

SB2376

Measure Title:	RELATING TO PRESCRIPTION DRUG BENEFITS.
Report Title:	Prescription Drugs Benefits; Non-network Pharmacies
Description:	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.
Companion:	HB1672
Package:	None
Current Referral:	CPH
Introducer(s):	INOUYE, SHIMABUKURO, Galuteria, Nishihara



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 SENATE COMMITTEE ON
COMMERCE, CONSUMER PROTECTION, AND HEALTH

TWENTY-EIGHTH LEGISLATURE
Regular Session of 2016

Wednesday, February 17, 2016
9:00 a.m.

TESTIMONY ON SENATE BILL NO. 2376 – RELATING TO PRESCRIPTION DRUG BENEFITS.

TO THE HONORABLE ROSALYN H. BAKER, 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 ten miles of a beneficiary’s residence when the nearest network retail community pharmacy is located over ten 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 non-participating pharmacy reimbursement rate is uncertain. It is unclear whether it is 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-

Senate Bill No. 2376
DCCA Testimony of Gordon Ito
Page 2

participating pharmacy rates. The reimbursement process for non-participating providers as set forth in a plan may also be impacted.

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

DAVID Y. IGE
GOVERNOR



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

BOARD OF TRUSTEES
CELESTE Y.K. NIP, *CHAIRPERSON*
JULIA ZEGHMI, *VICE-CHAIRPERSON*
AUDREY HIDANO, *SECRETARY-TREASURER*
RODERICK BECKER
LINDA CURRIVAN MUSTO
WESLEY MACHIDA
JAMES NISHIMOTO
VIRGINIA PRESSLER
CLIFFORD UWAINE

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 SENATE COMMITTEE ON COMMERCE, CONSUMER PROTECTION AND
HEALTH
ON
SENATE BILL NO. 2376

February 17, 2016, 9:00 a.m.

RELATING TO PRESCRIPTION DRUG BENEFITS

Chair Baker, Vice Chair Kidani, 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. 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 10 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.



An Independent Licensee of the Blue Cross and Blue Shield Association

February 17, 2016

The Honorable Rosalyn H. Baker, Chair
The Honorable Michelle N. Kidani, Vice Chair
Senate Committee on Commerce, Consumer Protection, and Health

Re: SB 2376 - Relating to Prescription Drug Benefits

Dear Chair Baker, Vice Chair Kidani, and Members of the Committee:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on SB 2376, 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 SB 2376. 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



February 15, 2016

The Honorable Rosalyn Baker, Chair
The Honorable Michelle Kidani, Vice Chair
Senate Committee on Commerce, Consumer Protection, and Health

Re: SB 2376 – Relating to Prescription Drug Benefits

Dear Chair Baker, Vice Chair Kidani, and Members of the Committee:

The Hawai'i Association of Health Plans (HAHP) respectfully submits comments in opposition to SB 2376, 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 SB 2376.

Sincerely,


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

Cc: HAHP Board Members



THE QUEEN'S HEALTH SYSTEMS

To: The Honorable Rosalyn H. Baker, Chair, Committee on Commerce, Consumer Protection, & Health
The Honorable Michelle N. Kidani, Vice Chair, Committee on Commerce, Consumer Protection, & Health
Members, Committee on Commerce, Consumer Protection, & Health

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

Date: February 12, 2016

Hrg: Senate Committee on Commerce, Consumer Protection, & Health Hearing; Wednesday, February 17, 2016 at 9:00 am in Room 229

Re: **Support for SB 2376, 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 SB 2376, 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.