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DEPARTMENT OF HUMAN RESOURCES
CITY AND COUNTY OF HONOLULU

650 SOUTH KING STREET, 10TH FLOOR • HONOLULU, HAWAII 96813
TELEPHONE: (808) 768-8500 • FAX: (808) 768-5565 • INTERNET: www.honolulu.gov/hr

KIRK CALDWELL
MAYOR



CAROLEE C. KUBO
DIRECTOR

NOEL T. ONO
ASSISTANT DIRECTOR

February 20, 2014

The Honorable Rosalyn H. Baker, Chair
and Members of the Committee
on Commerce and Consumer Protection
The Senate
State Capitol, Room 229
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chair Baker and Members of the Committee:

SUBJECT: Senate Bill No. 2365, SD1 Relating to Insurance Claims

The purpose of Senate Bill No. 2365, SD1, is to limit reimbursement of prescription medications to prevent drug prices from becoming an unreasonable cost driver of health care in workers' compensation claims. The City and County of Honolulu supports passage of the measure with the following amendments, which will further assist in that effort.

1. Page 6, Line 6. We recommend that "shall be" be amended to "shall not exceed." This language is consistent with the language in Hawaii Revised Statutes Section 386-21(c) regarding charges under the Medicare Resource Based Relative Value Scale as shown on page 3, lines 9 – 10 of the bill. The phrase "except where the employer or carrier, or any entity acting on behalf of the employer or carrier, directly contracts with the provider or provider's assignee for a lower amount" as found on page 6, lines 11 – 13, should also be deleted accordingly.

2. Page 6, Lines 14 – 16. We agree with the Department of Labor and Industrial Relations (DLIR) that implementation of the rulemaking process may be required to effectuate this portion of the law and that current departmental resources may make that process untimely. We therefore recommend that the language be amended to read "provided that any prescription medication drug that is not available for purchase at any major retail pharmacy within the State shall not be reimbursed." This is consistent with the language that DLIR recommend in its testimony before the Senate Committee on Judiciary and Labor, except that our proposed restriction is based on availability at a major retail pharmacy.

3. Page 6, Line 20 – Page 7, Line 7. This section is completely contrary to the stated purpose of the bill as it would increase rather than decrease the costs of over the counter medications in workers' compensation cases. We therefore strongly recommend that this

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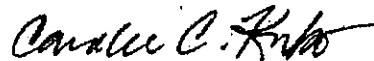
section be eliminated in its entirety. It is simply not reasonable to require workers' compensation insurers and self-insured entities to reimburse physicians for over-the-counter medications at a rate of one hundred and twenty percent of the original manufacturer's average wholesale price when the medication can easily be purchased by a claimant at his or her local drug or grocery store.

4. We also recommend that all references to "Medi-Span Master Drug Database" be changed to "Red Book: Pharmacy's Fundamental Reference." This is due to the familiarity within the industry with the current standard reference (Red Book) as well as the additional costs that DLIR and others will have to incur should the standard be changed at this time.

The City supports Senate Bill No. 2365, SD1, with the foregoing recommended amendments. We believe that with these changes, the measure will reasonably restrict the costs associated with repackaged or relabeled drugs and compound medications that are currently not regulated.

Thank you for the opportunity to present testimony.

Sincerely,



Carolee C. Kubo
Director