TESTIMONY

SB2106

HTH Committee Hearing 1/27/2012

NEIL ABERCROMBIE
GOVERNOR

BRIAN SCHATZ
LT. GOVERNOR

STATE OF HAWAII
INSURANCE DIVISION
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS

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KEALI'I S. LOPEZ
DIRECTOR

GORDON I. ITO
INSURANCE COMMISSIONER

TO THE SENATE COMMITTEE ON HEALTH

TWENTY-SIXTH LEGISLATURE
Regular Session of 2012

Friday, January 27, 2012
2:45 p.m.

TESTIMONY ON SENATE BILL NO. 2106 – RELATING TO HEALTH.

TO THE HONORABLE JOSH GREEN, M.D., 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 takes no position on this bill which creates a mandated benefit for outpatient prescription drug coverage and limits related cost sharing.

Traditionally, the Department has not taken a position on mandated benefits because these mandates help some people while creating a cost burden on other people. We believe the balancing of these interests is best left to the wisdom of the Legislature. We note that to create a mandated benefit, a sunrise review by the Legislative Auditor is required under HRS section 23-51.

We thank the Committee for the opportunity to present testimony on this matter.

WRITTEN ONLY

LATE

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON HEALTH
ON
SENATE BILL NO. 2106

JANUARY 27, 2012

RELATING TO INSURANCE

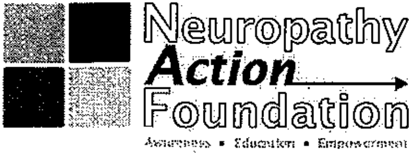
Senate Bill No. 2106: 1) requires health insurers to provide outpatient prescription drug coverage; 2) prohibits health insurers from requiring coinsurance as a basis for cost sharing with the insured for outpatient prescription drug benefits; and 3) limits the amount of copayments that an insured must pay for prescription drugs to $150 for a one month prescription supply.

The Department of Budget and Finance does not oppose the inclusion of prescription drug coverage as part of an insurer's medical plan. However, we are opposed to placing limits to the amount of copayments that an insured will pay for prescription drugs as counter to rational financial economics. Limiting the contribution of the insured to the overall cost of their medical coverage just pushes that expense onto some other entity. And, for the State of Hawaii as an organization, potentially that could mean the employer-providers or group-plan participants would be faced with assuming those increased costs through higher overall premiums.

The cost of prescription drugs has been a driving force in the overall increase in medical insurance coverage. Copayments are often used in designing prescription drug plans to raise the consumer awareness about the costs of their prescription drugs resulting in cost savings for the member and the insurer.

Differential brand/generic copayments require higher copayments for prescription brand names and lower amounts for generics. Some plans include an additional third tier of copayment for non-preferred drugs. The third tier requires a higher copayment since non-preferred drugs are often brand names without rebates. A higher copayment for brand name drugs encourages member to use generic prescription drugs which results in cost savings for the member and the insurer.

Although we have not been able to determine the cost impact to the Employer Union Trust Fund prescription drug plans as of this date, we are concerned that any cost increases resulting from copayment limitations will be passed on to the insured through higher premiums or higher copayments for all prescription costs. Such increases impact all of the insured, whether they are using prescription drugs or not.



January 24, 2012

The Honorable Josh Green, MD
Hawaii State Capitol
Room 222
Honolulu, HI 96813

RE: SB 2106 – STRONGLY SUPPORT

The Neuropathy Action Foundation (NAF), which is dedicated to ensuring neuropathy patients obtain the necessary resources and tools to access individualized treatment to improve their quality of life, supports SB 2106. SB 2106 makes access to prescription drugs more affordable and accessible to the residents of Hawaii by prohibiting co-insurance and prevents a patient from paying a copayment for prescription drugs in excess of $150 for a one month supply.

SB 2106 is very important for the thousands of Hawaii residents who suffer from neuropathy. In fact, the NAF oftentimes receives calls from patients in Hawaii informing us that their health plan suddenly switched their treatment to a higher tier or co-insurance and that they can no longer afford their life and limb saving therapies.

High cost specialty drugs are generally classified in Tier 4, the highest and most expensive tier. As a result of the 4 tier drug formulary, patients with serious diseases such as certain neuropathies, MS, cancer and others that require biologic medications are being asked to pay hundreds and even thousands of dollars for prescriptions to treat their diseases. Insurers are abandoning the traditional arrangement that has patients paying a fixed amount, like $10, $20 or $30 co-pay for a prescription, and instead are charging patients co-insurance, meaning a percentage of the cost of certain high-priced drugs, usually 20 to 33 percent. These costs can amount to thousands of dollars a month and limit access to vital, life-saving medications.

Insurance is a means by which health risk is spread across a pool of payers. Yet when a serious illness like Multi-Focal Motor Neuropathy strikes, subscribers often are singled out for much higher co-pays and other out-of-pocket costs. This practice is appalling and negates the very reason they had been paying for insurance in the first place — to be protected from financial hardship should they become ill.

Please help neuropathy and others who suffer from chronic illnesses by supporting SB 2106. Should you have any questions please contact me at 877-512-7262.

Regards,

James D. Lee
Public Affairs Chair

Neuropathy Action Foundation • 1304 S. Roxbury Drive #303 • Los Angeles, California 90035 • (877) 512-7262 •

Testimony for HTH 1/27/2012 2:45:00 PM SB2106

Conference room: 229
Testifier position: Support
Testifier will be present: No
Submitted by: Jennifer Jaff
Organization: Advocacy for Patients with Chronic Illness
E-mail: patient_advocate@sbcglobal.net
Submitted on: 1/25/2012

Comments:
Advocacy for Patients is a 501(c)(3) nonprofit that provides FREE information, advice and advocacy services to patients with chronic illnesses nationwide. We strongly support SB 2106. Drugs on specialty tiers tend to be used by people with chronic illnesses, from Crohn's disease to rheumatoid arthritis to multiple sclerosis. Due to specialty tiers, drugs that are needed for patients to function productively are too expensive. As people stop taking their medication, their condition deteriorates and we -- the taxpayers -- pay when they end up on disability or worse. Twenty percent of the cost of a biologic on a monthly basis can reach into the tens of thousands of dollars. Few of us can afford such an expense -- but without it, the chronically ill are unable to thrive. Thus, we strongly urge the passage of this legislation.

Jennifer C. Jaff, Esq.
Executive Director

January 25, 2012

The Honorable Josh Green, MD
Hawaii State Capitol
Room 222
Honolulu, HI 96813

RE: SB 2106 – SUPPORT

The Myositis Association, which serves patients suffering from this rare disease and many of whom require expensive biotherpaeutic medication, supports SB 2106.

High cost specialty drugs are generally classified in Tier 4, the highest and most expensive tier. As a result of the 4 tier drug formulary, patients with serious diseases such as myositis are sometimes having to pay hundreds and even thousands of dollars for prescriptions to treat their disease. Insurers are abandoning the traditional arrangement that has patients paying a fixed amount, like $10, $20 or $30 co-pay for a prescription, and instead are charging patients co-insurance. These costs can amount to thousands of dollars a month and limit access to vital, life-saving medications.

Insurance is a means by which health risk is spread across a pool of payers. Yet when a serious expensive-to-treat illness strikes, subscribers often are singled out for much higher co-pays and other out-of-pocket costs. This practice negates the very reason the patients had been paying for insurance in the first place — to be protected from financial hardship should they become ill.

Please support SB 2106 to help those who cannot afford to pay large sums out of pocket for desperately needed medications.

Sincerely,

Bob Goldberg
Executive Director
The Myositis Association

IMMUNE DEFICIENCY FOUNDATION

The National Patient Organization Dedicated to Advocacy, Education and Research for Primary Immunodeficiency Diseases

January 24, 2012

The Honorable Josh Green, MD
Hawaii State Capitol
Room 222
Honolulu, HI 96813

RE: SB 2106 – STRONGLY SUPPORT

The Immune Deficiency Foundation, founded in 1980, is the national patient organization dedicated to improving the diagnosis, treatment and quality of life of persons with primary immunodeficiency diseases through advocacy, education and research.

Persons with primary immunodeficiency diseases (PIDD) are born with malfunctioning or non-existent immune systems. Their immune systems are not able to produce enough antibodies (immune globulins - Ig) or no antibodies to fight viruses, bacteria and fungi. With treatment (immunoglobulin replacement therapy) from donated pooled blood plasma, patients are able to use the antibodies in the plasma in their own bodies to fight sickness like any person with a normal immune system to live normal, healthy and productive lives. However, without Ig replacement therapy, patients can look forward to constant illnesses, many trips to physicians, hospitals, ICU's and emergency rooms, multiple antibiotic treatments and organ deterioration ending with severe disabilities and premature death.

IDF supports SB 2106 because it will make access to prescription drugs more affordable and accessible to the residents of Hawaii by prohibiting co-insurance and prevent a patient from paying a copayment for prescription drugs in excess of $150 for a one month supply.

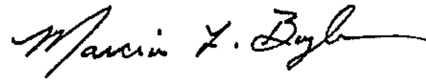
Increasingly, health plans are switching specialty drug therapies to a pharmacy higher tier that requires patients to pay co-insurance instead of co-pays. Such moves are tantamount to denial of care as most patients are unable to pay the co-insurance and will forego treatment. These cases are devastating to the health of patients as well as significantly increase the costs to the health care system. This does not make sense.

High cost specialty drugs are generally classified in Tier 4, the highest and most expensive tier. As a result of the 4 tier drug formulary, patients with serious diseases such as primary immunodeficiency diseases, certain neuropathies, MS, cancer and others that require biologic medications are being asked to pay hundreds and even thousands of dollars for prescriptions to treat their diseases per month.

Insurance is a means by which health risk is spread across a pool of payers. Patients with rare and chronic diseases are singled out for much higher co-pays and other out-of-pocket costs. This practice is appalling and negates the very reason they had been paying for insurance in the first place — to be protected from financial hardship should they become ill.

Please help Hawaiians who suffer from rare and chronic illnesses by supporting SB 2106. If you have any questions, please contact Larry La Motte at llamotte@primaryimmune.org or 443-632-2552.

Sincerely,



Marcia Boyle
President and Founder

40 W CHESAPEAKE AVE • STE 308 • TOWSON, MD 21204 • 800.296.4433 • 410.321.6647 • FAX 410.321.9165
www.primaryimmune.org idf@primaryimmune.org

January 25, 2012

The Honorable Josh Green, M.D.
Chairman, Senate Committee on Health
Hawaii State Capitol, Room 222
Honolulu, HI 96813

RE: Support S.B. 2106 bill ensuring access to affordable prescription drugs

Dear Senator Green:

I am writing on behalf of Patient Services, Inc. (PSI) to thank you for sponsoring S.B. 2106 and express our strong support for this urgently needed legislation. PSI is a national, non-profit charity that for over two decades has helped ensure that persons with rare and chronic disorders in every state have access to the critical and often life-saving health care they need. Our organization raises primarily private donations to pay the health plan premiums and cost-sharing for those most in need, and PSI also administers insurance premium assistance programs for various state government agencies.

Thousands of Hawaiians suffer from the two dozen disorders for which we provide assistance with ever-increasing health insurance costs. Those with hemophilia, primary immune deficiencies, leukemia, lymphoma, or Parkinson's disease can easily incur up to hundreds of thousands of dollars in out-of-pocket costs every year, forcing many to go without critical drug therapies that can prevent more costly illness/injury or even death.

We greatly appreciate your recognition of how the prevalence of specialty tier coinsurance exacerbates the rationing of care to these high-cost populations. As you are aware, the Kaiser Family Foundation previously found that placing a drug into a specialty tier forces patients to pay an average of 36 percent of the cost of the drug. Increasing out-of-pocket costs for multiple sclerosis drugs by even $250 made patients seven times more likely to forgo medically necessary care.

The use of specialty tier coinsurance negates the entire purpose of health insurance and adversely impacts our entire health care system. Restricted access to specialty drugs shrinks the market for drug manufacturers while greatly increasing their patient assistance costs. It also drives up the costs of uncompensated care that must be absorbed by safety net providers and charitable organizations like ours.

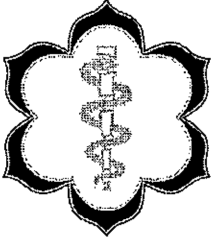
Please let us know if we can assist in any way with your efforts. If you have any questions please do not hesitate to contact me directly at 804.521.7908. Thank you again for fighting to ensure access to affordable prescription drugs.

Sincerely,

James Romano

James Romano
Director of Government Relations and Advocacy

Patient Services Incorporated • P.O. Box 1602 • Midlothian, VA 23113 • 800.366.7741
www.uneedpsi.org
"Making the gift of health a lifetime benefit"™



NCAPIP
National Council of Asian Pacific Islander Physicians

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Nanci Yuan, M.D.

NATIONAL COUNCIL OF ASIAN PACIFIC ISLANDER PHYSICIANS

January 26, 2012

The Honorable Josh Green, M.D.
Hawaii State Capitol - Room 222
Honolulu, HI 96813

RE: SB 2106 – STRONGLY SUPPORT

On behalf of the National Council of Asian Pacific Islander Physicians (NCAPIP) Board *of Directors* and membership, we are pleased to support SB 2106. SB 2106 makes access to prescription drugs more affordable and accessible to the residents of Hawaii by prohibiting co-insurance and prevents a patient from paying a copayment for prescription drugs in excess of $150 for a one month supply.

NCAPIP is a non profit organization of Asian American, Native Hawaiian and Pacific Islander physicians advocating for the health and well being of their patients and communities. The patients they serve originate from almost 50 countries and speak 100 languages, constituting one of the fastest growing ethnic populations and presenting with conditions that negatively impact on their health, such as limited English proficiency (LEP), high poverty rates, a low level of high educational attainment and a high rate of being uninsured.

As a cost sharing strategy, specialty tier is problematic for a number of reasons and while NCAPIP fully supports the passage of the recent health care bill (PPACA) that provides patients with many protections, out-of-pocket prescription medication costs are not sufficiently protected. To fully protect patients, steps must be taken to prohibit or stem the practice of specialty tiered co-insurance.

Therefore, legislation to restrict specialty tier is one approach to help ensure that every person living with chronic and/or severe illnesses and requiring high cost drugs, has access to the therapies that can slow disease progression and increase quality of life, without subjecting the patient to the potentially devastating cost of specialty tier coinsurance. NCAPIP fully supports needed legislation such as SB 2016 for the people of the state of Hawaii.

Sincerely,

Ho Luong Tran, M.D., M.P. H.
President and CEO

Dexter Louie, M.D., J.D.
Chair, Board of Directors

NATIONAL COUNCIL OF ASIAN PACIFIC ISLANDER PHYSICIANS
WASHINGTON, DC: 1322 18TH Street NW Ste. 200 Washington, DC 20036 • Phone: (202) 223-1627
SAN FRANCISCO, CA: 445 Grant Ave. Ste. 202 San Francisco, CA 94108 • Phone: (415) 399-6565

NCAPIP Position Statement: Specialty Tier Drug

Lawmakers Join in Navigating the Cost of Specialty Tier Medication

- State Rep. Jehan Gordon (D-Peoria, IL): "There should not have to be a choice between medication and the other necessities in life," said Gordon. "Specialty tier medications place a significant financial burden on people with chronic illnesses, which result in some patients having to stop taking their prescribed medication because they simply cannot afford it. It is unacceptable that we have categories of drugs that seem to be virtually unregulated when it comes to the cost passed on to consumers."

- Assemblywoman Fiona Ma (D-12th Assembly District, CA) is proposing legislation to prevent health insurers from moving vital medications to Tier 4 status: "What we're trying to do is make sure that patients are able to afford the medication they need. We are looking at cap system and cost containment for individuals who are on medication," said Ma. "Sixty-one percent of Americans take prescription medication daily. It is alarming when health plans are reclassifying drugs into a new Tier 4 category."

- Georgia's Congressman Hank Johnson, along with many other Members of Congress, recently wrote in a letter to the Administrator of Medicare and Medicaid services: "We are troubled by the proliferation of "specialty tiers" for high-cost drugs that treat conditions such as rheumatoid arthritis, multiple-sclerosis, and hemophilia. Unlike generic and preferred brand drugs that generally require co-pays, therapies placed on a specialty tier are subject to coinsurance, requiring the beneficiary to pay a percentage of the drug's cost. This can amount to patients having to spend thousands of dollars to obtain needed medication, leading many to forego or alter treatment and suffer worse health outcomes that ultimately increase costs for Medicare and the health care system overall."

- The New England Coalition for Affordable Prescription Drugs (NECAPD) first major initiative is the preclusion of specialty tiers in all six New England States.

- Right now, New York is the only state with a law preventing specialty tiers.

What are "specialty tiers"?

Between 2000 -07 health expenditures grew 89% in the United States with prescription drugs representing about 10% of the total spent. Since 2000, increases in health care premiums have outpaced inflation and changes in worker earnings (2-4% annual wages growth vs. 5-14% health care premiums growth). Many health insurance plans have implemented cost sharing mechanisms in their drug plans, including specialty tiers in their drug formularies: a. **Tier 1:** Generic/Preferred Brand Drugs, lowest-cost drug tier; b. **Tier 2:** Preferred Brand/Non-Preferred Generic Drugs, middle-cost tier; c. **Tier 3:** Non-Preferred Generic/Non-Preferred Brand Drugs, higher-cost tier; and d. **Tier 4:** Specialty Drugs: highest-cost tier (a percentage of the cost as opposed to a fixed amount).

Specialty drugs are usually prescribed for patients with serious chronic diseases such as cancer, autoimmune conditions like Crohn's disease, lupus, multiple sclerosis, rheumatoid arthritis, and hemophilia. Transplant patients are also charged specialty tier prices.

Between 2006-08 the number of Medicare Part D prescription drug plans using coinsurance rates of 33% for specialty tiers increased more than five-fold. In 2009, Humana, the second largest provider of Medicare drug plans increased the coinsurance on specialty medications from 25% to 43%.

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SAN FRANCISCO, CA: 445 Grant Avenue, Suite 202 • Phone: (415) 399-6565 • Fax: (415) 399-6565

Medicare Part D prescription drug plans establish formularies listing specific drugs they cover and the level of cost sharing charged to Medicare enrollees. Plans can offer a "standard" benefit with 25 % coinsurance for all covered drugs or a benefit with tiered cost sharing. Most plans use tiers with different cost-sharing amounts for generic, preferred, and non-preferred drugs, and a specialty tier for very high cost and unique drugs. Placing a drug on a specialty tier has cost implications for enrollees. For example, Kaletra and Truvada (to treat HIV) have a monthly cost of $738 and $925 respectively. On preferred tier coverage, the monthly cost sharing is $23 or $35 vs. $228 and $285 (ten times higher) when placed on specialty tier. Regardless of the cost-sharing amounts enrollees pay during the initial coverage period, those who take expensive specialty tier drugs quickly reach the coverage gap (donut hole) ($2,700 in 2009). Enrollees, who pay the full cost of their drugs during the gap, a total $4,350 out of pocket, reach catastrophic coverage. Unfortunately, not everyone can afford to do so.

The National Council of Asian Pacific Physicians (NCAPIP) Position

NCAPIP is a non profit organization of Asian American, Native Hawaiian and Pacific Islander physicians advocating for the health and well being of their patients and communities. The patients they serve originate from almost 50 countries and speak 100 languages, constituting one of the fastest growing ethnic populations and presenting with conditions that negatively impact on their health, such as limited English proficiency (LEP), high poverty rates, a low level of high educational attainment and a high rate of being uninsured. Up to 35 % of Asian Americans, Native Hawaiians and Pacific Islanders live in linguistically isolated households (Census 2000), are unable to access basic health care services since few are offered in their respective languages and are more likely to live in poverty.

As a cost sharing strategy, specialty tier is problematic for a number of reasons:

1. Specialty tier violates the basic principal of insurance whereby individuals and employers purchase health insurance plans to preclude the risk of needing to pay for highly expensive medical treatments. "They're just so frustrated because they're paying their premiums and this runs completely counter to what insurance is supposed to be about, which is equitably spreading the risk. So this is antithetical to the very nature of insurance," said Stewart Ferry, the public policy director for the National MS Society.

2. Insurers can change specialty tier coinsurance rates unpredictably and arbitrarily. Patients cannot anticipate and budget for health care costs or have informed discussions with their doctors on containing their treatment cost. With a low English proficient population, this problem is more pronounced.

3. High out-of-pocket costs for medications prohibit people from complying with the treatment prescribed, especially for lower-income groups who are more likely to experience chronic illness and severely ill people are four to five times as likely to delay or avoid medical care when faced with financial problems due to medical bills. In both instances, the problem is intensified in Asian American, Native Hawaiian and Pacific Islander populations.

While NCAPIP fully supports the passage of the recent health care bill (PPACA) that provides patients with many protections, out-of-pocket prescription medication costs are not sufficiently protected. To fully protect patients, steps must be taken to prohibit or stem the practice of specialty tiered co-insurance.

Therefore, legislation to restrict specialty tier is one approach to help ensure that every person living with chronic and/or severe illnesses and requiring high cost drugs, has access to the therapies that can slow disease progression and increase quality of life, without subjecting the patient to the potentially devastating cost of specialty tier coinsurance. NCAPIP fully supports this needed legislation.

For more information, please contact:
Ho Luong Tran, M.D., M.P.H.
President and CEO
Htran@ncapip.org - 773-537-8613

Faith Action for

Community Equity

Gamaliel Foundation Affiliate

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Honolulu, HI 96817

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Statewide President

The Rev. Sam Domingo
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Executive Director

Mr. Patrick Zukemura
Oahu Lead Organizer

COMMITTEE ON HEALTH
Senator Josh Green, Chair

RELATING TO HEALTH
SB 2106
DATE: January 27, 2012 @ 2:45 PM
Room 229

Good morning Chair Green and committee members:

I am Rev. Bob Nakata and I am the Vice-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.

High cost specialty drugs are generally classified in Tier 4, the highest and most expensive tier. As a result of the 4 tier drug formulary, patients with serious diseases to pay hundreds and even thousands of dollars for prescriptions to treat their disease. **The people that are the most vulnerable in our society are those that are impacted by this practice.**

Insurers are failing to continue the practice of reasonable co-pays that has patients paying a fixed amount, like $10, $20 or $30 co-pay for a prescription, and instead are charging patients co-insurance. These costs can amount to thousands of dollars a month and force our vulnerable people to forgoing these life-saving medications.

Insurance is a means by which health risk is spread across a pool of payers. Yet when a serious expensive-to-treat illness strikes, subscribers, especially the poor and vulnerable, often are singled out for much higher co-pays and other out-of-pocket costs.

Please support SB 2106 to help those who cannot afford to pay large sums out of pocket for desperately needed medications.

Please pass this measure.

Rev. Bob Nakata
Vice-Chair
FACE Health Care Committee

January 26, 2012

Ellen K. Awai, MSCJA, BBA, CPRP, HCPS
3329 Kanaina Ave. #304
Honolulu, HI 96815
Cell: (808) 551-7676
Awai76@aol.com

TO: Senator Josh Green, M.D. Chair of the Senate Health Committee & Members
Health Hearing on Friday, January 27, 2012, 2:45 p.m. in Room #229

SUBJECT: SB2106 Outpatient Prescription Drug Coverage - Please support!

I am a mental health consumer advocate, a member of various health task groups, a former State employee, and one of the few certified Psychiatric Rehabilitation Practitioners in the state through the U.S. Psychiatric Rehabilitation Association (USPRA). I also graduated last year with my masters in criminal justice administration from Chaminade University. But not being able to find a job at the moment during these economic times, I understand the problems a person with limited income faces.

For myself, I have to make a decision between eating or getting medications, which is important to keep me healthy and mentally stable. Do I stretch out the medications by missing a few doses or taking less than is needed? The statins, such as Lipitor and even its generic are out of my price range. Luckily, I have the support of my family, friends, and physicians. But I wonder how others that have no support network in the islands survive.

Please support SB2106!

Mahalo and Aloha!

Ellen K. Awai
Mental Health Advocate

Testimony for HTH 1/27/2012 2:45:00 PM SB2106

Conference room: 229
Testifier position: Support
Testifier will be present: No
Submitted by: Phil Kinnicutt
Organization: GBS/CIDP Foundation International
E-mail: phil.kinnicutt@gbs-cidp.org
Submitted on: 1/25/2012

Comments:

Testimony for HTH 1/27/2012 2:45:00 PM SB2106

Conference room: 229
Testifier position: Support
Testifier will be present: No
Submitted by: David Espinosa
Organization: NCHS
E-mail: david-espinosa@nc-hs.com
Submitted on: 1/26/2012

Comments:
Strongly support SB 2106 that makes access to prescription drugs more afforadable and accessible to Hawaii residents who suffer from chronic illness. CHS is a specialty pharmacy dedicated to ensuring chroniclly ill patients obtain necessary resources.

LATE

TESTIMONY

SB2106

HTH Committee Hearing 1/27/2012

LATE WRITTEN ONLY

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON HEALTH
ON
SENATE BILL NO. 2106

JANUARY 27, 2012

RELATING TO HEALTH

Senate Bill No. 2106: 1) requires health insurers to provide outpatient prescription drug coverage; 2) prohibits health insurers from requiring coinsurance as a basis for cost sharing with the insured for outpatient prescription drug benefits; and 3) limits the amount of copayments that an insured must pay for prescription drugs to $150 for a one month prescription supply.

The Department of Budget and Finance does not oppose the inclusion of prescription drug coverage as part of an insurer's medical plan. However, we are opposed to placing limits to the amount of copayments that an insured will pay for prescription drugs as counter to rational financial economics. Limiting the contribution of the insured to the overall cost of their medical coverage just pushes that expense onto some other entity. And, for the State of Hawaii as an organization, potentially that could mean the employer-providers or group-plan participants would be faced with assuming those increased costs through higher overall premiums.

The cost of prescription drugs has been a driving force in the overall increase in medical insurance coverage. Copayments are often used in designing prescription drug plans to raise the consumer awareness about the costs of their prescription drugs resulting in cost savings for the member and the insurer.

Differential brand/generic copayments require higher copayments for prescription brand names and lower amounts for generics. Some plans include an additional third tier of copayment for non-preferred drugs. The third tier requires a higher copayment since non-preferred drugs are often brand names without rebates. A higher copayment for brand name drugs encourages member to use generic prescription drugs which results in cost savings for the member and the insurer.

Although we have not been able to determine the cost impact to the Employer Union Trust Fund prescription drug plans as of this date, we are concerned that any cost increases resulting from copayment limitations will be passed on to the insured through higher premiums or higher copayments for all prescription costs. Such increases impact all of the insured, whether they are using prescription drugs or not.

LATE WRITTEN ONLY

TESTIMONY BY BARBARA CORIELL
ADMINISTRATOR, HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON HEALTH
ON
SENATE BILL NO. 2106

January 27, 2012

RELATING TO HEALTH

Chairperson Green and Members of the Committee:

I am the Administrator for the State of Hawaii's Employer's Union Trust Fund (EUTF) which is responsible to administer employer-provided medical insurance coverage for over 52,000 currently active government employees and dependents as well as over 40,000 government retirees and their dependents. The EUTF Board has not had an opportunity to meet and review this particular legislation and therefore has not taken a position. My testimony today is not in representation of the EUTF Board nor do I intend that it is their policy position. I offer my testimony as a insurance plan professional with over 35 years of experience in the group insurance field that has managed a number of government-sponsored fund plans.

Generally, I am supportive of the concept to include prescription drug coverage as an essential part of a complete medical plan. Over the years prescription drugs have become a major element of most courses of treatment and make up approximately 20% of a plan's overall cost. However, as the importance of pharmaceuticals has increased so has their cost. Health plans rely on pharmacy benefit managers (PBM) such as CVS Caremark or Medco to

monitor drug use and control drug cost. Cost control for prescription drug plans is accomplished in 3 ways: contracting with network pharmacies , the creation of a drug formulary or list of covered drugs, and the attempt to direct member demand through the use of copay tiers. The ability to direct member drug selection through plan design is critical to cost control.

In establishing a pharmacy network, a PBM's contract with a pharmacy will include discounts off the wholesale price of the drug and set dispensing fees. The Health Plan's contract with the PBM will address how manufacturer rebates are to be shared. All of these elements have a major impact on the overall cost of the plan and in turn the rates that are charged to employers and members. The plan's copay structure is intended to incentivize a member to use drugs that are on the formulary and use network pharmacies with the lowest cost.

A plan's formulary or drug list is developed by the PBM. A panel of pharmacists and doctors review drug studies to identify those drugs within a therapeutic class with the highest level of efficacy at the best cost. There are many therapeutic classes such as cholesterol lowering drugs in which there are numerous possible drugs which can be prescribed. Not all are equally effective and the most costly or the most advertised are not necessarily the best. Pharmacy plans direct members to the use of the best drugs through copay tiering. The lowest copays are for generic and brand name drugs that are on the drug formulary list. Higher copays are required for drugs not on the list. The ability to direct the member to the most effective prescriptions through out of pocket cost is important to overall plan design. Non formulary drugs are still

covered and are still available but at a higher cost. If the member wants the more expensive drug, they should be willing to pay for it.

An additional category with extremely high cost is that of specialty drugs. The EUTF plan has a $250 copay for specialty drugs with a $2000 out of pocket limit. Although this may seem high it is important to remember that a year's treatment with some of these infusions can cost in the hundreds of thousands of dollars. This copay level corresponds to that required for similarly costly medical treatment.

The additional provision in the Bill including drug copays in the medical plan out of pocket maximum can also create administrative problems and drive up costs. It would be very difficult to administer a drug plan with a separate PBM if the drug copays have to be coordinated with another insurer. Through its recent RFP process the EUTF found that the lowest overall cost for the drug plan was with a carve out to a separate PBM, CVS Caremark. If we were required to include the drug plan with HMSA our medical carrier, the cost of the plan would be higher, the rates would be higher and all members would have higher premium costs.

Limiting a plan's ability to create the necessary copay structure through legislation is not in the best interest of providing affordable health care. It is always important to remember that insurance is a financial pass through mechanism. Whatever is paid in claims will end up in the rates. Since most EUTF members pay 50% of the premium cost, controlling insurance rates is as important – and for most, more important – than limiting the out of pocket cost for

specific health care costs. Health care plans require a balance between out of pocket medical cost and out of pocket premium cost.

There is no doubt that health insurance, medical costs and drug costs are rising. The reasons for the increases are many and complex. However, requiring mandatory drug coverage compromises the flexibility of insurers and employer-providers to achieve cost-efficient coverage for their customers and employees. The discussion is definitely a valuable one, but given the complex impact this bill could create, I would advise that additional discussion should continue.

LATE

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January 26, 2012

Senate Committee on Health
Senator Joshua Green, M.D., Chair
Senator Clarence Nishihara, Vice Chair

Hearing:
State Capitol Room 229
January 27, 2012, 2:45 p.m.

SB 2106 – Relating to Health

Thank you for the opportunity to testify in support of SB 2106, which requires health insurers to cover prescription medications.

The American Cancer Society is the nationwide, community-based, voluntary health organization dedicated to eliminating cancer as a major health problem by preventing cancer, saving lives, and diminishing suffering from cancer, through research, education, advocacy, and service.

Many cancer patients are prescribed oral chemotherapy medications, which greatly assist those patients who cannot readily travel into a healthcare facility for inpatient chemotherapy procedures and services. Many times there are significant cost and coverage differences between the two procedures, even though these procedures are intended to produce the same results.

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

Sincerely,

Cory Chun

Cory Chun
Government Relations Director

American Cancer Society Hawai'i Pacific, Inc., 2370 Nu'uanu Avenue, Honolulu, Hawaii 96817-1714
•Phone: (808) 595-7500 •Fax: (808) 595-7502 •24-Hour Cancer Info: (800) 227-2345 •http://www.cancer.org

Hawaii Academy of Physician Assistants
PO Box 30355, Honolulu, HI 96820-0355

LATE

RE: SB 2106 – SUPPORT

Senate Health Committee
Senator Josh Green, M.D. Chair
Senator Clarence Nishihara Vice Chair

Honorable Chairpersons and committee members:

The Hawaii Academy of Physician Assistants strongly supports SB2106 which makes access to prescription drugs more affordable and accessible to the residents of Hawaii by prohibiting coinsurance and preventing patients from paying a copayment for prescription drugs in excess of $150 for a one month supply.

This bill will prevent coinsurance for "specialty tier pricing" in Hawaii. Specialty tier pricing is a policy in health insurance designed to pass along the costs of the highest price medications to patients. Instead of a co-pay, patients are finding that expensive drugs for cancer, arthritis, multiple sclerosis or other debilitating diseases can cost hundreds or even thousands of dollars out of pocket each month, because they are required to pay a percentage of the cost rather than a co-pay. This can mean that many patients cannot pay for their medications, and without those medications, their diseases will progress. This leads to increased morbidity, disability and even death.

In most developed countries medical care is purchased through insurance because the average person does not have the financial ability to pay for increasingly costly health care services independently. Group health insurance plans have evolved in response to this incapacity, as mechanisms that benefit both the consumers and providers of health services. The primary benefit of group health insurance is the pooling and sharing of member risk. This allows the members to purchase essential and effective services whose costs might otherwise be prohibitive. Risk pooling allows insurers to balance the costs among those who need more medical care against the costs, if any, of those who need little or no care.

Unfortunately, over the last several decades, in order for insurance companies to remain competitive with each other, insurers have shifted costs to the beneficiaries through deductibles, copayments and/or coinsurance requirements. This diminishes the risk pooling effect and can produce inequities than can have serious adverse effects on those with greater medical needs. It is additionally discriminatory in that it adversely affects those with less financial resources or the financially disadvantaged the hardest. Due to the effects of cost shifting, especially specialty drug tiers, a beneficiary may find themselves in a position similar to someone who is uninsured. Despite the fact that they have paid premiums for countless years when they required little or no health care, they may now find themselves in a position where they are unable to pay for specialty tier medications or coinsurance when their need for medical care is at the greatest. Additionally, coinsurance payments for Tier 4 specialty drugs can be racially discriminatory as it is well documented that African Americans suffer from End Stage Renal Disease disproportionately[1] and may require EPO for the treatment of renally related anemia, a high priced drug frequently placed on the specialty tier.

Specialty drug tiers do not promote the primary benefit of health insurance, pooling and sharing risk. Coinsurance requirements negate the reason that an individual pays for insurance in the first place and that is to be protected from financial hardship should they become ill.

While SB 2106 does not eliminate specialty tiers in Hawaii, it does put a cap of $150 on co-payments for outpatient drugs and prohibits coinsurance as a means for cost sharing. The Hawaii Academy of Physician Assistants urges you to pass this important legislation.

Fielding Mercer, PA-C
President
Hawaii Academy of Physician Assistants

1. Ten Facts About African Americans And Kidney Disease. National Kidney Foundation http://www.kidney.org/news/newsroom/fs_new/10factsabtaframerkd.cfm

National
Multiple Sclerosis
Society
Hawaii Division

LATE

COMMITTEE ON HEALTH
Senator Josh Green, MD, Chair
Senator Suzanne.Chun-Oakland, Vice Chair

Hearing: January 27, 2012, 2:45 PM, Conference Room 229

Person Testifying: Lisa A. Dunn

RE: **SUPPORT OF SB 2106 RELATING TO HEALTH**

The National Multiple Sclerosis Society – Hawaii Office supports SB 2106 Relating to Health which would prohibit co-insurance (a cost-sharing payment based on a percentage of the cost for a prescription drug.), limit the cost of the copayment (a flat dollar amount cost sharing for covered services/medications/supplies) for outpatient prescription drugs, and limit the annual out-of-pocket expenses for the insured patient.

Multiple sclerosis is a chronic and often disabling disease of the central nervous system that typically is diagnosed in young adulthood. MS is a puzzling and unpredictable disease that varies widely in its impact, not only from person to person, but also in the same individual at different times. Since MS has no cure, management and ongoing treatment of the disease is essential in order to maintain optimal functioning and quality of life. Therefore, people living with multiple sclerosis know how important prescription medications are in maintaining their health. Access to prescription drugs is the ultimate lifeline for these individuals. Out-of-pocket costs can directly affect a patient's ability to obtain essential medications.

However, SB 2106 would make outpatient prescription drugs more affordable and thereby more accessible to the residents of Hawaii.SB 2106 accomplishes this by prohibiting co-insurance and preventing patients from incurring exorbitant copayment fees in excess of $150 for a one month supply. SB 2106 is important for all Hawaii patients.

Thank you for your time and consideration of this bill.

Sincerely,

Lisa A. Dunn, MSW
Community Development Coordinator

Hawaii Office 418 Kuwili Street #105 Honolulu HI 96817 tel +1 808 532 0806 tel +1 800 344 4867 fax + 1 808 532 0814
www.nationalMSsociety.org

JOIN THE

green1 - George

From:	mailinglist@capitol.hawaii.gov
Sent:	Thursday, January 26, 2012 6:01 PM
To:	HTHTestimony
Cc:	Ttockars@neuropathy.org
Subject:	Testimony for SB2106 on 1/27/2012 2:45:00 PM

Testimony for HTH 1/27/2012 2:45:00 PM SB2106

Conference room: 229
Testifier position: Support
Testifier will be present: No
Submitted by: Tina Tockarshewsky
Organization: The Neuropathy Association
E-mail: Ttockars@neuropathy.org
Submitted on: 1/26/2012

LATE

Comments:
January 26, 2012

The Honorable Josh Green, MD
Hawaii State Capitol
Room 222
Honolulu, HI 96813
RE: SB 2106 - STRONGLY SUPPORT
The Neuropathy Association, which provides neuropathy education, awareness, advocacy, research, and support, is dedicated to ensuring neuropathy patients have the access they need to treatments to improve their quality of life. For this reason we support SB 2106. SB 2106 makes access to prescription drugs more affordable and accessible to the residents of Hawaii by prohibiting co-insurance and prevents a patient from paying a copayment for prescription drugs in excess of $150 for a one month supply.

SB 2106 is very important for the thousands of Hawaii residents who suffer from neuropathy, and would guard against their being informed that their health plan suddenly switched their treatment to a higher tier or co-insurance and that they can no longer afford their life and limb saving therapies.

High cost specialty drugs are generally classified in Tier 4, the highest and most expensive tier. As a result of the 4 tier drug formulary, patients with serious diseases such as certain neuropathies, MS, cancer and others that require biologic medications are being asked to pay hundreds and even thousands of dollars for prescriptions to treat their diseases. Insurers are abandoning the traditional arrangement that has patients paying a fixed amount, like $10, $20 or $30 co-pay for a prescription, and instead are charging patients co-insurance, meaning a percentage of the cost of certain high-priced drugs, usually 20 to 33 percent. These costs can amount to thousands of dollars a month and limit access to vital, life-saving medications.

Insurance is a means by which health risk is spread across a pool of payers. Yet when a serious chronic illness like neuropathy strikes, subscribers often are singled out for much higher co-pays and other out-of-pocket costs. This practice is appalling and negates the very reason they had been paying for insurance in the first place – to be protected from financial hardship should they become ill.

Arthritis Foundation – Hawai'i Branch
615 Piikoi Street, Suite 1109
Honolulu, HI 96814
Phone: (808) 596-2900
Toll Free: (800) 462-0743
Fax: (808) 596-2904

January 26, 2012

The Honorable Josh Green, MD
Hawai'i State Capitol
Room 222
Honolulu, HI 96813

LATE

RE: SB 2106 – STRONGLY SUPPORT

The Arthritis Foundation Hawai'i Branch, whose mission is to improve lives through leadership in the prevention, control and cure of arthritis and related diseases, supports SB 2106. SB 2106 makes access to prescription drugs more affordable and accessible to the residents of Hawai'i by prohibiting co-insurance and prevents a patient from paying a copayment for prescription drugs in excess of $150 for a one month supply.

SB 2106 is very important for the 236,000 Hawai'i residents who suffer from doctor diagnosed arthritis. As the New Year begins, the Arthritis Foundation is embarking on a new initiative to raise awareness about the unfair cost sharing burden of arthritis medications. We have heard from many of our local supporters and patients that arthritis medications often are unaffordable.

The cost of prescription drugs (such as a biologic) should not be a barrier to treatment. Our kupuna should not have to stop taking prescription drugs or modify their treatment plan due to out-of-pocket expenses. The pain, cost and disability of arthritis is unacceptable – supporting SB 2106 is a step to providing affordable, sustainable, and comprehensive care for all.

Please help the 236,000 people in Hawai'i that suffer from Arthritis and others who suffer from chronic illnesses by supporting SB 2106. Should you have any questions please contact me at 808-596-2900.

Regards,

Jennifer A. Hee
Executive Director

LATE

An Independent Licensee of the Blue Cross and Blue Shield Association

January 27, 2012

The Honorable Josh Green M.D., Chair
The Honorable Clarence K. Nishihara, Vice Chair

Senate Committee on Health

Re: SB 2106 – Relating to Health

Dear Chair Green, Vice Chair Nishihara and Members of the Committee:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify in support of SB 2106, which mandates health insurance contacts to include outpatient drug coverage. HMSA concurs with the intent of this Bill because it aligns with our belief that outpatient drug therapy is critical to quality care in an efficient health care system. Furthermore, prescription drug coverage is mandated under the federal Affordable Care Act (ACA), and taking this step certainly will be reflective of our support of the vision and intent of the ACA.

That said, we do have concerns with the Bill as drafted, and have recommended amendments to address those concerns. Attached for your consideration is a proposed SD1 version of SB 2106.

Our primary concern with this Bill are the provisions restricting coinsurance as a basis for cost sharing and the $150 cap on copayments for a one-month supply of a prescription drug. These provisions will tie our hands in our efforts to further administratively control the costs of the prescription drugs. These include negotiating cost-sharing formulary with our members, and efforts to ensure adherence to the drug formulary.

We additionally have a concern with the inclusion of prescription drugs in any limit of a member's out-of-pocket expenses. This provision also is counterproductive to our efforts to control drug costs. If after the threshold a member is no longer responsible for drug copayments, there will be no incentive to use a lower-cost drug which is just as effective as a higher cost drug.

We believe the underlying policy in SB 2106 is meritorious, but we believe the amendments found in the attached proposed draft do more to help control prescription drug costs, and does more to help make our health care system more efficient. Your consideration of these proposed amendments is appreciated. Thank you.

Sincerely,

Jennifer Diesman
Vice President
Government Relations

Attachment

THE SENATE
TWENTY-SIXTHLEGISLATURE, 2012
STATE OF HAWAII

S.B. NO. 2106 PROP SD1

A BILL FOR AN ACT

RELATING TO HEALTH.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that it is the goal of
2 all people in Hawaii to have access to health care in all its
3 facets, including affordable access to prescription drugs. The
4 public relies heavily on health insurance policies to provide
5 adequate medical care. However, current policies do not require
6 insurers to cover outpatient prescription drugs, nor do they
7 impose coverage requirements on insurers that do provide
8 outpatient prescription drug coverage.
9 The purpose of this Act is to make access to outpatient
10 prescription drugs more affordable and accessible to the
11 residents of Hawaii.
12 SECTION 2. Chapter 431:10A, Hawaii Revised Statutes, is
13 amended by adding a new section to be appropriately designated
14 and to read as follows:
15 "§431:10A- Coverage for outpatient prescription drugs.
16 Each individual and group accident and health or sickness
17 policy, contract, plan, or agreement issued or renewed in this

SB 2106 SD1 - Mandatory Drug Coverage Proposed SD1 HTH (3).docx

1 State after December 31, 2012, except for policies, contracts,
2 plans, or agreements that provide coverage for only specified
3 diseases or other limited benefit coverage, shall include
4 coverage for outpatient prescription drugs for the insured and
5 any dependent of the insured covered by that plan."
6 SECTION 3. Chapter 432:1, Hawaii Revised Statutes, is
7 amended by adding a new section to be appropriately designated
8 and to read as follows:
9 "§432:1- Coverage for outpatient prescription drugs.
10 Each individual and group accident and health or sickness
11 policy, contract, plan, or agreement issued or renewed by a
12 mutual benefit society in this State after December 31, 2012,
13 except for policies, contracts, plans, or agreements that
14 provide coverage for only specified diseases or other limited
15 benefit coverage, shall include coverage for outpatient
16 prescription drugs for the member and any dependent of the
17 member covered by that plan."
18 SECTION 4. Section 432D-23, Hawaii Revised Statutes, is
19 amended to read as follows:
20 "§432D-23 Required provisions and benefits.
21 Notwithstanding any provision of law to the contrary, each
22 policy, contract, plan, or agreement issued in the State after

SB 2106 SD1 - Mandatory Drug Coverage Proposed SD1 HTH (3).docx
SB 2106 SD1 - Mandatory Drug Coverage Proposed SD1 HTH (3).docx

1 January 1, 1995, by health maintenance organizations pursuant to
2 this chapter, shall include benefits provided in sections
3 431:10-212, 431:10A-115, 431:10A-115.5, 431:10A-116,
4 431:10A-116.5, 431:10A-116.6, 431:10A-119, 431:10A-120,
5 431:10A-121, 431:10A-125, 431:10A-126, [~~and~~] 431:10A-122, and
6 431:10A-   , and chapter 431M."
7 SECTION 5. Statutory material to be repealed is bracketed
8 and stricken. New statutory material is underscored.
9 SECTION 6. The Act shall take effect upon its approval and
10 shall apply to policies contracts, plans, and agreements of
11 health insurance issued after December 31, 2012.
12

SB 2106 SD1 - Mandatory Drug Coverage Proposed SD1 HTH (3).docx
SB 2106 SD1 - Mandatory Drug Coverage Proposed SD1 HTH (3).docx

S.B. NO.

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Description:
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The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

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