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Testimony of  
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Before:  
Senate Committee on Commerce, Consumer Protection and Health  
The Honorable Rosalyn H. Baker, Chair  
The Honorable Michelle N. Kidani, Vice Chair  
March 29, 2016  
9:00 am  
Conference Room 229

**Re: HB 1672 HD2 Relating to Prescription Drug Benefits**

Chair, Vice Chair, and committee members thank you for this opportunity to provide testimony on HB 1672 HD2 relating to non-network prescription drug coverage.

**Kaiser Permanente Hawaii strongly 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 credentialing standards, and patient safety goals. In contracting with retail pharmacies, formularies created by the provider's Pharmacy and Therapeutic ("P & T") Committee are also established to ensure quality and patient safety in drug prescribing. Allowing just *any* non-network pharmacy to prescribe medications, especially 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.

Additionally, Kaiser Permanente relies on its PBMs to manage costs for the benefit of its members. In managing costs, PBMs build networks of pharmacies to provide consumers

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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 receive higher non-contracted rates through this bill, and it would inevitably undermine the effectiveness of the network at gaining lower prices because these providers will have no incentive to join the network.

Finally, a retail pharmacy will not be able to adjudicate a prescription to administer a patient's benefit if the patient does not utilize a contracted pharmacy. Without a contract, the retail pharmacy will not know what to charge the patient, nor are there any agreements on reimbursement to determine what to reimburse the retail pharmacy. As such, patient's benefit from contracted pharmacies, since only 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.

**baker1 - Chris**

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**HB1672**

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Testimony for CPH on Mar 29, 2016 09:00AM in Conference Room 229

Submitted By	Organization	Testifier Position	Present at Hearing
Troy Abraham	Individual	Support	No

**Comments:**

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