



NEIL ABERCROMBIE  
GOVERNOR

SHAN S. TSUTSUI  
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](http://www.hawaii.gov/dcca)

KEALI'I S. LOPEZ  
DIRECTOR

JO ANN M. UCHIDA TAKEUCHI  
DEPUTY DIRECTOR

TO THE HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

TWENTY-SEVENTH LEGISLATURE  
Regular Session of 2014

Wednesday, March 19, 2014  
2:10 p.m.

**TESTIMONY ON SENATE BILL NO. 2365, S.D. 2, H.D. 1 – RELATING TO  
INSURANCE CLAIMS.**

TO THE HONORABLE ANGUS L.K. McKELVEY, CHAIR, AND MEMBERS OF THE  
COMMITTEE:

My name is Gordon Ito, State Insurance Commissioner (“Commissioner”),  
testifying on behalf of the Department of Commerce and Consumer Affairs  
(“Department”). The Department supports the intent of this bill, and submits the  
following comments:

This bill seeks to limit reimbursement for prescription drugs and compound  
medications in the fee schedule that governs both the State workers’ compensation and  
motor vehicle insurance systems.

The Department recognizes that the Worker’s Compensation Medical Fee  
Schedule allows drugs to be charged to insurers at up to 140% of the average  
wholesale price (“AWP”) listed in the Red Book. This has encouraged third parties to  
buy drugs in bulk, repackage and/or compound them, add a new national drug code  
(NDC) to them with a higher AWP, and then bill the insurers 140% of the higher AWP.  
This drives up the cost of health care.

The Department supports clarification of reimbursement rates for repackaged, relabeled, and compounded medications, which are not now addressed in workers' compensation rules and regulations.

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

Hawaii State Legislature  
House Committee on Consumer Protection & Commerce  
Hawaii State Capitol  
415 South Beretania Street  
Honolulu, HI 96813

March 18, 2014

*Filed via electronic testimony submission system*

**RE: SB 2365, SD2, HD 1, Relating to Insurance Claims - NAMIC's Written Testimony for Committee Hearing**

Dear Representative Angus L.K. McKelvey, Chair; Representative Derek S.K. Kawakami, Vice Chair; and members of the House Committee on Consumer Protection & Commerce:

Thank you for providing the National Association of Mutual Insurance Companies (NAMIC) an opportunity to submit written testimony to your committee for the March 19, 2014, public hearing. Unfortunately, I will not be able to attend the public hearing, because of a previously scheduled professional obligation.

NAMIC is the largest property/casualty insurance trade association in the country, serving regional and local mutual insurance companies on main streets across America as well as many of the country's largest national insurers.

The 1,400 NAMIC member companies serve more than 135 million auto, home and business policyholders and write more than \$196 billion in annual premiums, accounting for 50 percent of the automobile/homeowners market and 31 percent of the business insurance market. NAMIC has 69 members who write property/casualty and workers' compensation insurance in the State of Hawaii, which represents 30% of the insurance marketplace.

Through our advocacy programs we promote public policy solutions that benefit NAMIC companies and the consumers we serve. Our educational programs enable us to become better leaders in our companies and the insurance industry for the benefit of our policyholders.

NAMIC's workers' compensation and auto insurance members support SB 2365, SD2, HD 1, as a reasonable and balanced pro-insurance consumer and pro-consumer protection legislative proposal. Specifically, NAMIC supports SB 2365, SD2, HD 1, because it will facilitate the creation of thoughtful and appropriate pharmaceutical cost-containment controls that are necessary to prevent the ever-increasing cost of medications from adversely impacting the

affordability of workers' compensation insurance for small businesses and their employees, and the cost of state mandated automobile insurance coverage for consumers.

NAMIC believes that the proposed legislation fairly balances the needs of all stakeholders, by allowing for reasonable retail price markups, providing for the use of a reasonable and reliable objective pricing standard, and setting forth clear guidelines for how to address pricing caps for repackaged/re-labeled drugs and compound drugs.

Additionally, NAMIC supports, as being consistent with the national trend on the prescribing of medications, the amendment that "equivalent generic drug products shall be substituted for brand name pharmaceuticals unless the prescribing physician certifies that no substitution shall be prescribed because the injured employee's condition does not tolerate an equivalent generic drug product."

SB 2365, SD2, HD 1, is also necessary and appropriate from a consumer fraud-prevention standpoint, because it will make it less profitable for those who want to "game the system" and reap unconscionable profits by relabeling, repackaging, and/or compounding drugs so that they can circumvent standard medical pricing of medications that are in place to protect consumers from medication pricing fraud.

In closing, NAMIC respectfully requests that the House Committee on Consumer Protection & Commerce "**vote yes**" on SB 2365, SD2, HD 1, because it is a reasonable and appropriate pro-insurance consumer, pro-injured worker, and pro-medication pricing fraud prevention measure.

Thank you for your time and consideration. Please feel free to contact me at 303.907.0587 or at [crataj@namic.org](mailto:crataj@namic.org), if you would like to discuss NAMIC's written testimony.

Respectfully,



Christian John Rataj, Esq.  
NAMIC Senior Director – State Affairs, Western Region



**To: Rep. Angus L.K. McKelvey, Chair  
Rep. Derek S.K. Kawakami, Vice Chair  
Members of the Committee on Consumer Protection & Commerce**

**Date: Wednesday, March 19, 2014**

**Time: 2:10 PM**

**Place: Conference Room 325**

**State Capitol**

**415 South Beretania Street**

### **COMMENTS ON SENATE BILL 2365 HD1**

Automated HealthCare Solutions (AHCS) submits the following testimony related to Senate Bill 2365 HD1 (SB 2365 HD1).

AHCS supports the intent of SB 2365 HD1 to prevent drug prices from becoming an unreasonable cost driver of health care in workers' compensation and motor vehicle claims but opposes specific provisions of the legislation which are detailed below.

SB 2365 HD1 provides:

Payment for all forms of prescription drugs including repackaged and relabeled drugs shall not exceed one hundred forty per cent of the average wholesale price set by the original manufacturer of the dispensed prescription drug as identified by its National Drug Code and as published in the Red Book: Pharmacy's Fundamental Reference as of the date of dispensing; provided that payment for a prescription drug that is not available at a major retail pharmacy within the State shall not be reimbursed.

Payment for compounded prescription drugs shall not exceed one hundred forty per cent of the average wholesale price by gram weight. . .

AHCS opposes the "shall not exceed" language used in the foregoing provisions which sets a reimbursement ceiling without defining a reimbursement floor. AHCS suggests that this language will only exacerbate the claim dispute process by not creating a definitive reimbursement rate and potentially provides an opportunity for payors to arbitrarily reduce

reimbursement to rates below the designated one hundred forty per cent. Accordingly, AHCS suggests that the language be amended so that reimbursement “shall be” one hundred forty per cent of the average wholesale price set by the original manufacturer, absent the parties directly contracting for a lower amount, as provided in SB 2365 SD1 and SB 2365 SD2.

In addition, AHCS would recommend the adoption of Medi-Span Master Drug Database in lieu of the current medication pricing publication, Red Book. Medi-Span is considered a more widely used and comprehensive sourcebook and provides for easier integration into existing billing software. As a result, AHCS believes this is a more accurate and user-friendly pricing publication for all parties.

Lastly, AHCS has reached out to other stakeholders in an effort to bridge the gap between the parties and come up with a compromise bill acceptable to all those affected by this legislation. AHCS would like to point out that while the parties are close to a resolution, several of the foregoing issues still need to be resolved. AHCS is hopeful that the parties can work out the remaining differences in the near future.

Thank you for your consideration.

Jennifer Maurer, Esq.  
Government Relations Director  
Automated HealthCare Solutions, LLC



- Government Employees Insurance Company
- GEICO General Insurance Company
- GEICO Indemnity Company
- GEICO Casualty Company

---

TIMOTHY M. DAYTON, CPCU, GENERAL MANAGER

711 Kapiolani Blvd., Suite 300 ■ Honolulu, HI 96813-5238

Direct: (808) 593-1875

■ FAX (808) 593-1876

■ Email: [tdayton@geico.com](mailto:tdayton@geico.com)

■ Cell: (808) 341-9252

**House Committee on Consumer Protection and Commerce**  
Conference Room 325 State Capitol  
Wednesday, March 19, 2014, 2:10 pm.  
**SB 2365, SD2, HD1 – Relating to Insurance Claims**

Chair McKelvey, Vice-Chair Kawakami and Members of the House Committee on Consumer Protection and Commerce:

My name is Tim Dayton and I am General Manager for GEICO, Hawaii's largest insurer of motor vehicles. **GEICO supports SB 2365, SD2, HD1.** The Bill as currently drafted accomplishes the stated purpose. We would like to especially note that the critical importance of the requirement that the prescription drug be one that is available at a major retail pharmacy. This portion is essential to prevent subverting the intent of the bill by introducing drugs that have exorbitant prices and are targeted to work comp and motor vehicle benefits.

Thank you for the opportunity to submit this testimony.

Timothy M. Dayton, CPCU

**LATE**



**Chamber of Commerce HAWAII**  
*The Voice of Business*

**Testimony to the House Committee on Consumer Protection and Commerce  
Wednesday, March 19, 2014 at 2:10 P.M.  
Conference Room 325, State Capitol**

**RE: SENATE BILL 2365 SD2 HD1 RELATING TO INSURANCE CLAIMS**

Chair McKelvey, Vice Chair Kawakami, and Members of the Committee:

The Chamber of Commerce of Hawaii ("The Chamber") **strongly supports** SB 2365 SD2 HD1 **with amendments**.

The Chamber is the largest business organization in Hawaii, representing over 1,000 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

The Chamber supports the bill's intent to restrict the reimbursement of repackaged prescription drugs and compound medications to amounts similar in a retail pharmacy. Testimony submitted by the Hawaii Insurers Council in the 2011 legislative session detailed prescription drug markups of anywhere from thirteen percent, to several hundred percent or much more, over the average wholesale price after the drugs were repackaged, re-labeled, and distributed by physicians. In the last 4-5 years, insurers and those who are self-insured have been billed excessive markups of the original cost of the drug. This practice is not sustainable. We believe that this bill helps to contain costs and provide stability in the system which will eventually help businesses.

SB2365 SD2 HD1 seeks to clarify existing rules in motor vehicle and workers' compensation insurance by outlining the intent of the rules to reimburse drugs at the original manufacturer's national drug code plus 40%. This draft establishes that the marked-up reimbursement be at the date of "dispensing". However, we believe that this should be changed to the "point of purchase". Establishing the date of "dispensing" for the marked-up reimbursement allows an inflated price before the 40% is added. Additionally, the bill does not allow reimbursement for prescription drugs not sold in a major retail pharmacy.

We respectfully ask the committee to consider the following amendments:

1. New Section 2. Throughout, the language for reimbursement should be at the time the prescription drug is purchased, rather than dispensed.





# Chamber of Commerce HAWAII

*The Voice of Business*

2. New Section 2. “Major retail pharmacy” should be defined and the definition in the original bill and SB 2365, SD1 should be reinserted and reads as follows:

“Major retail pharmacy” means a retail pharmacy with five or more physical locations in the State and ten or more physical locations in other states.”

Thank you for the opportunity to express our views on this matter.



Pauahi Tower, Suite 2010  
1003 Bishop Street  
Honolulu, Hawaii 96813  
Telephone (808) 525-5877

**Alison Powers**  
Executive Director

## TESTIMONY OF ALISON POWERS

---

HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE  
Representative Angus L.K. McKelvey, Chair  
Representative Derek S.K. Kawakami, Vice Chair

Wednesday, March 19, 2014  
2:10 p.m.

### **SB 2365, SD2, HD1**

Chair McKelvey, Vice Chair Kawakami, and members of the Committee, my name is Alison Powers, Executive Director of Hawaii Insurers Council. Hawaii Insurers Council is a non-profit trade association of property and casualty insurance companies licensed to do business in Hawaii. Member companies underwrite approximately one third of all property and casualty insurance premiums in the state.

Hawaii Insurers Council supports this bill with amendments. Hawaii's laws on reimbursement for prescription drugs and compound medications for those injured in motor vehicle accidents and at work are currently governed by Administrative Rules under Title 16-23-114 and Title 12-15-55, respectively. These rules have been on the books for decades, however, in the last 4-5 years a loophole has been exposed and insurers and self insureds have been billed excessive mark ups of the original cost of the drug.

This bill seeks to clarify and codify existing rules in motor vehicle and workers' compensation insurance by outlining the intent of these rules which is to reimburse drugs at the original manufacturer's national drug code plus 40%. This bill requires the marked-up reimbursement at the date at which it is "dispensed" and we believe the mark-up should be at the point of purchase. Date of dispensed allows for an inflated

price before the 40% is added on. In addition, the bill does not allow reimbursement for prescription drugs not sold in a major retail pharmacy, however, it is not defined.

We respectfully request the following amendments:

1. New Section 2. Throughout, the language for reimbursement should be at the time the prescription drug is purchased, rather than dispensed.
2. New Section 2. "Major retail pharmacy" should be defined and the definition in the original bill and SB 2365, SD1 should be reinserted and reads as follows:

"Major retail pharmacy" means a retail pharmacy with five or more physical locations in the State and ten or more physical locations in other states."

We ask that you amend this bill. Thank you for the opportunity to testify.

**LATE**

TESTIMONY BEFORE THE HOUSE OF REPRESENTATIVES  
COMMITTEE ON CONSUMER PROTECTION & COMMERCE

Wednesday, March 19, 2014  
2:10 p.m.

SB 2365, SD2, HD1  
RELATING TO INSURANCE CLAIMS

By Marleen Silva  
Director, Workers' Compensation  
Hawaiian Electric Company, Inc.

Chair McKelvey, Vice Chair Kawakami, and Members of the Committee:

Hawaiian Electric Co. Inc., its subsidiaries, Maui Electric Company, LTD., and Hawaii Electric Light Company, Inc. represent over 2,000 employees throughout the State, and **strongly supports S.B. 2365, SD2, HD1.**

The purpose and intent of this bill is to reasonably limit the reimbursement rates of repackaged, relabeled, and compound prescription medications in workers' compensation claims and require motor vehicle insurance benefits to automatically adopt the prescription drug protections associated with the Workers' Compensation Medical Fee Schedule, unless otherwise modified by the Insurance Commissioner through rulemaking.

We believe passage of this version of the measure will bring many benefits by reasonably regulating the pricing of repackaged, relabeled and compound medications, clarifying allowable dispensing practices, and eliminating the potential financial incentives to overprescribe medications.

We kindly ask for your favorable consideration of this bill. Thank you for the opportunity to submit testimony in support of this measure.

**LATE**



NEIL ABERCROMBIE  
GOVERNOR

SHAN S. TSUTSUI  
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](http://www.hawaii.gov/dcca)

KEALI' I S. LOPEZ  
DIRECTOR

JO ANN M. UCHIDA TAKEUCHI  
DEPUTY DIRECTOR

TO THE HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE  
TWENTY-SEVENTH LEGISLATURE  
Regular Session of 2014

Wednesday, March 19, 2014  
2:10 p.m.

**REVISED**  
**TESTIMONY ON SENATE BILL NO. 2365, S.D. 2, H.D. 1 – RELATING TO**  
**INSURANCE CLAIMS.**

TO THE HONORABLE ANGUS L.K. McKELVEY, CHAIR, AND MEMBERS OF THE  
COMMITTEE:

My name is Gordon Ito, State Insurance Commissioner (“Commissioner”),  
testifying on behalf of the Department of Commerce and Consumer Affairs  
(“Department”). The Department supports the intent of this bill, and submits the  
following comments:

This bill seeks to limit reimbursement for prescription drugs and compound  
medications in the fee schedule that governs both the State workers’ compensation and  
motor vehicle insurance systems.

The Department recognizes that the Worker’s Compensation Medical Fee  
Schedule allows drugs to be charged to insurers at up to 140% of the average  
wholesale price (“AWP”) listed in the Red Book. This has encouraged third parties to  
buy drugs in bulk, repackage and/or compound them, add a new national drug code  
(NDC) to them with a higher AWP, and then bill the insurers 140% of the higher AWP.  
This drives up the cost of health care.

The Department supports clarification of reimbursement rates for repackaged, relabeled, and compounded medications, which are not now addressed in workers' compensation rules and regulations.

In addition, we would request a simple amendment to Hawaii Revised Statutes ("HRS") § 431:10C-308.5, which section 3 of House Draft 1 is currently amending, by deleting the word "supplemental" wherever it appears. HRS § 431:10C-308.5(b) limits charges for fees and frequency of treatment in motor vehicle cases to those established and permitted for workers' compensation cases, referencing the workers' compensation medical fee schedule.

HRS § 431:10C-308.5 uses the term "workers' compensation supplemental medical fee schedule" to refer to the workers' compensation medical fee schedule. As used, the term "workers' compensation supplemental medical fee schedule" may create confusion as to whether it refers to the entire workers' compensation rules and schedule or only the fee payment schedule. The workers' compensation rules are entitled "Workers' Compensation Medical Fee Schedule." Exhibit A of the workers' compensation medical fee schedule rules lists the applicable rates for various treatment procedures and is entitled "Workers' Compensation Supplemental Medical Fee Schedule."

HRS § 431:10C-308.5 was intended to include all of the workers' compensation rules and schedules, and the language in subsection (a) substitutes specific terms in the workers' compensation medical fee schedule to ensure that the rules and schedule apply to the Motor Vehicle Code. HRS § 431:10C-308.5(a) states:

(a) As used in this article, the term "workers' compensation supplemental medical fee schedule" means the schedule adopted and as may be amended by the director of labor and industrial relations for workers' compensation cases under chapter 386, establishing fees and frequency of treatment guidelines. References in the workers' compensation supplemental medical fee schedule to "the employer", "the director", and "the industrial injury", shall be respectively construed as references to "the insurer", "the commissioner", and "the injury covered by personal injury protection benefits" for purposes of this article.

This substitution of terms would be unnecessary if HRS § 431:10C-308.5(a) incorporated only Exhibit A, the fee schedule.

Replacing the word “supplemental” with the term “workers’ compensation medical fee schedule” throughout HRS § 431:10C-308.5 would reconcile the definition of workers’ compensation fee schedule in the Motor Vehicle Code with the workers’ compensation fee schedule adopted and amended by the director of the department of labor and industrial relations.

The Insurance Division respectfully urges the Chair and members of the committee to simply remove the word “supplemental” in HRS § 431:10C-308.5 from the term “workers’ compensation supplemental medical fee schedule.”

If the Chair and committee are inclined to make this change, we would also seek an amendment to HRS § 431:10C-304(6) that replaces the term “workers’ compensation supplemental medical fee schedule” with the phrase “workers’ compensation medical fee schedule.”

Redlined copies of HRS §§ 431:10C-308.5 and 431:10C-304(6) are attached for your reference.

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

**§431:10C-308.5 Limitation on charges.** (a) As used in this article, the term "workers' compensation [supplemental] medical fee schedule" means the schedule adopted and as may be amended by the director of labor and industrial relations for workers' compensation cases under chapter 386, establishing fees and frequency of treatment guidelines. References in the workers' compensation [supplemental] medical fee schedule to "the employer", "the director", and "the industrial injury", shall be respectively construed as references to "the insurer", "the commissioner", and "the injury covered by personal injury protection benefits" for purposes of this article.

(b) The charges and frequency of treatment for services specified in section 431:10C-103.5(a), except for emergency services provided within seventy-two hours following a motor vehicle accident resulting in injury, shall not exceed the charges and frequency of treatment permissible under the workers' compensation [supplemental] medical fee schedule. Charges for independent medical examinations, including record reviews, physical examinations, history taking, and reports, to be conducted by a licensed Hawaii provider unless the insured consents to an out-of-state provider, shall not exceed the charges permissible under the appropriate codes in the workers' compensation [supplemental] medical fee schedule. The workers' compensation [supplemental] medical fee schedule shall not apply to independent medical examinations conducted by out-of-state providers if the charges for the examination are reasonable. The independent medical examiner shall be selected by mutual agreement between the insurer and claimant; provided that if no agreement is reached, the selection may be submitted to the commissioner, arbitration or circuit court. The independent medical examiner shall be of the same specialty as the provider whose treatment is being reviewed, unless otherwise agreed by the insurer and claimant. All records and charges relating to an independent medical examination shall be made available to the claimant upon request. The commissioner may adopt administrative rules relating to fees or frequency of treatment for injuries covered by personal injury protection benefits. If adopted, these administrative rules shall prevail to the extent that they are inconsistent with the workers' compensation [supplemental] medical fee schedule.

(c) Charges for services for which no fee is set by the workers' compensation [supplemental] medical fee schedule or other administrative rules adopted by the commissioner shall be limited to eighty per cent of the provider's usual and customary charges for these services.

(d) Services for which no frequency of treatment guidelines are set forth in the workers' compensation [supplemental] medical fee schedule or other administrative rules adopted by the commissioner shall be deemed appropriate and reasonable expenses necessarily incurred if so determined by a provider.

(e) In the event of a dispute between the provider and the insurer over the amount of a charge or the correct fee or procedure code to be used under the workers' compensation [supplemental] medical fee schedule, the insurer shall:



(1) Pay all undisputed charges within thirty days after the insurer has received reasonable proof of the fact and amount of benefits accrued and demand for payment thereof; and

(2) Negotiate in good faith with the provider on the disputed charges for a period up to sixty days after the insurer has received reasonable proof of the fact and amount of benefits accrued and demand for payment thereof.

If the provider and the insurer are unable to resolve the dispute after a period of sixty days pursuant to paragraph (2), the provider, insurer, or claimant may submit the dispute to the commissioner, arbitration, or court of competent jurisdiction. The parties shall include documentation of the efforts of the insurer and the provider to reach a negotiated resolution of the dispute. This section shall not be subject to the requirements of section 431:10C-304(3) with respect to all disputes about the amount of a charge or the correct fee and procedure code to be used under the workers' compensation [supplemental] medical fee schedule. An insurer who disputes the amount of a charge or the correct fee or procedure code under this section shall not be deemed to have denied a claim for benefits under section 431:10C-304(3); provided that the insurer shall pay what the insurer believes is the amount owed and shall furnish a written explanation of any adjustments to the provider and to the claimant at no charge, if requested. The provider, claimant, or insurer may submit any dispute involving the amount of a charge or the correct fee or procedure code to the commissioner, to arbitration, or to a court of competent jurisdiction.

(f) The provider of services described in section 431:10C-103.5(a) shall not bill the insured directly for those services but shall bill the insurer for a determination of the amount payable. The provider shall not bill or otherwise attempt to collect from the insured the difference between the provider's full charge and the amount paid by the insurer.

(g) A health care provider shall be compensated by the insurer for preparing reports documenting the need for treatments which exceed the workers' compensation [supplemental] medical fee schedule in accordance with the fee schedule for special reports. The health care provider may assess the cost of preparing a report to the insurer at no more than \$20 per page up to a maximum of \$75 for each report.

**§431:10C-304 Obligation to pay personal injury protection benefits.** For purposes of this section, the term "personal injury protection insurer" includes personal injury protection self-insurers. Every personal injury protection insurer shall provide personal injury protection benefits for accidental harm as follows:

(1) Except as otherwise provided in section 431:10C-305(d), in the case of injury arising out of a motor vehicle accident, the insurer shall pay, without regard to fault, to the provider of services on behalf of the following persons who sustain accidental harm as a result of the operation, maintenance, or use of the vehicle, an amount equal to the personal injury protection benefits as defined in section 431:10C-103.5(a) payable for expenses to that person as a result of the injury:

(A) Any person, including the owner, operator, occupant, or user of the insured motor vehicle;

(B) Any pedestrian (including a bicyclist); or

(C) Any user or operator of a moped as defined in section 249-1; provided that this paragraph shall not apply in the case of injury to or death of any operator or passenger of a motorcycle or motor scooter as defined in section 286-2 arising out of a motor vehicle accident, unless expressly provided for in the motor vehicle policy;

(2) Payment of personal injury protection benefits shall be made as the benefits accrue, except that in the case of death, payment of benefits under section 431:10C-302(a)(5) may be made immediately in a lump sum payment, at the option of the beneficiary;

(3) (A) Payment of personal injury protection benefits shall be made within thirty days after the insurer has received reasonable proof of the fact and amount of benefits accrued, and demand for payment thereof. All providers must produce descriptions of the service provided in conformity with applicable fee schedule codes;

(B) If the insurer elects to deny a claim for benefits in whole or in part, the insurer shall, within thirty days, notify the claimant in writing of the denial and the reasons for the denial. The denial notice shall be prepared and mailed by the insurer in triplicate copies and be in a format approved by the commissioner. In the case of benefits for services specified in section 431:10C-103.5(a) the insurer shall also mail a copy of the denial to the provider; and

(C) If the insurer cannot pay or deny the claim for benefits because additional information or loss documentation is needed, the insurer shall, within the thirty days, forward to the claimant an itemized list of all the required documents. In the case of benefits for services specified in section 431:10C-103.5(a) the insurer shall also forward the list to the service provider;

(4) Amounts of benefits which are unpaid thirty days after the insurer has received reasonable proof of the fact and the amount of benefits accrued, and demand for payment thereof, after the expiration of the thirty days, shall bear interest at the rate of one and one-half per cent per month;

(5) No part of personal injury protection benefits paid shall be applied in any manner as attorney's fees in the case of injury or death for which the benefits are paid. The insurer shall pay, subject to section 431:10C-211, in addition to the personal injury protection benefits due, all attorney's fees and costs of settlement or suit necessary to effect the payment of any or all personal injury protection benefits found due under the contract. Any contract in violation of this provision shall be illegal and unenforceable. It shall constitute an unlawful and unethical act for any attorney to solicit, enter into, or knowingly accept benefits under any contract;

(6) Disputes between the provider and the insurer over the amount of a charge or the correct fee or procedure code to be used under the workers' compensation [~~supplemental~~] medical fee schedule shall be governed by section 431:10C-308.5; and

(7) Any insurer who violates this section shall be subject to section 431:10C-117(b) and (c).

NEIL ABERCROMBIE  
GOVERNOR



BARBARA A. KRIEG  
DIRECTOR

LEILA A. KAGAWA  
DEPUTY DIRECTOR

STATE OF HAWAII  
DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT  
235 S. BERETANIA STREET  
HONOLULU, HAWAII 96813-2437

March 19, 2014

TESTIMONY TO THE  
HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE

For Hearing on Wednesday, March 19, 2014  
2:10 p.m., Conference Room 325

BY

BARBARA A. KRIEG  
DIRECTOR

**Senate Bill No. 2365, S.D. 2, H.D. 1**  
**Relating to Insurance Claims**

TO CHAIRPERSON ANGUS MCKELVEY AND MEMBERS OF THE COMMITTEE:

Thank you for the opportunity to provide testimony on S.B. No. 2365. S.D. 2, H.D. 1.

The purpose of S.B. 2365, S.D. 2, H.D. 1, is to limit the reimbursement payments of prescription medications, including relabeled, repackaged, or compounded prescription medications, in workers' compensation claims; and to require motor vehicle insurance benefits to automatically adopt the prescription drug pricing protections associated with the workers' compensation supplemental medical fee schedule, unless otherwise modified by the Insurance Commissioner through rulemaking.

The Department of Human Resources Development (DHRD) has a fiduciary duty to administer the State's self-insured workers' compensation program and its expenditure of public funds. It is in this capacity that DHRD **strongly supports** this bill as it pertains to workers' compensation.

This proposal is consistent with our past efforts to cap repackaged drug markups at 140% of the average wholesale price (AWP) as set by the original manufacturer.

The voluminous testimony in support of H.B. 891, Relating to Workers' Compensation Drugs, in the 2013 Legislature, and in support of H.B. 1960 and this bill in the current session, explains the problem in detail. In summary, the State of Hawaii Workers' Compensation Medical Fee Schedule (WCMFS), Section 12-15-55(c), HAR, allows pharmaceuticals to be charged to insurance carriers at up to 140% of the AWP listed in the American Druggist Red Book. This has resulted in third-party companies buying drugs in bulk and then repackaging or compounding the medications so that they can attach their own national drug code (NDC) number to the drugs, with a higher AWP. Insurance carriers are then billed at 140% of the higher AWP, resulting in charges that are much higher than what would otherwise be billed using the original NDC and AWP.

We believe passage of this bill will have several benefits for our self-insured workers' compensation program, including reducing the State's costs for medical care, services, and supplies; reducing the number of billing disputes brought before the Department of Labor and Industrial Relations (which has been as high as 2,400) and removing potential financial incentives to over-prescribe medications to claimants.

In closing, we wish to express our appreciation to the House Committee on Labor and Public Employment for considering and adopting our recommended amendments in the current H.D. 1 iteration of this bill.

Thank you for the opportunity to testify in **strong support** of this measure.

NEIL ABERCROMBIE  
GOVERNOR



DWIGHT Y. TAKAMINE  
DIRECTOR

JADE T. BUTAY  
DEPUTY DIRECTOR

**STATE OF HAWAII  
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS**

830 PUNCHBOWL STREET, ROOM 321  
HONOLULU, HAWAII 96813

<http://labor.hawaii.gov>

March 19, 2014

To: The Honorable Angus L.K. McKelvey, Chair,  
The Honorable Derek S.K. Kawakami, Vice Chair, and  
Members of the House Committee on Consumer Protection & Commerce

Date: Wednesday, March 19, 2014  
Time: 2:10 p.m.  
Place: Conference Room 325, State Capitol

From: Dwight Y. Takamine, Director  
Department of Labor and Industrial Relations (DLIR)

**Re: S.B. No. 2365, S.D. 2, H.D. 1 Relating to Insurance Claims**

**I. OVERVIEW OF PROPOSED LEGISLATION**

The DLIR supports the intent of this proposal that seeks to control the prescriptive drug costs in the Hawaii Workers' Compensation system. SB2365 SD2HD1 proposes a new section in chapter 386, Hawaii Revised Statutes, by:

- Setting the payment for all forms of prescription drugs and compounded medications including repackaged and relabeled drugs to not exceed one hundred forty percent (140%) of the average wholesale price as set by the original manufacturer of the dispensed prescription drug identified by its National Drug Code as published in Red Book: Pharmacy's Fundamental Reference, as of the date of dispensing or compounding for compounded medications.
- Providing that payment for a prescription drug that is not available at a retail pharmacy within the State shall not be reimbursed.
- Providing equivalent generic pharmaceuticals to be substituted for brand name unless the physician certifies the employee's condition will not tolerate equivalent generic pharmaceuticals and provides a definition for equivalent generic drug product that is consistent with chapter 328's pharmaceutical definitions.
- Adding a definition of "equivalent generic drug product."
- Clarifies that all pharmaceutical claims submitted for repackaged, relabeled

or compounded medications must include the National Drug Code of the original manufacturer.

- Amends chapter 431:10C to maintain consistency with the application of the current no-fault law by connecting the new section to the no-fault law.
- Provides a definition for equivalent generic drug product that is consistent with chapter 328's pharmaceutical definitions.

## **II. CURRENT LAW**

Workers' Compensation Medical Fee Schedule (WCMFS) Administrative Rule, Section 12-15-55 Drugs, supplies and materials, allows for prescription drugs to be reimbursed at the average wholesale price as listed in Red Book plus forty percent when sold by a physician, hospital, pharmacy, or provider of service other than a physician. All billings for prescriptive drugs must include the National Drug Code listed in Red Book followed by the average wholesale price as listed at time of purchase by the provider of service.

In addition, approved generics shall be substituted for brand name pharmaceuticals unless the prescribing physician certifies no substitution is permitted because the injured employee's condition will not tolerate a generic preparation.

The current statute and rules do not explicitly address the reimbursement of repackaged, relabeled and compound medication, although that is how the DLIR understands the intent of the current law and applies it in billing disputes when such types of medications are involved.

Currently, disputes pertaining to repackaged, relabeled and compounded medications between certain carriers and self-insured entities have inundated the department and overwhelmed its ability to referee these matters. The department believes this measure, if crafted appropriately, will reduce the current number of disputes and prevent disputes in the future. In this manner, the Disability Compensation Division can focus on reducing the number of backlogged workers' compensation hearings.

## **III. COMMENTS ON THE SENATE BILL**

The department supports this proposal for the continued use of the Red Book as a source for the average wholesale price of medication. The implications of switching to another index will entail a fiscal impact that, along with, other operational considerations the department is still exploring. The DLIR will inform the Committee upon the completion of that analysis.

DLIR supports the provision that a drug not available at a retail pharmacy in the State shall not be reimbursed. Although not the perfect solution to some of the abuses occurring, it does provide some measure of protection, which will also have the potential effect of reducing the amount of billing disputes coming before the department.

DLIR also supports the provision to tie the billing to the date of the drug's dispensing or compounding, which should also lead to fewer disputes before the department.

The language in the measure regarding the generic provisions would ensure that these drugs are treated in a manner that is consistent with the current practice and the administrative rules. DLIR also supports clarifying with a definition.

Lastly, the DLIR supports making sure the new section is connected with chapter 431:10C to maintain consistency with the application of the current no-fault law.

The department is hopeful that with further clarification of the issues and continued deliberations, this proposal will address the issues of fairer reimbursement of prescription medications and lower the medical costs in Hawaii's workers' compensation system.



DEPARTMENT OF HUMAN RESOURCES  
**CITY AND COUNTY OF HONOLULU**

850 SOUTH KING STREET, 10<sup>TH</sup> FLOOR • HONOLULU, HAWAII 96813  
TELEPHONE: (808) 768-8500 • FAX: (808) 768-5563 • INTERNET: [www.honolulu.gov/hr](http://www.honolulu.gov/hr)

KIRK CALDWELL  
MAYOR



CAROLEE C. KUBO  
DIRECTOR

NOEL T. ONO  
ASSISTANT DIRECTOR

March 19, 2014

The Honorable Angus L.K. McKelvey, Chair  
and Members of the Committee  
on Consumer Protection and Commerce  
House of Representatives  
State Capitol, Room 325  
415 South Beretania Street  
Honolulu, Hawaii 96813

Dear Chair McKelvey and Members of the Committee:

SUBJECT: Senate Bill No. 2365, SD2, HD1, Relating to Insurance Claims

The City and County of Honolulu strongly supports Senate Bill No. 2365, SD2, HD1, which seeks to limit reimbursement of prescription medications to prevent drug prices from becoming an unreasonable cost driver of health care in workers' compensation claims.

The bill currently provides that prescription drugs which are not available at a major retail pharmacy within the State shall not be reimbursed. The purpose of limiting reimbursement of prescription medications that are only available at a major retail pharmacy in the State is to protect claimants and their insureds from having to pay for medication whose sole purpose is to provide an outrageous profit margin. The following situation provides a telling example.

An entity recently submitted a bill for Tramadol 150 with the "original manufacturer's" National Drug Code (NDC). The per unit Average Wholesale Price (AWP) for that particular drug is set at \$10.74 per pill. At a fee schedule of AWP plus 40%, a one month prescription consisting of 270 pills would cost \$4,059.72 (AWP + 40%). Until recently, this particular drug has not been manufactured or prescribed in Hawaii. Moreover, to the best of our knowledge, the medication is not available at major retail pharmacies in Hawaii.

By comparison, the most commonly dispensed form of Tramadol is a 50 mg pill. The AWP for that drug is \$0.81 per tablet or \$2.43 for 150 mg. At AWP plus 40%, the same prescription in a regular dosage would only cost \$918.54. Thus a party selling Tramadol 150 will be making a monthly profit of \$3,141.18 per each Tramadol 150 prescription. Conservative estimating that a provider prescribes Tramadol for only ten of his or her patients, that entity is making or sharing a profit of \$31,411.80 a month or \$376,941.16 a year just on that one particular medication.

The City respectfully requests that the following definitions for "Major retail pharmacy" and "Available" be added to the measure to further assist in regulating the foregoing situations.

The Honorable Angus L.K. McKelvey, Chair  
and Members of the Committee  
on Consumer Protection and Commerce  
March 19, 2014  
Page 2

“Major retail pharmacy” means a retail pharmacy with five or more physical locations in the State and ten or more physical locations in other states.

“Available” means the prescription drug as identified by the submitted National Drug Code is available for purchase in the major retail pharmacy’s inventory during the ordinary course of business and the prescription drug’s National Drug Code and dosage are listed on the Federal Food and Drug Administration database.

With these amendments, Senate Bill 2365, SD2, HD1, will reasonably restrict the costs associated with repackaged drugs and compound medications, while continuing to ensure that injured workers receive the standard of care intended under Hawaii’s workers’ compensation laws.

Thank you for the opportunity to testify.

Sincerely,

A handwritten signature in black ink that reads "Carolee C. Kubo". The signature is written in a cursive, flowing style.

Carolee C. Kubo  
Director

**LATE**



**HAWAII MEDICAL ASSOCIATION**

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

**To: Rep. Angus L.K. McKelvey, Chair  
Rep. Derek S.K. Kawakami, Vice Chair  
Members of the Committee on Consumer Protection & Commerce**

**Date: Wednesday, March 19, 2014  
Time: 2:10 PM  
Place: Conference Room 325**

FROM: Hawaii Medical Association

Dr. Walton Shim, MD, President  
Dr. Linda Rasmussen, MD, Legislative Co-Chair  
Dr. Ron Kienitz, DO, Legislative Co-Chair  
Dr. Christopher Flanders, DO, Executive Director  
Lauren Zirbel, Community and Government Relations

RE: SB 2365 HD1 RELATING TO INSURANCE CLAIMS

POSITION: Comments

HMA supports the intent of SB 2365 HD1 to prevent drug prices from becoming an unreasonable cost driver of health care in workers' compensation and motor vehicle claims but opposes specific provisions of the legislation which are detailed below.

SB 2365 HD1 provides:

Payment for all forms of prescription drugs including repackaged and relabeled drugs shall not exceed one hundred forty per cent of the average wholesale price set by the original manufacturer of the dispensed prescription drug as identified by its National Drug Code and as published in the Red Book: Pharmacy's Fundamental Reference as of the date of dispensing; provided that payment for a prescription drug that is not available at a major retail pharmacy within the State shall not be reimbursed.

Payment for compounded prescription drugs shall not exceed one hundred forty per cent of the average wholesale price by gram weight. . .

HMA opposes the "shall not exceed" language used in the foregoing provisions which sets a reimbursement ceiling without defining a reimbursement floor. HMA suggests that this

*Officers*

*President - Walton Shim, MD    President-Elect – Robert Sloan, MD  
Secretary - Thomas Kosasa, MD    Immediate Past President – Stephen Kemble, MD  
Treasurer – Brandon Lee, MD    Executive Director – Christopher Flanders, DO*

language will only exacerbate the claim dispute process by not creating a definitive reimbursement rate and potentially provides an opportunity for payers to arbitrarily reduce reimbursement to rates below the designated one hundred forty per cent. Accordingly, HMA suggests that the language be amended so that reimbursement “shall be” one hundred forty per cent of the average wholesale price set by the original manufacturer, absent the parties directly contracting for a lower amount, as provided in SB 2365 SD1 and SB 2365 SD2.

HMA would recommend the adoption of Medi-Span Master Drug Database in lieu of the current medication pricing publication, Red Book. Medi-Span is considered a more widely used and comprehensive sourcebook and provides for easier integration into existing billing software. As a result, HMA believes this is a more accurate and user-friendly pricing publication for all parties.

Thank you for your consideration.

**LATE**

**kawakami3-Benigno**

---

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, March 18, 2014 9:07 PM  
**To:** CPCtestimony  
**Cc:** paulakomarajr@yahoo.com  
**Subject:** \*Submitted testimony for SB2365 on Mar 19, 2014 14:10PM\*

**SB2365**

Submitted on: 3/18/2014

Testimony for CPC on Mar 19, 2014 14:10PM in Conference Room 325

| <b>Submitted By</b> | <b>Organization</b> | <b>Testifier Position</b> | <b>Present at Hearing</b> |
|---------------------|---------------------|---------------------------|---------------------------|
| Paul A. komara, Jr. | Individual          | Oppose                    | No                        |

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

Do not reply to this email. This inbox is not monitored. For assistance please email [webmaster@capitol.hawaii.gov](mailto:webmaster@capitol.hawaii.gov)

**LATE**

**kawakami3-Benigno**

---

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Wednesday, March 19, 2014 6:58 AM  
**To:** CPCtestimony  
**Cc:** wbkotter@gmail.com  
**Subject:** Submitted testimony for SB2365 on Mar 19, 2014 14:10PM

**SB2365**

Submitted on: 3/19/2014

Testimony for CPC on Mar 19, 2014 14:10PM in Conference Room 325

| <b>Submitted By</b> | <b>Organization</b> | <b>Testifier Position</b> | <b>Present at Hearing</b> |
|---------------------|---------------------|---------------------------|---------------------------|
| Brian Carter        | Individual          | Oppose                    | No                        |

Comments: I am very concern about Senate Bill 2365 SD2 HD1 impact on small business retail pharmacies. In this bill I believe it will exclude small businesses like mine from participating. My business is very competitive and a bill like this will have a negative impact economically. I ask that you remove the words "major retail pharmacy" from this bill so all pharmacies can compete. Thank you for the opportunity to testify, Brian Carter RPh Westside Pharmacy Hanapepe Hawaii 808 335-5342

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

Do not reply to this email. This inbox is not monitored. For assistance please email [webmaster@capitol.hawaii.gov](mailto:webmaster@capitol.hawaii.gov)

# WIMAH

# LATE

WORK INJURY MEDICAL ASSOCIATION OF HAWAII  
91-2135 FORT WEAVER ROAD SUITE #170  
EWA BEACH, HAWAII 96706

MAULI OLA  
THE POWER OF HEALING

MARCH 19, 2014

COMMITTEE ON CONSUMER PROTECTION & COMMERCE

SENATE BILL 2365 SD2 HD1 RELATING TO INSURANCE CLAIMS

LIMITS THE REIMBURSEMENT PAYMENTS OF PRESCRIPTION MEDICATIONS, INCLUDING RELABELED OR REPACKAGED PRESCRIPTION MEDICATION, IN WORKERS' COMPENSATION CLAIMS. REQUIRES MOTOR VEHICLE INSURANCE BENEFITS TO AUTOMATICALLY ADOPT THE PRESCRIPTION DRUG PRICING PROTECTIONS ASSOCIATED WITH THE WORKERS' COMPENSATION SUPPLEMENTAL MEDICAL FEE SCHEDULE, UNLESS OTHERWISE MODIFIED BY THE INSURANCE COMMISSIONER THROUGH RULEMAKING. EFFECTIVE JULY 1, 2050. (SB2365 HD1)

WORK INJURY MEDICAL ASSOCIATION OF HAWAII SUPPORTS THE INTENT OF SENATE BILL 2365 SD2 HD1. WE ARE CONCERNED ABOUT THE HIGH COST OF HEALTH CARE IN WORKERS' COMPENSATION AND MOTOR VEHICLE CLAIMS.

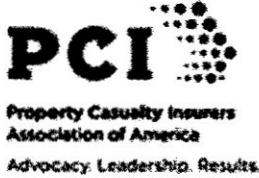
WE ARE STILL CONCERNED ABOUT ITEM'S WITHIN SENATE BILL 2365 SD2 HD1. SUCH AS THE USE OF THE PUBLICATION RED BOOK. WE WOULD RECOMMEND THE USE OF MEDI-SPAN MASTER DRUG DATABASE WHICH HAS A WIDER BASE OF USE AND IS MORE ACCOUNTING FRIENDLY.

WE SUGGEST THE REIMBURSEMENT RATE BE SET AT 140 PERCENT OF THE AVERAGE WHOLESALE PRICE SET BY THE ORIGINAL MANUFACTURER.

RESOLUTION ON THESE MATTERS WOULD BE APPRECIATED.

GEORGE M. WAIALEALE  
EXECUTIVE DIRECTOR  
WORK INJURY MEDICAL ASSOCIATION OF HAWAII

**LATE**



To: The Honorable Angus L.K. McKelvey, Chair  
The Honorable Derek S.K. Kawakami, Vice Chair  
House Committee on Labor and Public Employment

From: Mark Sektnan, Vice President

Re: **SB 2365 SD2 HD1 – Relating to Insurance Claims**  
**PCI Position: Support, Request for Amendments**

Date: Wednesday March 19, 2014  
2:10 p.m., Conference Room 325

Aloha Chair McKelvey, Vice Chair Kawakami and Members of the Committee:

The Property Casualty Insurers Association of America (PCI) supports SB 2365 SD2 HD1 which addresses a major issue facing workers' compensation insurers – the abusive pricing practices of some repackagers and compounders. These abusive practices also confront automobile insurers who are required to provide motor vehicle personal injury protection benefits (PIP). The negative impact in PIP is even greater since the benefits are limited. PCI is a national trade association that represents over 1,000 property and casualty insurance companies. In Hawaii, PCI member companies write approximately 34.6 percent of all property casualty insurance written in Hawaii. PCI member companies write 42.2 percent of all personal automobile insurance, 43.5 percent of all commercial automobile insurance and 58.9 percent of the workers' compensation insurance in Hawaii.

A significant workers compensation pharmacy cost-driver has been the over-prescribing of repackaged drugs where a repackager or physician takes a drug and repackages the drug. By doing this, the repackager "creates" a new drug that is not on the fee schedule and charges a much higher rate. Another major cost-driver is the over-prescribing of compound drugs, which are customized mixtures of multiple drugs and other remedies intended to better meet the unique needs of the patient. While the original intent of these drug combinations is to provide better medical care to patients, they have become a "loophole" that is being exploited by a small number of physicians to generate additional revenue streams. A short overview of the process is listed below:

- Physician writes prescription for customized mixture of ingredients, not available at strengths or combinations in existing retail market;
- Pharmacy prepares mixture to specifications, using bulk drugs (usually generic), packages, labels and dispenses;
- May involve partnership between prescribing physician and compounding pharmacy;



- Large number of compounds are topical preparations, often involving drugs for which oral formulations exist (e.g., topical tricyclic anti-depressants);
- Usually no evidence that compound medication is superior, equivalent to retail, or even effective for condition being treated; and
- Concentration of costs with a few pharmacies which seem to specialize in compounding.

PCI believes that reimbursement for compounded drugs should be based on the NDC codes of the original manufacturer of each active ingredient with no additional reimbursement for ingredients with no NDC code. Another issue is that the bill requires the marked-up reimbursement at the date at which it is “dispensed” and we believe the mark-up should be at the point of purchase. In addition, the bill does not define a major retail pharmacy. **Therefore, we respectfully request the following amendments:**

- 1. New Section 2. Throughout, the language for reimbursement should be at the time the prescription drug is purchased, rather than dispensed.**
- 2. New Section 2. “Major retail pharmacy” should be defined as follows: “Major retail pharmacy means a retail pharmacy with five or more physical locations in the State and ten or more physical locations in other states.”**

Drug costs, especially repackaged and compound drugs, have been one of the biggest cost drivers in workers’ compensation systems across the country. Self-insured entities (including the State of Hawaii and Hawaii’s counties, as well as private businesses such as Marriott and Safeway) also pay for the costs of abusive/inflated repackaged drug pricing.

In testimony last year before the Senate Ways and Means Committee and House Finance Committee, the State Department of Budget & Finance Director Kalbert Young said that the Administration will be asking for an additional \$3.5 million for each of the next two fiscal years to cover *non-discretionary cost increases* for risk management and workers compensation. A substantial portion of the cost increases the state is seeing are likely to have come from artificially inflated repackaged prescription drug/compound medication costs. The recent dispute between the City & County of Honolulu and Automated HealthCare Solutions (“AHCS”), a Florida-based “billing company” through which repackaged drugs and compound meds flow, is a good example of the problems caused for taxpayers and businesses by uncontrolled repackaged drug and compound medication costs.

By regulating markups of “re-packaged” prescription drugs and “compound medications” (practices that were also abused until regulated in states such as California, Arizona, and Mississippi), SB 2365 SD2 HD1 will help to contain unreasonable prescription drug costs in Hawaii’s workers’ compensation insurance system as “re-packagers” expand into states – including Hawaii - where costs of “re-packaged” drugs and “compound medications” are not regulated.

PCI respectfully requests that you pass this bill with the aforementioned amendments. Thank you for the opportunity to provide comments.