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TO THE HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

TWENTY-EIGHTH LEGISLATURE
Regular Session of 2016

Wednesday, February 17, 2016
9:30 a.m.

**TESTIMONY ON HOUSE BILL NO. 1672, H.D. 1 – RELATING TO PRESCRIPTION
DRUG BENEFITS.**

TO THE HONORABLE ANGUS L.K. MCKELVEY, 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 submits the following comments:

The purpose of this bill is to allow prescription drug benefit plan beneficiaries to obtain a prescription without penalty from a non-network retail community pharmacy located within an as yet to be determined number of miles from a beneficiary’s residence when the nearest network retail community pharmacy is located over an as yet to be determined number of miles away.

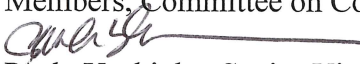
This bill may impact the cost of health plans due to the mandatory participation of non-network pharmacies that have not negotiated reimbursement rates and agreements with health insurers. The reimbursement process for non-participating providers as set forth in a plan may be impacted. The non-participating pharmacy reimbursement rate is uncertain, is it at a rate set forth in a health plan for non-participating pharmacies, or any price the non-participating pharmacy charges? Ultimately, this may result in increasing premiums for plan beneficiaries, as well as decreasing the payments to the

non-network pharmacies by the plan if reimbursement is made at non-participating pharmacy rates.

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



THE QUEEN'S HEALTH SYSTEMS

To: The Honorable Angus L.K. McKelvey, Chair, Committee on Consumer Protection & Commerce
The Honorable Justin H. Woodson, Vice Chair, Committee on Consumer Protection & Commerce
Members, Committee on Consumer Protection & Commerce


From: Paula Yoshioka, Senior Vice President, The Queen's Health Systems
Date: February 12, 2016
Hrg: House Committee on Consumer Protection & Commerce Hearing; Wednesday, February 17, 2016 at 9:30 am in Room 329

Re: **Support for HB 1672, HD1, Relating to Prescription Drug Benefits**

My name is Paula Yoshioka and I am a Senior Vice President at The Queen's Health Systems (QHS). I would like to express my support for HB 1672, HD1, Relating to Prescription Drug Benefits. This bill authorizes a beneficiary of a prescription drug benefit plan to obtain a prescription without penalty from a non-network retail community pharmacy located within ten miles of the beneficiary's residence, if the nearest network retail community pharmacy is located over ten miles away.

Queen's believes this bill would provide greater access to pharmaceutical care for patients who do not currently have sufficient access to a network pharmacy. For neighbor islands like Molokai, having access to non-network pharmacies is a substantial increased benefit. Your support of this measure will mean greater access for our patients across the state and will increase health care services within our community.

Thank you for your time and consideration of this matter.



Testimony of
John M. Kirimitsu
Legal & Government Relations Consultant

Before:
House Committee on Consumer Protection
The Honorable Angus L.K. McKelvey, Chair
The Honorable Justin H. Woodson, Vice Chair
February 17, 2015
9:30 am
Conference Room 329

Re: HB 1672 HD1 Relating to Prescription Drug Benefits

Chair, Vice Chair, and committee members thank you for this opportunity to provide testimony on HB 1672 HD1 relating to non-network prescription drug coverage.

Kaiser Permanente Hawaii opposes this bill.

Kaiser Permanente Hawaii opposes this bill requiring health plans to reimburse non-network pharmacies that choose not to contract with health plans. As a closed system, Kaiser Permanente, through its pharmacy benefit managers (“PBM”), utilizes contracted network pharmacies, whenever Kaiser Permanente does not have its own pharmacy available within a service area. Current law allows any pharmacy to participate in a health plan's network, so any pharmacy that is not included is choosing not to participate.

For Kaiser Permanente’s network pharmacy, Kaiser Permanente’s PBMs evaluate retail pharmacies for quality and pharmaceutical safety before including them in Kaiser Permanente’s contracted network. This involves ensuring that retail pharmacies meet patient safety goals and credentialing standards. In contracting with retail pharmacies, formularies are also established by PBMs to improve the quality of drug prescribing. Without a contract, pharmacies do not have to adhere to Kaiser Permanente’s formulary requirements ensuring quality and safety. Allowing just *any* non-network pharmacy to prescribe medications, including non-formulary drugs, to its members would undermine Kaiser Permanente’s efforts to create pharmacy networks that deliver efficient, safe, and high quality care. To accomplish the goal of high-value pharmacy networks, health plans must have the flexibility to select the most effective and efficient pharmacy providers for the safety of its members. Why would it be acceptable to reimburse an unqualified pharmacy who prescribes an unsafe, non-formulary, drug to a patient?

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Additionally, Kaiser Permanente relies on its PBMs to manage costs and utilization for the benefit of its enrolled members. In managing costs, PBMs build networks of pharmacies to provide consumers convenient access to prescriptions at discounted rates. It is important to have pharmacies compete to be part of the pharmacy network for a particular PBM in order to keep the rising costs of prescription drugs down. This approach to gaining lower prices for enrollees will not work as well if pharmacy providers declining to be in the network can subsequently demand to be paid retail pricing. This undermines the effectiveness of the network at gaining lower prices because providers will have no incentive to join a network if they are able to receive retail pricing. Also, in managing utilization, PBM's examine the pharmacy utilization and determines which pharmacies can be removed from the network to enhance savings and minimize member disruption.

Lastly, it is well recognized that a consumer with a prescription drug benefit plan must utilize a pharmacy that accepts payment for that plan. Under its closed system, Kaiser Permanente will not be able to adjudicate a prescription to administer a patient's benefit if the patient does not utilize a contracted pharmacy. A non-network pharmacy will not know what to charge the patient, nor are there any agreements on reimbursement to determine what to reimburse that non-participating pharmacy. Therefore, patient's benefit from contracted pharmacies, since contracted pharmacies can adjudicate the benefit that the patient has purchased.

For the foregoing reasons, Kaiser Permanente requests that this bill be held.

Thank you for the opportunity to comment.



An Independent Licensee of the Blue Cross and Blue Shield Association

February 17, 2016

The Honorable Angus L. K. McKelvey, Chair
The Honorable Justin H. Woodson, Vice Chair
House Committee on Consumer Protection, and Commerce

Re: HB 1672 - Relating to Prescription Drug Benefits

Dear Chair McKelvey, Vice Chair Woodson, and Members of the Committee:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on HB 1672, which would authorize plan members to obtain a prescription from a non-network pharmacy when a network pharmacy is not located within 10 miles of the member's residence. The benefit and claim are to be treated as if the pharmacy is in the network. While we appreciate the intent of this measure, HMSA respectfully opposes this Bill as drafted, and we offer comments.

Network-based managed care plans, whether for pharmacy, medical, or dental services, are essential for an efficient health care system. We need health professionals, including pharmacists, who appreciate the value of, and their role in, our patient-centered medical home model of health care delivery.

As drafted, this Bill may impede quality management of our provider network as more scrutiny may be necessary. This would result in additional administrative cost to the system.

We have consulted with the proponent of this measure, and we believe that this Bill will not address the problem the proponent seeks to remedy. We understand the legislation was intended to address a specific case involving a disagreement between a pharmacy benefits manager (PBM) and one of its contracted pharmacies over the reimbursement to the pharmacy for a specific drug. In addition, the PBM erroneously advised that the consumer could obtain the medication from another pharmacy, which happened to be located a considerable distance away from the consumer's residence.

The Legislature, last year, actually established guidelines for the reimbursement of drugs on maximum allowable cost basis (Act 175, SLH 2015). We have discussed this case with the PBM, and they are working to address this matter.

Thank you for the opportunity to testify on HB 1672. We hope you can appreciate the concerns we have raised and appreciate why we believe the legislation is unnecessary.

Sincerely,

Jennifer Diesman
Vice President, Government Relations



Hawaii Association of Health Plans

February 15, 2016

The Honorable Angus McKelvey, Chair
The Honorable Justin Woodson, Vice Chair
House Committee on Consumer Protection and Commerce

Re: HB 1672, HD1 – Relating to Prescription Drug Benefits

Dear Chair McKelvey, Vice Chair Woodson, and Members of the Committee:

The Hawai'i Association of Health Plans (HAHP) respectfully submits comments in opposition to HB 1672, HD1, which authorizes a beneficiary of a prescription drug benefit plan to obtain a prescription without penalty from a non-network retail community pharmacy located within ten miles of the beneficiary's residence, if the nearest network retail community pharmacy is located over ten miles away.

While we appreciate the intent of this measure, we are concerned that this bill would negatively impact the quality management aspect of a health plan's pharmacy network. A health plan's ability to manage its medical, pharmacy, and dental provider network is essential in maintaining an effective and cost-efficient healthcare system for our members.

If a claim from non-participating pharmacies are to be treated as if they are participating, it would eliminate any incentive for pharmacies to join a health plan network. This would result in additional cost to the overall health system.

Thank you for allowing HAHP to testify in opposition to HB 1672, HD1.

Sincerely,

Wendy Morriarty, RN, MPH
Chair, HAHP Public Policy Committee

Cc: HAHP Board Members

• AlohaCare • HMAA • HMSA • HWMG • Kaiser Permanente • MDX Hawaii
• 'Ohana Health Plan • UHA • UnitedHealthcare •

HAHP c/o Jennifer Diesman, HMSA, 818 Keeaumoku Street, Honolulu HI 96814

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