

STAND. COM. REP. NO.

514

Honolulu, Hawaii

FEB 20 2015

RE: S.B. No. 1244  
S.D. 1

Honorable Donna Mercado Kim  
President of the Senate  
Twenty-Eighth State Legislature  
Regular Session of 2015  
State of Hawaii

Madam:

Your Committees on Health and Commerce and Consumer Protection, to which was referred S.B. No. 1244 entitled:

"A BILL FOR AN ACT RELATING TO PHARMACY AUDITS,"

beg leave to report as follows:

The purpose and intent of this measure is to establish procedures for audits of pharmacies conducted by a health care provider, insurance company, third-party payor, Department of Health, or any entity that represents such companies, groups, or Department.

Your Committees received testimony in support of this measure from the Hawaii Community Pharmacists Association and two individuals. Your Committees received testimony in opposition to this measure from the Hawaii Medical Service Association. Your Committees received comments on this measure from the Board of Pharmacy and Academy of Managed Care Pharmacy.

Your Committees find that there are currently no regulations governing pharmacy audits by pharmacy benefit managers or insurance providers. Implementing regulations will prevent abusive audits aimed at reducing consumer access to pharmacy benefits and protect consumer access and consumer choice.

Your Committees have amended this measure by:



- (1) Specifying that the contents of this measure create a new section in chapter 431R, Hawaii Revised Statutes, rather than chapter 461, Hawaii Revised Statutes;
- (2) Specifying that pharmacy audit procedures established by this measure apply to on-site audits of the records of a pharmacy related to claims submitted under a prescription drug benefit plan;
- (3) Referring to an "audit report" as "audit findings";
- (4) Clarifying that the agency or entity conducting the audit is prohibited from using the accounting practice of extrapolation in calculating recoupments or penalties for audits unless allowed by law;
- (5) Amending language to allow a pharmacy at least fourteen days following the receipt of the preliminary audit findings to produce documentation to address any discrepancy unless a shorter time is required in the case of a governmental audit request;
- (6) Deleting language that specified that a pharmacy audit could not occur during the first seven calendar days of any month;
- (7) Specifying that the period covered by a recoupment of any disputed funds shall not exceed eighteen months;
- (8) Amending language to, upon finding on appeal unfavorable audit findings or unsubstantiated findings, require each agency or entity conducting an audit to reverse or issue a correction of the findings;
- (9) Clarifying that each agency or entity conducting an audit shall provide a copy of the final audit findings to the respective agency that entity represents upon request;
- (10) Excluding from pharmacy audit procedures under this measure investigative audits that involve wilful misconduct or health or safety issues;
- (11) Amending the definition of "agency" to not include the Department of Health and include sickness insurance

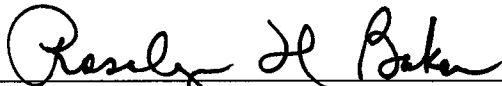


providers, mutual benefit societies, dental service corporations, and health maintenance organizations; and

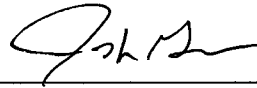
- (12) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the records of votes of the members of your Committees on Health and Commerce and Consumer Protection that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 1244, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 1244, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on  
behalf of the members of the  
Committees on Health and  
Commerce and Consumer  
Protection,



ROSALYN H. BAKER, Chair



JOSH GREEN, Chair



The Senate  
Twenty-Eighth Legislature  
State of Hawai'i

**Record of Votes**  
**Committee on Health**  
**HTH**

Bill / Resolution No.:* <b>SB 1244</b>	Committee Referral: <b>HTH/CPM, WAM</b>	Date: <b>2/18/15</b>		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
GREEN, Josh (C)	✓			
WAKAI, Glenn (VC)	✓			
BAKER, Rosalyn H.				✓
GABBARD, Mike	✓			
RIVIERE, Gil	✓			
RUDERMAN, Russell E.				✓
SLOM, Sam	✓			
<b>TOTAL</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>2</b>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
<b>Distribution:</b> Original             Yellow             Pink             Goldenrod File with Committee Report             Clerk's Office             Drafting Agency             Committee File Copy				

\*Only one measure per Record of Votes

