



STATE OF HAWAII
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

P.O. BOX 2121
HONOLULU, HAWAII 96805-2121
Oahu (808) 586-7390
Toll Free 1(800) 295-0089
www.eutf.hawaii.gov

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TESTIMONY BY DEREK MIZUNO
ADMINISTRATOR, HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON JUDICIARY
ON
HOUSE BILL NO. 1672 HD1

February 23, 2016, 2:00 p.m.

RELATING TO PRESCRIPTION DRUG BENEFITS

Chair Rhoads, Vice Chair San Buenaventura, and Members of the Committee:

The Hawaii Employer-Union Health Benefits Trust Fund (EUTF) Board of Trustees has not had an opportunity to take a position on this bill. However, the Committee should be aware of the impact to the EUTF. The EUTF's pharmacy benefit manager, CVS Caremark has identified approximately 1,260 (or 1.3%) EUTF employees and non-Medicare retirees in the prescription drug plans that do not have a network pharmacy within 10 miles of their residence. (CVS Caremark was not able to update their report to show network pharmacies within 14 miles of the members' residences.) These areas are primarily on the Big Island, except for Maunaloa, Molokai. The highest impacted areas are Captain Cook (207 subscribers), Kapaau (216), Laupahoehoe (99), Naalehu (212), Paauilo (144) and Volcano (200).

The bill does not describe how the affected non-network pharmacies will be reimbursed by the plan or pharmacy benefit manager. Currently, the non-network

EUTF's Mission: We care for the health and well being of our beneficiaries by striving to provide quality benefit plans that are affordable, reliable, and meet their changing needs. We provide service that is excellent, courteous, compassionate, and informative.

pharmacy charges the member who pays the full amount. The member then submits a claim for the prescription to CVS Caremark who reimburses the member at the same rate as the network pharmacies less a higher copayment and coinsurance than a member would have paid at an in-network pharmacy. It is unclear how the non-network pharmacy will 1) know whether there's a network pharmacy within 14 miles of the member's residence and 2) be reimbursed by the pharmacy benefit manager, both the mechanism and the reimbursement rate since there is no agreement.

This bill may have a significant cost impact to the EUTF employees, retirees and the State and counties since the incentive for pharmacies to join the CVS network, that reduces costs to the EUTF, will be diminished as the copayment incentives that drive use of network pharmacies are eliminated. In addition, because the potential exists for additional costs related to retirees, if that were to occur an additional impact would be an increase to the State and counties unfunded OPEB liability.

Additionally, the EUTF Board of Trustees recently approved implementation of a sub-network within the CVS Caremark network ("Retail 90 network") for 90 day prescriptions for July 1, 2016 that is projected to save the EUTF plan \$5.8 million annually. The Retail 90 network will also be negatively impacted by this bill.

Thank you for the opportunity to testify.

DAVID Y. IGE
GOVERNOR



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LATE

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Oahu (808) 586-7390
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www.eutf.hawaii.gov

ADMINISTRATOR
DEREK M. MIZUNO

TESTIMONY BY DEREK MIZUNO
ADMINISTRATOR, HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON JUDICIARY
ON
HOUSE BILL NO. 1672 HD1

February 23, 2016, 2:00 p.m.

RELATING TO PRESCRIPTION DRUG BENEFITS

Chair Rhoads, Vice Chair San Buenaventura, and Members of the Committee:

The Hawaii Employer-Union Health Benefits Trust Fund (EUTF) Board of Trustees is submitting revised testimony to reflect our position opposing this bill. The EUTF's pharmacy benefit manager, CVS Caremark has identified approximately 1,260 (or 1.3%) EUTF employees and non-Medicare retirees in the prescription drug plans that do not have a network pharmacy within 10 miles of their residence. (CVS Caremark was not able to update their report to show network pharmacies within 14 miles of the members' residences.) These areas are primarily on the Big Island, except for Maunaloa, Molokai. The highest impacted areas are Captain Cook (207 subscribers), Kapaau (216), Laupahoehoe (99), Naalehu (212), Paauilo (144) and Volcano (200).

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Thank you for the opportunity to testify.



DAVID Y. IGE
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

CATHERINE P. AWAKUNI COLÓN
DIRECTOR
JO ANN M. UCHIDA TAKEUCHI
DEPUTY DIRECTOR

TO THE HOUSE COMMITTEE ON JUDICIARY

TWENTY-EIGHTH LEGISLATURE
Regular Session of 2016

Tuesday, February 23, 2016
2:00 p.m.

**TESTIMONY ON HOUSE BILL NO. 1672, H.D. 2 – RELATING TO PRESCRIPTION
DRUG BENEFITS.**

TO THE HONORABLE KARL RHOADS, 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 14 miles from a beneficiary’s residence when the nearest network retail community pharmacy is located over 14 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-

House Bill No. 1672, H.D. 2
DCCA Testimony of Gordon Ito
Page 2

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.



An Independent Licensee of the Blue Cross and Blue Shield Association

February 23, 2016

The Honorable Karl Rhoads, Chair
The Honorable Joy A. San Buenaventura, Vice Chair
House Committee on Judiciary

Re: HB 1672, HD2 - Relating to Prescription Drug Benefits

Dear Chair Rhoads, Vice Chair San Buenaventura, and Members of the Committee:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on HB 1672, HD2, which would authorize plan members to obtain a prescription from a non-network pharmacy when a network pharmacy is not located within 14 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.

Pharmacies willing to join us in this mission may already do so. In fact, pursuant to Act 226, SLH 2013, the Legislature actually requires health plans to contract with any community pharmacy willing to accept our contract. §431R-2, HRS, provides as follows:

[§431R-2] Retail community pharmacies; retail pharmacy network; contractual agreements. (a) An otherwise qualified retail community pharmacy registered to do business in this State that requests to enter into a contractual retail pharmacy network agreement accepting the standard terms, conditions, formularies, or requirements relating to dispensing fees, payments, reimbursement amounts, or other pharmacy services shall be considered part of a pharmacy benefit manager's retail pharmacy network for purposes of a beneficiary's right to choose where to purchase covered prescription drugs under section 431R-3.

(b) It shall be a violation of this section for a prescription drug benefit plan, health benefits plan under chapter 87A, or pharmacy benefit manager to refuse to accept an otherwise qualified retail community pharmacy as part of a pharmacy benefit manager's retail pharmacy network.

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 healthcare system.

Thank you for the opportunity to testify on HB 1672, HD2. We hope you can appreciate the concerns we have raised.

Sincerely,

Jennifer Diesman
Vice President, Government Relations



Testimony of
John M. Kirimitsu
Legal & Government Relations Consultant

Before:
House Committee on Judiciary
The Honorable Karl Rhoads, Chair
The Honorable Joy A. San Buenaventura, Vice Chair
February 23, 2016
2:00 pm
Conference Room 325

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

711 Kapiolani Blvd
Honolulu, Hawaii 96813
Telephone: 808-432-5224
Facsimile: 808-432-5906
Mobile: 808-282-6642
E-mail: John.M.Kirimitsu@kp.org

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 its demanded prices, and it would 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.



THE QUEEN'S HEALTH SYSTEMS

To: The Honorable Karl Rhoads, Chair, Committee on Judiciary
The Honorable Joy A. San Buenaventura, Vice Chair, Committee on Judiciary
Members, Committee on Judiciary

From:  Paula Yoshioka, Senior Vice President, The Queen's Health Systems

Date: February 22, 2016

Hrg: House Committee on Judiciary Hearing; Tuesday, February 23, 2016 at 2:00pm in Room 325

Re: **Support for HB 1672, HD2, Relating to Prescription Drug Benefits**

My name is Paula Yoshioka and I am a Senior Vice President at The Queen's Health Systems (Queen's). I would like to express my **support** for HB 1672, HD2, 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 fourteen miles of the beneficiary's residence, if the nearest network retail community pharmacy is located over fourteen 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.



949 Kamokila Boulevard, 3rd Floor, Suite 350, Kapolei, HI 96707
808.675.7300 | www.ohanahealthplan.com

February 23, 2016

To: The Honorable Karl Rhoads
Chair, House Committee on Judiciary

From: 'Ohana Health Plan
Danny Cup Choy, Government & Community Affairs Manager

Re: HB 1672, HD2, Relating to Prescription Drug Benefits; **Comments**
February 23, 2016; Conference Room 325

'Ohana Health Plan ('Ohana) is a member of the WellCare Health Plans, Inc.'s ("WellCare") family of companies and provides healthcare for Hawai'i residents statewide. Since 2009, 'Ohana has utilized WellCare's national experience to develop a Hawai'i -specific care model that addresses local members' healthcare and health coordination needs. By focusing on the state's Medicaid and Medicare population, 'Ohana serves Hawaii's most vulnerable residents: low-income, elderly, disabled, and individuals with complex medical issues. Our mission is to help our members' lead better, healthier lives.

'Ohana Health Plan offers **comments** on HB 1672, HD2, 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 fourteen miles of the beneficiary's residence, if the nearest network retail community pharmacy is located more than fourteen miles away.

While we appreciate the intent of this measure, we would like to provide the following concerns. A health plan's ability to manage its pharmacy network is important for the quality and cost to the entire health system. Allowing non-network pharmacies to be able to dispense medication could weaken our ability ensure our members receive safe and cost effective care.

In addition, allowing a non-participating pharmacy to submit a claim and be reimbursed at a non-negotiated rate would eliminate any incentive for pharmacies to join a health plan network. This would undermine our ability to build a quality, cost-effective pharmacy network to best serve our members.

Thank you for the opportunity to submit testimony on this measure.

February 19, 2016

To: Representative Karl Rhoads, Chair
Representative Joy A. San Buenaventura, Vice Chair
Committee on Judiciary

Fr: Cynthia Laubacher, Senior Director, State Affairs
Express Scripts Holding Company

Re: House Bill 1672 HD 2 – Pharmacy Networks
Hearing Date: Wednesday, February 23, 2016 2:00pm

Express Scripts appreciates the opportunity to submit testimony regarding House Bill 1672 HD 2, which seeks to allow patients to use non-network pharmacies if an in-network pharmacy is not within fourteen miles. Express Scripts manages the pharmacy benefit for 85 million Americans.

House Bill 65/Act 226 of 2013, allows all retail pharmacies in the state the opportunity to contract with us. This language was the result of extensive negotiations involving plans, pharmacy benefit managers and the local retail pharmacists.

HB 1672 seeks to undo those agreements and creates numerous problems as a result. First, pharmacy networks are designed to provide consumers convenient access to prescriptions at discounted rates. Pharmacies offer discounted reimbursements in exchange for being included in our networks. The more limited the network, the greater the discount in exchange for the expected increase in business. HB 1672 eliminates the incentive for pharmacies to offer discounts to be in networks because they will no longer have that expectation of increased business from patients using network pharmacies in exchange for lower copayments. As a result, plan costs will increase.

Second, PBMs monitor prescription safety across all of the network pharmacies, alerting pharmacists to potential drug interactions, even if a consumer uses multiple pharmacies. Pharmacies outside our network cannot bill us for their services, access patient information regarding their formulary or cost share, nor any patient history determine if there may be the potential for a drug interaction. PBMs are also able to monitor fraud, waste and abuse with pharmacies in their networks, such as whether a patient is attempting to fill multiple prescriptions for controlled substances at different pharmacies. We cannot do any of this if the pharmacy is not in our network.

In summary, HB 1672 will hurt pharmacies that choose to participate in networks, eliminate incentives for pharmacies to join networks, thereby increasing costs for plan sponsors in the state. For these reasons, we respectfully request that the committee defer action on this proposal. Thank you for the opportunity to submit testimony on this matter.



February 23, 2016

The Honorable Karl Rhoads, Chair
The Honorable Joy San Buenaventura, Vice Chair
House Committee on Judiciary

Re: HB 1672, HD2 – Relating to Prescription Drug Benefits

Dear Chair Rhoads, Vice Chair San Buenaventura, and Members of the Committee:

The Hawai'i Association of Health Plans (HAHP) respectfully submits comments in opposition to HB 1672, HD2, 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.

We appreciate the intent of this measure, however 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, HD2.

Sincerely,
Paula Arcena
HAHP Public Policy Committee

Cc: HAHP Board Members



Eric P. Douglas
Senior Director, Government Affairs

2211 Sanders Road
Northbrook, IL 60062

p 847.559.3422
c 847.651.9807
f 401.652.9342

Eric.Douglas@CVSHealth.com

The Honorable Karl Rhoads
Chair, House Committee on Judiciary

Tuesday, February 23, 2016
Conference Room 325; 2:00 PM

RE: HB 1672 HD2 – Relating to Prescription Drug Benefits

Aloha Chair Rhoads, Vice Chair San Buenaventura and members of the Committee:

CVS Health would like to offer the following comments. CVS Health's Pharmacy Benefit Management ("PBM") division, CVS/caremark, maintains a robust retail pharmacy network for our PBM clients encompassing in excess of 92 percent of all pharmacies in Hawaii. We are concerned that HB 1672 HD2, though well intended, will likely increase upfront costs to certain plan members and also serve as a deterrent toward utilization of cost saving measures adopted by plan sponsors (i.e. health plans, Taft-Hartley trusts, state employee/retiree plans, etc.).

Specifically, we would like to offer the following comments:

- Very few retail pharmacies in Hawaii are not in the CVS/caremark PBM network, if HB 1672 HD2 were to pass we are unsure how it would serve as a convenience to patients. If a pharmacy is not part of the CVS/caremark network and has no contract with us, they cannot bill an Rx claim and would be forced to bill the patient a cash price. This results in having the patient chase their own claim. More importantly, as a non-network pharmacy, they cannot access patient Rx history or plan formulary because they will not have access to our network—including billing.
- Depending on the total volume of prescriptions and the overall monetary impact of Rx's eligible under HB 1672 HD2, the potential exists for higher costs passed on to health plans, which can trigger a need to review the underwriting and rates, again directly and negatively impacting consumers and plan beneficiaries.
- Pursuant to HB65/Act 226 of 2013 every retail pharmacy in Hawaii is eligible to be in the CVS/caremark network. The retail pharmacies who are not within a network made a business decision not to join a retail pharmacy network—therefore, HB 1672 HD2 is adverse to the pharmacies that have made a decision to join a retail pharmacy network. It has the potential to negate all of the cost-savings measures and health benefits such as DUR, adherence/compliance and generic utilization targets such networks ensure along with it.

CVS Health proudly operates as the largest pharmacy chain in Hawaii, under our Longs Drugs banner and we also offer our patients and clients a wide range of comprehensive, integrated pharmacy and health operations statewide including: Pharmacy Benefit Management (PBM) services (CVS/caremark), Specialty Pharmacy (CVS/specialty), Mail-Order and Retail Pharmacy (CVS/pharmacy/Longs Drugs), Retail Health Clinics (CVS/minute clinic) and a distribution center.

We thank you for your consideration of our comments and ask that the Committee defer this measure.

Respectfully,

Eric P. Douglas

From: mailinglist@capitol.hawaii.gov
Sent: Saturday, February 20, 2016 8:39 PM
To: JUDtestimony
Cc: rkailianu57@gmail.com
Subject: *Submitted testimony for HB1672 on Feb 23, 2016 14:00PM*

HB1672

Submitted on: 2/20/2016

Testimony for JUD on Feb 23, 2016 14:00PM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Rachel L. Kailianu	Individual	Support	Yes

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.

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