

NEIL ABERCROMBIE
GOVERNOR



PATRICIA MCMANAMAN
DIRECTOR

BARBARA A. YAMASHITA
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES

P. O. Box 339
Honolulu, Hawaii 96809-0339

February 24, 2012

TO: The Honorable Marcus R. Oshiro, Chair
House Committee on Finance

FROM: Patricia McManaman, Director

SUBJECT: **H.B.2415, H.D. 1 - RELATING TO MEDICAID**

Hearing: Friday, February 24, 2012; 3:30 p.m.
Conference Room 308, State Capitol

PURPOSE: The purpose of the bill is to require certain Medicaid recipients to pay a co-payment for prescription drugs covered under the recipients' Medicaid benefits in accordance with a system developed by the Department of Human Services and requires the Department of Human Services to seek the approval of the Centers for Medicare and Medicaid Services prior to the establishment and implementation of such a system..

DEPARTMENT'S POSITION: The Department of Human Services (DHS) supports the intent of the bill, but has several concerns. In order to impose co-payments, as specified by this measure, the Department of Human Services (DHS) would first need to secure a waiver from the Centers for Medicare and Medicaid (CMS). As such, the implementation date of this bill must be tied to CMS approval. Second, the DHS may need to make substantial, major modifications to our MedQuest software to be able to capture income data and transfer the same to the health plans. In turn, the health plans may also need to make system modifications. These system modifications would address present CMS regulations which provide that co-payments

for prescription medications may not exceed 5% of a family's income, and the additional CMS requirement that co-payments may not exceed 10% of the cost of the item prescribed. At this time, the DHS is unable to provide a cost estimate for any such system modifications, but notes this measure contains no appropriation for the same. While it may be possible to obtain a waiver of these requirements, the DHS would first need to submit a waiver request to the CMS.

As an alternative to the proposed measure, the DHS offers to submit a waiver to CMS and to include in the waiver a request to eliminate the imposition of the income and cost ceilings. We would further seek permission from CMS to tie co-payment costs to those costs currently paid by dual eligible beneficiaries - \$1.10 per each generic prescription and \$3.30 per each brand prescription; this would certainly end the disparity that currently exists between dual eligible and otherwise healthy adults. Finally, the DHS would suggest that pregnant women also be exempted from the co-payment requirement.

Thank you for the opportunity to testify on this bill.

HMSA



An Independent Licensee of the Blue Cross and Blue Shield Association

February 24, 2012

The Honorable Marcus R. Oshiro, Chair
The Honorable Marilyn B. Lee, Vice Chair

House Committee on Finance

Re: HB 2415, HD1 – Relating to Medicaid

Dear Chair Oshiro, Vice Chair Lee and Members of the Committee:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to support HB 2415, HD1 which mandates the Department of Human Services (DHS) to require a Medicaid recipient to pay a copay for prescription drugs.

We fully appreciate the intent of this Bill to create efficiencies in the State's Medicaid system. We believe that copays may reduce waste, allowing unused monies to address budget shortages in other areas of the Medicaid program. In addition, this seems to be in line with our Medicaid contract with DHS which includes an onsite readiness review by DHS to, among other things, review our ability to handle co-shares for its members.

We also recognize that the imposition of copays potentially may result in a segment of the population inappropriately reducing their use of medications. However, that possibility may be mitigated if DHS allows participating plans to individually structure a formulary that ensures medication compliance.

Thank you for this opportunity to support of this legislation.

Sincerely,

A handwritten signature in black ink, appearing to read "JD", with a long horizontal flourish extending to the right.

Jennifer Diesman
Vice President
Government Relations

Testimony of
John M. Kirimitsu
Legal & Government Relations Consultant

Before:

House Committee on Finance
The Honorable Marcus R. Oshiro, Chair
The Honorable Marilyn B. Lee, Vice Chair

February 24, 2012
3:30 pm
Conference Room 308

Re: HB 2415, HD1 Relating to Medicaid

Chair, Vice Chair, and committee members, thank you for this opportunity to provide testimony on HB 2415 HD1 requiring certain Medicaid recipients to pay a copayment for prescription drugs.

Kaiser Permanente Hawaii would like to offer comments on this bill.

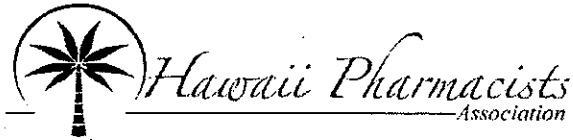
Kaiser Permanente Hawaii supports the intent of this bill to improve the efficiency of the Medicare system, but has concerns that the adverse consequences of this cost-sharing measure may outweigh its intended benefits.

First and foremost, it is well recognized that imposing mandatory cost-sharing for prescription drugs may result in Medicaid patients foregoing necessary medications, leading to poorer health. These are the state's poorest patients. Even a modest copay for a prescription, which may seem like a bargain to everyday consumers, can represent a fortune to low-income Medicaid recipients with serious ailments, especially if their chronic ailments require multiple medications. Obviously, the lower income population is more vulnerable to adverse consequences from cost-sharing, because they have less disposable income and much of their limited income is reserved for basic needs such as food and shelter. What is more troubling is that this inability to pay cost-sharing may have a counterproductive effect by triggering more expensive forms of treatment such as emergency room or hospitalization. Of significance is that this resulting fiscal impact for the state could be quite substantial, as one avoidable hospitalization for one Medicaid enrollee who skips his medication to save a co-pay can easily exceed the small purported savings from co-pays imposed on thousands of Medicaid recipients.

Similarly, cost-sharing may have a negative impact on those already financially distressed Medicaid health care providers by an increase in lost revenues due to costlier emergency and hospitalization care in treating those patients that forego medications due to copays. This cost-sharing could also result in the reduction of overall revenue from Medicaid for participating providers as payments are reduced by Medicaid to reflect the patient copayment, despite no assurances that the member will pay the copay.

Finally, the state and providers can expect to spend significant amounts on administration to collect on the copayments. Arizona's state Medicaid agency concluded that the state would incur almost 16.5 million in administrative costs to collect a mere 5.6 million in copayments. The Arizona study also noted that the administrative costs in collecting the copays do not take into account the increased healthcare costs resulting from reduced use of medications by patients in need, which inevitably leads to increased costs from emergency room visits and other more expensive services.

Thank you for the opportunity to comment.



Representative Marcus Oshiro, Chair
House Committee on Finance

Friday, February 24, 2012; 3:30 PM; Agenda #6
Hawai'i State Capitol; Conference Room 308

RE: HB 2415 HD1 Relating to Medicaid

Aloha, Chair Oshiro, Vice-Chair Lee and Members of the Committee:

The Hawai'i Pharmacists Association takes no position on HB 2415 HD1; however, would like to offer comments.

We are in support of Section 2 of the bill that requires the Department of Human Services to seek the approval of the Centers for Medicare and Medicaid Services prior to the establishment and implementation of a Medicaid prescription drug benefit co-payment system, provided that providers are allowed to condition service on the payment of the co-payment.

Despite the fact that co-payment is meant to be the responsibility of the recipient, it is the Pharmacy which is responsible for collecting co-payments. Federal law prohibits Medicaid providers from denying care or services "for an individual's inability to pay a deduction, cost-sharing, or similar charge," unless approval has been received from the Centers for Medicare & Medicaid Services to allow providers to withhold their services when co-payments go unpaid. Federal regulations also prohibit states from reimbursing providers for uncollected co-payments.

Thank you for the opportunity to provide comments on this measure.

Respectfully,

Jeani Jow, Pharm.D., BCPS
President, Hawai'i Pharmacists Association

Selma Yamamoto, Pharm.D., BCPS
Immediate Past-President, Hawai'i Pharmacists Association

Nicole Pagoyo, Pharm.D.
President-Elect, Hawai'i Pharmacists Association



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Representative Marcus Oshiro, Chair
House Committee on Finance

Friday, February 24, 2012; 3:30 PM; Agenda #6
Hawaii State Capitol; Conference Room 308

RE: HB 2415 HD1 Relating to Medicaid

Chair Oshiro, Vice Chair Lee and Members of the Committee:

CVS Caremark takes no position on HB 2415 HD1, however, would like to offer comments.

We are in support of Section 2 of the bill that requires the Department of Human Services to seek the approval of the Centers for Medicare and Medicaid Services prior to the establishment and implementation of a medicaid prescription drug benefit co-payment system, provided that providers are allowed to condition service on the payment of the co-payment.

Despite the fact that co-payment is meant to be the responsibility of the beneficiary, it is the pharmacy which is responsible for collecting co-payments. Federal law prohibits Medicaid providers from denying care or services "for an individual's inability to pay a deduction, cost-sharing, or similar charge," unless approval has been received from the Centers for Medicare & Medicaid Services to allow providers to withhold their services when co-payments go unpaid. Federal regulations also prohibit states from reimbursing providers for uncollected co-payments.

Thank you for the opportunity to provide comments on this measure.

Todd K. Inafuku
Cell: (808) 620-2288



HO'OLA LAHUI HAWAI'I
P.O. Box 3990; Līhu'e, Hawai'i
Phone: 808.240.0100 Fax: 808.246.9551

February 23, 2012

COMMITTEE ON FINANCE
Rep. Marcus R. Oshiro, Chair
Rep. Marilyn B. Lee, Vice Chair

Testimony in Opposition to HB 2415, HD1
Relating to Medicaid

Ho'ola Lahui Hawaii **OPPOSES** this bill to require the Department of Human Services to ask the Centers for Medicaid and Medicare to amend the State Plan for Medicaid to allow the charging of co-pays for certain patients with Medicaid.

The intent of this bill is to offset costs associated with pharmaceuticals and to share costs with the patient. A laudable goal in itself, however, the patients that will be affected by this change are not able to afford co-pays--that is why they are currently enrolled in the Medicaid program.

This will be a huge burden on the patients who will have to decide if they can afford needed medications or simply go without necessary treatment. Going without necessary treatment will have a devastating effect on the entire health care system as patients with chronic health conditions will not get better costing the system even more money and in the process compromising the health and possible life of the patient. An additional financial barrier to an already challenged population only serves to further harm the individuals in need.

As an organization that currently serves a large number of Medicaid patients and provides pharmacy services to them, we see this as a monumental problem puts an additional burden on our pharmacy to collect co-pays from patients who cannot afford to pay them. This is contrary to our service philosophy to assist patients with their health care needs. Our patients will suffer as a result of this bill. The potential financial impact to our organization could potentially force us to stop providing pharmacy services as fewer patients will no doubt use our pharmacy because they cannot afford the co-payments.

We strongly urge the committee to defer this measure.

David Peters
Chief Executive Officer

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 22, 2012 3:53 PM
To: FINTestimony
Cc: robertscottwall@yahoo.com
Subject: Testimony for HB2415 on 2/24/2012 3:30:00 PM

Testimony for FIN 2/24/2012 3:30:00 PM HB2415

Conference room: 308
Testifier position: Oppose
Testifier will be present: Yes
Submitted by: Scott Wall
Organization: United Self Help
E-mail: robertscottwall@yahoo.com
Submitted on: 2/22/2012

Comments:

We oppose this bill. Although we understand that it might seem like it is only fair to ask everyone to bear even a slight burden in paying for their medications I'm not sure that the people understand the danger in this current system. Most mental health consumers, myself included, live on Social Security. Now Social Security is a wonderful thing and it gives us enough to live on, just. There are no savings accounts in most of our lives. When you are on multiple medications the prescriptions just never seem to line up on the same day of the month. Sometimes since prescriptions are usually in thirty day dosages the day of the month alters. If you have bought all your groceries and paid your bills but your prescriptions expire at the end of the third week in the month you might just not have enough cash to pay those co-pays. Just last month I had to go nine days before I could re-fill my prescriptions. That's not good for me and I'm just a bi-polar. If I suffered from schizophrenia or Borderline disorder I could certainly become a danger to myself or others in nine days without my medications. I think that this method is short sighted. If the People are bound and determined to have us pay for our co-pays they should look for some method that would allow it to be withheld from our checks. The risk of us being broke when our meds run out is to great.

FINTestimony

From: mailinglist@capitol.hawaii.gov
ent: Wednesday, February 22, 2012 7:08 PM
To: FINTestimony
Cc: babyjean@hotmail.com
Subject: Testimony for HB2415 on 2/24/2012 3:30:00 PM

Testimony for FIN 2/24/2012 3:30:00 PM HB2415

Conference room: 308
Testifier position: Oppose
Testifier will be present: No
Submitted by: Ronnie Perry
Organization: Individual
E-mail: babyjean@hotmail.com
Submitted on: 2/22/2012

Comments:

I am STRONGLY opposed to this bill. This bill is an attack on the living conditions of the poor, the elderly, children, the disabled and woman. It takes the money that could be used for maintaining a decent living condition, thereby increasing poverty and possibly creating more houselessness. These are the types of policies that are causing pain and suffering in our community, and I do not support that. It will cause many who cannot afford it to forgo necessary treatment, therefore increasing suffering and the use of emergency services. It is the ultimate foolish idea; penny wise and pound foolish. I also do not support decreasing the little that the most needy in our community have, while we are paying more taxes. I want y taxes to help people.