medications**

Dear Chair Herkes, Vice Chair Yamane, and Members of the Committee:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on HB 1384 HD1 which would mandate the Insurance Commissioner to establish a single, standard prescription coverage request form. While we understand the intent of the Bill, HMSA opposes this measure.

While standardization is an ideal, the form must be structured to provide sufficient information for reasonable and appropriate decisions to be made, and in a timely manner. Sufficiency of information is paramount to avoiding denials. For example, how would a single form be designed to allow us to distinguish between a \$100 per month drug for hypertension, as opposed to a \$20,000 per month drug for a rare condition?

For the provider and patient alike, timeliness is imperative. That is why HMSA has made great strides to have information and processes available electronically. The formularies and application and appeals forms and procedures are available on-line for providers. All of this will be altered with the change proposed in this Bill, and there will be immediate, if not long-term, financial consequences as new programming and staff will be required to execute the change.

Instead of moving this bill forward in its current form we would respectfully suggest that changes be made to focus on a workgroup which would be convened by a more independent body, the John A. Burns School of Medicine. We have attached potential revisions for your review. We hope that the Committee sees fit to incorporate our proposed changes into this measure.

Thank you for the opportunity to testify today.

Sincerely,

A handwritten signature in black ink, appearing to read 'JDiesman', with a long horizontal stroke extending to the right.

Jennifer Diesman  
Vice President  
Government Relations

SECTION 1. The legislature finds that prior authorization for prescription medications requires that physicians obtain approval from a health insurance carrier to prescribe a specific medication for their patients. Without this prior authorization, a health insurance carrier may not provide coverage, or pay for, patient medication. Despite its growing visibility and importance, the prior authorization process is often manual and non-standard, creating administrative burdens and costs to health care providers and health insurance carriers. It also may result in patients experiencing delays in getting prescriptions filled, leading to potentially adverse health impacts.

While prescription drugs requiring prior authorization consists of only a small fraction of all prescribed medications, the number of drugs requiring prior authorization and the number of prior authorizations have grown rapidly in recent years. Hence, prior authorization has become a widely adopted method of drug utilization management.

In February 2010, the Minnesota department of health, in its report entitled "Electronic Drug Prior Authorization Standardization and Transmission", suggested the following best approaches to standardize prior authorization requests, including:

- (1) Extensive use of direct, computer-to-computer, automated electronic data interchange, based on well-established, widely-used national standards that are well suited to the drug prior authorization transaction;
- (2) A single, standard list of drugs requiring prior authorizations, and a standard set of questions used by payers to gather supplemental information needed to process prior authorization requests, that are the same across all payers; and
- (3) Full and effective integration with other health care electronic data exchange, especially electronic prescribing and electronic health records.

~~[The purpose of this Act is to require the insurance commissioner to develop a standardized prior authorization form and process to minimize the cost and maximize the efficiency of processing prior authorizations.]~~

The purpose of this Act is to convene a workgroup to discuss improvements to the existing prior authorization process for prescription medications.

~~[SECTION 2. Not later than December 31, 2011, in accordance with the general powers afforded by section 431:2-201, Hawaii Revised Statutes, the insurance commissioner shall develop a standardized prior authorization request form and process for prescription medications that can be used~~

~~between health care providers and insurance carriers with the goal of minimizing costs and maximizing administrative simplification and efficiency. The prior authorization form and process shall be accessible and available for submission electronically through secure electronic transmissions. For the purposes of this Act, the term "electronic transmission" shall not be deemed to include facsimile.]~~

SECTION [3] 2. The [~~insurance commissioner~~] John A. Burns School of Medicine shall convene a working group comprised of health care providers, pharmacists, insurance carriers, health maintenance organizations, governmental agencies, and other key stakeholders to [~~assist in the development of a standardized prior authorization form and process~~]discuss potential improvements to the current prior authorization process for prescription medications.

SECTION 3. The [~~insurance commissioner~~] working group shall provide a report of its proceedings, recommendations, and results on implementing this Act not later than thirty days prior to the convening of the regular session of 2012.

SECTION 4. This Act shall take effect upon its approval.



## HAWAII MEDICAL ASSOCIATION

1360 S. Beretania Street, Suite 200, Honolulu, Hawaii 96814  
Phone (808) 536-7702 Fax (808) 528-2376 www.hmaonline.net

**Monday, February 14, 2011, 2:00 P.M., Conference Room 329**

To: COMMITTEE ON CONSUMER PROTECTION & COMMERCE  
Rep. Robert N. Herkes, Chair  
Rep. Ryan I. Yamane, Vice Chair

From: Hawaii Medical Association  
Dr. Morris Mitsunaga, MD, President  
Linda Rasmussen, MD, Legislative Co-Chair  
Dr. Joseph Zobian, MD, Legislative Co-Chair  
Dr. Christopher Flanders, DO, Executive Director  
Lauren Zirbel, Community and Government Relations

Re: HB 1384 RELATING TO PRESCRIPTION MEDICATION

### In Support

Chairs & Committee Members:

HMA recognizes that standardizing Prior Authorizations reduces some administrative burden for physicians. This is a step in the right direction. **This bill should be passed.** It applies to all health plans, both public and private, and thus covers a wide range of territory that will decrease burdens for health care providers to provide appropriate care to their patients. **Having different prior authorization forms is completely unnecessary and confusing for providers and patients alike.**

**One way to make Hawaii a less expensive and more viable place to practice is to reduce administrative burden.**

Especially in the case of Medicaid, which is now reimbursing at around 60% of Medicare, the bottom line is that providers lose money whenever they see Medicaid patients. The least that can be done is to reduce the extra administrative costs associated with treating these patients so that instead of losing money and a lot of extra administrative time for working, providers simply lose money when they see Medicaid patients.

**Private practice doctors cannot afford to hire the full time staff person needed to argue with Manage Care Organization all day every day over payment and drug denials. This is a big reason why there is a severe access to care crisis in Hawaii.**

**The state has ensured that the access to care crisis will be especially terrible for Medicaid patients by reducing reimbursements and farming out medical decisions to individuals who are trained in finance, not medicine. Gaining approval to treat patients has turned into a ridiculous obstacle course intended to exhaust and confuse physicians**

#### OFFICERS

PRESIDENT - MORRIS MITSUNAGA, MD PRESIDENT-ELECT - ROGER KIMURA, MD  
SECRETARY - THOMAS KOSASA, MD IMMEDIATE PAST PRESIDENT - DR. ROBERT C. MARVIT, MD TREASURER  
- STEPHEN KEMBLE, MD EXECUTIVE DIRECTOR - CHRISTOPHER FLANDERS, DO

**until they give up on receiving payment all together. This is not a viable business model – as we can see by the plummeting number of doctors who plan on re-enrolling as participating providers with certain Quest plans.**

**Doctors do their best to see Medicaid patients, and want to see Medicaid patients. However, when there is a high population of Quest patients in one area, as is often the case on the neighbor islands, doctors simply cannot qualify for business loans to open a practice because banks have determined that practicing medicine is not viable in these communities.**

**One of our members who is a Cardiologist was denied for a loan to practice on the Big Island for this reason. This problem has reached a critical mass. Something must be done or we must be realistic about what to expect in the future.**

Thank you for the opportunity to testify.

Testimony of  
Phyllis Dendle  
Director of Government Relations

Before:  
House Committee on Consumer Protection and Commerce  
The Honorable Robert N. Herkes, Chair  
The Honorable Ryan I. Yamane, Vice Chair

February 14, 2011  
2:00 pm  
Conference Room 325

**HB 1384 HD1            RELATING TO PERScription MEDICATION**

Chair Herkes and committee members, thank you for this opportunity to provide testimony on HB1384 HD1 which would require the insurance commissioner to convene a working group to create a standard form for requests for prior authorization for prescription drugs.

**Kaiser Permanente Hawaii has some comments on this bill.**

In reviewing this measure we can appreciate the desire to standardize this process across health plans in the hope of simplifying it. We would be happy to participate in a working group looking at standardizing prior authorizations forms. Though we may request that Kaiser Permanente be exempted from this requirement due to the complication it could create for our internal processes.

Our care is integrated and our electronic health information system spans our program. Because of this it is possible for a physician to request an exception to the formulary by direct contact with the pharmacy through our electronic system. This does not require any interaction with our health plan and therefore does not need a prior authorization form as described in the bill.

Thank you for your consideration.



## CPCtestimony

---

From: patrick adams [tandemadams@me.com]  
Sent: Sunday, February 13, 2011 9:40 PM  
To: CPCtestimony  
Subject: HB 1383

To: Committee on Consumer Protection and Commerce  
From: Patrick Adams  
Re: HB 1383

Monday February 14, 2011 Room 325 at @ 2:00pm

Honorable Chair Herkes and member of the committee,

In Support of HB 1383

Prior Authorizations in prescription service has delayed medications and resulted in aggravated conditions. The process is cumbersome at best and usually involves the doctor's office, the pharmacy and the patient. There should be reasonable requirements and timely limits in this process to insure the people of Hawaii receive proper care. As a pharmacist I have seen the frustration and suffering patients go through while trying to navigate the prior authorization system. The pharmacist needs to be an experts at many systems to help their patients obtain the medications they require. In many cases the delays appear to be for no medical reason. Patients and pharmacist would be better served by one system to navigate with similar rules in place to get patients to an end point as soon as possible. This would be a step in improving healthcare and reducing the cost to administer the medications patients require.

Sincerely,  
Patrick L Adams, Rph  
Director of Pharmacy  
Foodland Supermarkets Ltd  
808-640-1848

Faith Action for



Community Equity

Gamaliel Foundation Affiliate

1352 Liliha Street, Room 2  
Honolulu, HI 96817

Phone (808) 522-1304  
Fax (512) 532-7448  
[face.office@facehawaii.org](mailto:face.office@facehawaii.org)  
[www.facehawaii.org](http://www.facehawaii.org)

The Rev. Alan Mark  
Statewide President

The Rev. Sam Domingo  
Oahu President

The Rt. Rev. Monsignor  
Terrence Watanabe  
Maui President

Mr. Rosario Baniaga  
Statewide Treasurer

Ms. Judy Ott  
Statewide Secretary

Mr. Drew Astolfi  
Executive Director

Mr. Patrick Zukemura  
Oahu Lead Organizer

Ms. Terri Erwin  
Maui Lead Organizer

**COMMITTEE ON CONSUMER PROTECTION & COMMERCE**

Rep. Robert N. Herkes, Chair  
Rep. Ryan I. Yamane, Vice Chair

DATE: Monday, February 14, 2011  
TIME: 2:00 pm  
PLACE: Conference Room 325  
State Capitol  
415 South Beretania Street

**RELATING TO PRESCRIPTION MEDICATIONS  
HB 1384**

Good morning Chair Herkes and committee members:

I am Rev. Bob Nakata and I am the Chair of the FACE Health Care Committee and its past President. FACE is the largest State inter-faith and community organizing non-profit. We have 24 institutions on Maui, 27 on Oahu and one statewide. There are 38 churches, a Buddhist Temple, 2 Jewish congregations, 10 community groups and non-profit organizations and one labor union. FACE has a statewide participating membership base in excess of 40,000.

**We SUPPORT this measure.** All too often the patient suffers the consequences of a delay in the ability of their physician to prescribe the right medications. Physicians should be able to promptly provide their patients the medications they need to take right away that will help with pain management and chronic diseases. The administrative requirements for physicians to locate the correct prior authorization form, do follow up phone calls with patients, pharmacies, and the requirement of faxing the document, is time consuming and creates unnecessary delays for patients. FACE recommends that a standardized prior authorization process would not only benefit the people of Hawaii but save time and money for payers and providers.

Please pass this measure.

Rev. Bob Nakata  
Chair  
FACE Health Care Committee



*The Official Sponsor of Birthdays*

February 12, 2011

Committee on Consumer Protection & Commerce  
Representative Robert Herkes, Chair  
Representative Ryan Yamane, Vice Chair

**Hearing:**

February 14, 2011, 9:00 a.m.  
Hawaii State Capitol, Room 325

**RE: HB1384, HD1 – Relating to Prior Authorizations**

**Testimony in Support**

Chair Herkes, Vice Chair Yamane, and members of the Committee on Consumer Protection & Commerce. Thank you for the opportunity to offer testimony in support of HB1384, HD1 which would require the development of a standardized prior authorization request form and process for prescription.

The Committee is keenly aware that the American Cancer Society has been dedicated to eliminating cancer as a major health problem by strongly advocating for the removal of barriers and obstacles to better cancer treatment and follow-up care.

Once cancer treatment has been undertaken, many patients are required to maintain a medication regime which has been specifically tailored for them. Adherence to the schedule is critically important in order to insure that medications do not interfere with other cancer therapies. In addition, patients with other chronic conditions such as heart disease, high blood pressure and diabetes need to be extra vigilant to protect against drug interactions.

The American Cancer Society routinely takes calls from patients needing assistance in obtaining prescribed medication from their pharmacy provider. Many delays are due to communication issues between patient, physician, and pharmacist. The system can be a major burden for patients who must receive their medication in a timely manner. As an alternative, many patients are forced to obtain their medication from a local pharmacy often at a much higher cost.

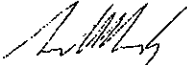
We believe that standardizing the prior authorization process will have a positive impact on many of our rural patients, and would help them receive their medications in a timely manner. In implementing this process, we would strongly recommend that the Insurance Commissioner adopt the Minnesota model which has shown to be very effective.

In closing, we would like to bring to the Committee's attention that Health Care Reform rules encourage health care providers to adopt electronic health records (EHR) and starting in 2015, health care providers could receive financial penalties under Medicare or have Medicare payment cut if they are not using EHRs. As a result, there will need to be standardization in drug formularies and prior authorizations.

We urge the committee to move this measure forward.

Mahalo for allowing us the opportunity to provide testimony on this measure.

Sincerely,

A handwritten signature in black ink, appearing to read "G. Massengale".

George S. Massengale, JD  
Director of Government Relations



**AlohaCare**

For a healthy Hawaii.

February 14, 2011  
2:00 pm  
Conference room 325

To: The Honorable Robert N. Herkes, Chair  
The Honorable Ryan I. Yamane, Vice Chair  
House Committee on Health

From: Paula Arcena, Director of Public Policy

Re: HB1384, HD1 Relating to Prescription Medications

Thank you for the opportunity to testify.

AlohaCare is **opposed** to HB1384, HD1 which is intended to simplify prescription drug prior authorization process by mandating the creation and use of a universal prescription coverage request form and process.

While we appreciate the desire for a simplified process, we believe it will be difficult to develop a universal prior authorization request form and process that accommodates the wide range of health plan formularies and the diversity of memberships each plans serves. The standardized form and process would need to meet the needs of commercial, Medicare, Medicaid insurers and integrated systems, such as Kaiser. Specialty non-formulary prescription drugs, which are the most costly, require unique clinical information for medical review.

We appreciate the HD1 version of this measure which would allow stakeholders to work together to find workable solutions to this issue.

We would like to inform the Committee that AlohaCare's prior authorization process for non-formulary prescription drugs is designed to provide quick a turn-around. For prior authorization requests received after-hours or in emergency situations, AlohaCare members receive a three-day emergency supply of non-formulary medications or a ten-day supply for antibiotics and providers are asked to follow up with a prior authorization request to continue the non-formulary prescription. Expedited requests are processed within 72-hours. We review prior authorizations for medical necessity and verify the member's eligibility and benefits.

AlohaCare is a non-profit, Hawaii based health plan founded in 1994 by Hawaii's community health centers to serve low-income families and medically vulnerable members of our community through government sponsored health insurance programs. We serve beneficiaries of Medicaid and Medicare on all islands.

AlohaCare has been contracted by the Hawaii Department of Human Services since the QUEST program started in 1994 to provide insurance coverage for Medicaid eligible beneficiaries through the QUEST program. We serve approximately 75,000 QUEST enrollees statewide.

Thank you for this opportunity to testify.