HB 1181

RELATING TO WORKERS' COMPENSATION PRESCRIPTION DRUG REIMBURSEMENT

LAB, CPC, FIN

HB1181 (?)

Submit Testimony

Measure Title:	RELATING TO WORKERS' COMPENSATION PRESCRIPTION DRUG REIMBURSEMENT.
Report Title:	Workers' Compensation; Prescription Drugs; Reimbursement; Limitation
Description:	Amends the reimbursement rate for prescription drugs in the workers' compensation system to be ten per cent below average wholesale price. Restricts the provision of physician-dispensed prescription drugs to the first ninety days following injury.
Companion:	
Package:	None
Current Referral:	LAB, CPC, FIN
Introducer(s):	JOHANSON, HOLT, QUINLAN, SAIKI

Sort by Date		Status Text
1/24/2017	H	Pending introduction.
1/25/2017	H	Pass First Reading
1/30/2017	H	Referred to LAB, CPC, FIN, referral sheet 6
2/3/2017	H	Bill scheduled to be heard by LAB on Tuesday, 02-07-17 9:00AM in House conference room 309.

S = Senate | **H** = House | **D** = Data Systems | **$** = Appropriation measure | **ConAm** = Constitutional Amendment
Some of the above items require Adobe Acrobat Reader. Please visit Adobe's download page for detailed instructions.

HOUSE OF REPRESENTATIVES
TWENTY-NINTH LEGISLATURE, 2017
STATE OF HAWAII

H.B. NO. 1181

A BILL FOR AN ACT

RELATING TO WORKERS' COMPENSATION PRESCRIPTION DRUG REIMBURSEMENT.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. This Act further amends Act 231, Session Laws
2 of Hawaii 2014, which enacted a new statutory section with the
3 purpose of curtailing alarming cost increases of prescription
4 drugs and compounds in the workers' compensation system. Since
5 Act 231 was enacted, further analysis of other states shows that
6 of the thirty-seven states that reimburse prescription drugs on
7 the basis of a percentage of average wholesale price, the
8 reimbursement rates range widely. Notably, Hawaii has the
9 highest reimbursement rate for brand name and generic drugs at
10 forty per cent over average wholesale price.

11 The national average reimbursement rate is three per cent
12 below average wholesale price plus a $4.32 dispensing fee for
13 brand name drugs and four per cent below average wholesale price
14 plus a $4.94 dispensing fee for generic drugs. More
15 specifically, California reimburses at a rate of seventeen per
16 cent below average wholesale price with a $7.25 dispensing fee

1 for both brand name and generic drugs. Oregon reimburses at
2 16.5 per cent below average wholesale price with a $2 dispensing
3 fee for both brand name and generic drugs. Both these states
4 are considered progressive workers' compensation states and have
5 worked on their systems extensively. Louisiana has the next
6 highest rate at ten per cent over average wholesale price with a
7 $10.51 dispensing fee for brand name drugs.

8 The purpose of this Act is to bring Hawaii closer to the
9 rest of the nation in terms of its dispensing policies and
10 reimbursement rates for prescription drugs and compounds in the
11 workers' compensation system.

12 SECTION 2. Section 386-21.7, Hawaii Revised Statutes, is
13 amended by amending subsections (a) through (d) to read as
14 follows:

15 "(a) Notwithstanding any other provision to the contrary,
16 immediately after a work injury is sustained by an employee and
17 so long as reasonably needed, the employer shall furnish to the
18 employee all prescription drugs as the nature of the injury
19 requires[.]; except that physician-dispensed prescription drugs
20 shall only be provided during the first ninety days from the

1 date of injury. The liability for the prescription drugs shall
2 be subject to the deductible under section 386-100.
3 (b) Payment for all forms of prescription drugs including
4 repackaged and relabeled drugs shall be [~~one hundred forty~~]
5 minus ten per cent of the average wholesale price set by the
6 original manufacturer of the dispensed prescription drug as
7 identified by its National Drug Code and as published in the Red
8 Book: Pharmacy's Fundamental Reference as of the date of
9 dispensing, except where the employer or carrier, or any entity
10 acting on behalf of the employer or carrier, directly contracts
11 with the provider or the provider's assignee for a lower amount.
12 (c) Payment for compounded prescription drugs shall be the
13 sum of [~~one hundred forty~~] minus ten per cent of the average
14 wholesale price by gram weight of each underlying prescription
15 drug contained in the compounded prescription drug. For
16 compounded prescription drugs, the average wholesale price shall
17 be that set by the original manufacturer of the underlying
18 prescription drug as identified by its National Drug Code and as
19 published in the Red Book: Pharmacy's Fundamental Reference as
20 of the date of compounding, except where the employer or

1 carrier, or any entity acting on behalf of the employer or
2 carrier, directly contracts with the provider or provider's
3 assignee for a lower amount.
4 (d) All pharmaceutical claims submitted for repackaged,
5 relabeled, or compounded prescription drugs shall include the
6 National Drug Code of the original manufacturer. If the
7 original manufacturer of the underlying drug product used in
8 repackaged, relabeled, or compounded prescription drugs is not
9 provided or is unknown, then reimbursement shall be [~~one hundred~~
10 ~~forty~~] minus ten per cent of the average wholesale price for the
11 original manufacturer's National Drug Code number as listed in
12 the Red Book: Pharmacy's Fundamental Reference of the
13 prescription drug that is most closely related to the underlying
14 drug product."
15 SECTION 3. Statutory material to be repealed is bracketed
16 and stricken. New statutory material is underscored.
17 SECTION 4. This Act shall take effect upon its approval.
18

INTRODUCED BY: ______________________

JAN 24 2017

HB HMS 2017-1298

H.B. NO. 1181

Report Title:
Workers' Compensation; Prescription Drugs; Reimbursement; Limitation

Description:
Amends the reimbursement rate for prescription drugs in the workers' compensation system to be ten per cent below average wholesale price. Restricts the provision of physician-dispensed prescription drugs to the first ninety days following injury.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

DAVID Y. IGE
GOVERNOR

SHAN S. TSUTSUI
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LINDA CHU TAKAYAMA
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February 7, 2017

To: The Honorable Aaron Ling Johanson, Chair,
The Honorable Daniel Holt, Vice Chair, and
Members of the House Committee on Labor & Public Employment

Date: Tuesday, February 7, 2017
Time: 9:00 a.m.
Place: Conference Room 309, State Capitol

From: Linda Chu Takayama, Director
Department of Labor and Industrial Relations (DLIR)

Re: H.B. No. 1181 Relating to Workers' Compensation Prescription Drugs

I. OVERVIEW OF PROPOSED LEGISLATION

HB 1181 proposes to amend Section 386-21.7, Hawaii Revised Statutes (HRS), to establish a reimbursement rate for prescription drugs and limits physician-dispensed prescription drugs to the first ninety days following injury:

- Any prescription drug shall be reimbursed at the rate of ten per cent below the average wholesale price.
- Physician-dispensed prescription drugs for an injured worker, shall be limited to the first ninety days following injury.

The department supports the intent of the measure and offers comments below.

II. CURRENT LAW

Currently, Section 386-21.7, HRS, allows prescription and compound drugs to be reimbursed at one hundred forty per cent of the average wholesale price. The law does not preclude the physician from dispensing any drug beyond ninety-days.

III. COMMENTS ON THE HOUSE BILL

1. According to the Pharmacy Resource Guide, August 2016 report, Hawaii has the highest pharmacy reimbursement rates in the country for both brand and generic rate (See attached chart).

2. The Department is concerned with the steady increase in prescriptions and medications in the treatment of injured workers. This increase in use has led to a steady rise in costs, and in some cases, an exorbitant high cost for compound drugs. The Department believes this proposal helps to identify the problem and help control costs from spiraling out of control.

3. In 2016, DLIR assembled the Workers' Compensation Working Group, (H.C.R. 168, HD2, SD1) to assess workers' compensation issues. The Group reviewed the various states and federal prescription drug reimbursement rates. With the assistance of the Group, DLIR is currently analyzing reduced rate changes. Under consideration are proposals to reduce the fee percentages or use formularies from commercial plans.

Equal Opportunity Employer/Program
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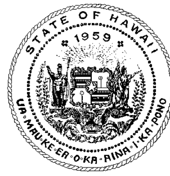
2016 Pharmacy State Fee Schedule Detail – Pharmacy Resource Guide August 2016

State	Brand Rate	Generic Rate	State	Brand Rate	Generic Rate
AZ	AWP - 5% + $7.00	AWP - 15% + $7.00	AK	AWP + $5.00	AWP + $10.00
CA	AWP - 17% + $7.25	AWP - 17% + $7.25	AL	AWP + 5% + $8.92	AWP + 5% +$11.58
DE	AWP - 18.2% + $3.72	AWP - 25.6% + $4.65	AR	AWP + $5.13	AWP + $5.13
KS	AWP - 10% + $3.00	AWP - 15% + $5.00	CO	AWP + $4.00	AWP + $4.00
MA	AWP - 16% +$3.00	AWP - 16% + $3.00	CT	AWP + $5.00	AWP + $8.00
MI	AWP - 10% + $3.50	AWP - 10% + $5.50	FL	AWP + $4.18	AWP + $4.18
MN	AWP - 12% + $3.65	AWP - 12% + $3.65	GA	AWP + $4.31	AWP + $6.45
MT	AWP - 10% + $3.00	AWP - 25% + $3.00	**HI**	**AWP + 40%**	**AWP + 40%**
NC	AWP - 5%	AWP - 5%	ID	AWP + $5.00	AWP + $8.00
NM	AWP - 10% + $5.00	AWP - 10% + $5.00	KY	AWP + $5.00	AWP + $5.00
NY	AWP - 12% + $4.00	AWP - 20% + $5.00	LA	AWP + 10% + $10.51	AWP + 40% + $10.51
OH	AWP - 9% $3.50	AWP - 9% + $3.50	MS	AWP + $5.00	AWP + $5.00
OK	AWP - 10% + $5.00	AWP - 10% + $5.00	ND	$4.00 dispensing fee	$4.00 dispensing fee
OR	AWP - 16.5% + $2.00	AWP - 16.5% + $2.00	NV	AWP + $10.54	AWP + $10.54
RI	AWP - 10%	AWP - 10%	PA	AWP + 10%	AWP + 10%
WA	AWP - 10% + $4.50	AWP - 50% + $4.50	SC	AWP + $5.00	AWP + $5.00
WY	AWP - 10% + $5.00	AWP - 10% + $5.00	TN	AWP + $5.10	AWP + $5.10
Federal	AWP - 15% + $4.00	AWP - 40% + $4.00	TX	AWP + 9% + $4.00	AWP + 25% + $4.00
Federal	AWP - 10% + $4.00	AWP - 25% + $4.00	VT	AWP + $3.15	AWP + $3.15
			WI	AWP + $3.00	AWP + $3.00

DAVID Y. IGE
GOVERNOR



JAMES K. NISHIMOTO
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235 S. BERETANIA STREET
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February 6, 2017

TESTIMONY TO THE
HOUSE COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT

For Hearing on Tuesday, February 7, 2017
9:00 a.m., Conference Room 309

BY

JAMES K. NISHIMOTO
DIRECTOR

House Bill No. 1181
Relating to Workers' Compensation Prescription Drug Reimbursement

WRITTEN TESTIMONY ONLY

TO CHAIRPERSON JOHANSON AND MEMBERS OF THE COMMITTEE:

Thank you for the opportunity to testify in **strong support** of H.B. 1181.

The purposes of H.B. 1181, are to amend the reimbursement rate for prescription drugs in the workers' compensation system to be ten per cent below average wholesale price; and restrict the provision of physician-dispensed prescription drugs to the first ninety days following injury.

The Department of Human Resources Development ("DHRD") has a fiduciary duty to administer the State's self-insured workers' compensation program and its expenditure of public funds.

DHRD supports this proposal as it will help to bring Hawaii more in line with the rest of the nation on its reimbursement rate and reduce medical costs for workers' compensation claims. According to the Department of Labor and Industrial Relations Workers' Compensation Data Books for 2011 and 2015, total medical costs for all Hawaii employers increased 21% from $103.5M in 2011 to $125.6M in 2015. Total workers' compensation costs over that same period also increased 21%, from $246.7M

to $298.2M, showing how much medical costs drive the overall costs for workers' compensation claims. Without measures such as this bill, we expect medical costs to continue to increase in light of the 2015 Hawaii Supreme Court decision, Pulawa v. Oahu Construction Co., Ltd., and Seabright Insurance Company, SCWC-11-0001019 (Hawai'i November 4, 2015) which liberalized the standard for medical treatment from "reasonable and necessary" to "reasonably needed" and allows claimants to "receive[ ] the opportunity for the greatest possible medical rehabilitation."

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Hawaii State Legislature
House Committee on Labor and Public Employment
Hawaii State Capitol
415 South Beretania Street
Honolulu, HI 96813

February 5, 2017

Filed via electronic testimony submission system

RE: HB 1181, WC Prescription Drug Reimbursement Rate - NAMIC's Written Testimony in SUPPORT

Dear Representative Aaron Ling Johanson, Chair; Representative Daniel Holt, Vice-Chair; and honorable committee members:

Thank you for providing the National Association of Mutual Insurance Companies (NAMIC) an opportunity to submit written testimony to your committee for the February 7, 2017, public hearing. Unfortunately, I will not be able to attend the public hearing, because of a previously scheduled professional obligation. NAMIC's written comments need not be read into the record, so long as they are referenced as a formal submission and are provided to the committee for consideration.

The National Association of Mutual Insurance Companies (NAMIC) is the largest property/casualty insurance trade association in the country, with more than 1,400 member companies. NAMIC supports regional and local mutual insurance companies on main streets across America and many of the country's largest national insurers. NAMIC members represent 40 percent of the total property/casualty insurance market, serve more than 170 million policyholders, and write nearly $225 billion in annual premiums. NAMIC has 84 members who write property/casualty/workers' compensation in the State of Hawaii, which represents 28% of the insurance marketplace.

As aptly stated in Section 1, Legislative Intent, of the proposed legislation, HB 1181 is being introduced to address a current and continuing overpricing problem in the state in regard to prescription drug pricing for compound drugs, repackaged and relabeled drugs. NAMIC fully supports this pro-injured worker, pro-business, pro-sound public policy legislative project. The ever-increasing cost of prescription drug pricing is a concern for consumers throughout the nation, and the cost-driver implications of prescription drug pricing on workers' compensation insurance is significant.

NAMIC commends the Hawaii State Legislature for its prior legislative work to start reigning-in the cost, misuse and abuse of compounding, repricing and relabeling of prescription drugs as a way to mask unreasonable profits to the detriment of injured workers and their employers. NAMIC also supports the provision in the bill that limits the length of time (90 days) for physician-dispensing of prescription drugs. NAMIC believes that this temporal limitation is measured and balanced in a way that afford the injured worker with prescription drug access convenience, without creating a dynamic where over-pricing and over-prescribing could take place. Consequently, NAMIC fully supports this continuation of fiscally responsible legislation to prevent price-gouging and misuse of prescription medicine.

Thank you for your time and consideration. Please feel free to contact me at 303.907.0587 or at crataj@namic.org, if you would like to discuss NAMIC's written testimony.
Respectfully,

Christian John Rataj, Esq.
NAMIC Senior Director – State Affairs, Western Region

Hawaiʻi
Construction
Alliance

P.O. Box 179441
Honolulu, HI 96817
(808) 348-8885

February 6, 2017

The Honorable Aaron Ling Johanson, Chair
The Honorable Daniel Holt, Vice Chair
and members
House Committee on Labor & Public Employment
415 South Beretania Street
Honolulu, Hawaiʻi 96813

RE: Strong Support for HB1208, Relating to the Department of Labor and Industrial Relations

Dear Chair Johanson, Vice Chair Holt, and members:

The Hawaiʻi Construction Alliance is comprised of the Hawaiʻi Regional Council of Carpenters; the Laborers' International Union of North America, Local 368; the Operative Plasterers' and Cement Masons' Union, Local 630; International Union of Bricklayers & Allied Craftworkers, Local 1; and the Operating Engineers, Local Union No. 3. Together, the member unions of the Hawaiʻi Construction Alliance represent 15,000 working men and women in the basic crafts of Hawaiʻi's construction industry.

We strongly support HB1208, which would appropriate funds for two full-time equivalent (2.00 FTE) enforcement specialist IV positions to be primarily responsible for the enforcement of Hawaii's workers' compensation, temporary disability insurance, and prepaid health care laws.

The Hawaiʻi Construction Alliance has been extremely concerned by the increasing problem of unscrupulous employers not following laws designed to protect the health and safety of Hawaiʻi workers.

As you know, it is far too common for employers in Hawaiʻi — particularly in the construction industry — to not provide employees with temporary disability insurance, workers' compensation coverage, or prepaid healthcare. Often, this is due to employers fraudulently misclassifying workers as "independent contractors" or willfully neglecting to provide such coverage in an attempt to cut costs and retain profits. This sort of behavior is unacceptable and actively harms Hawaiʻi workers and families.

Additional enforcement specialist positions would help DLIR to more efficiently process claims; to ensure timely provision of medical services and payment of benefits to injured workers; employer compliance with workers' compensation, temporary disability insurance, and prepaid health care insurance coverage requirements; and to monitor health plans to ensure employees are provided with the benefits that are required under the prepaid health care law.

Therefore, we strongly ask for your committee's favorable action on HB1208.

Mahalo,

Tyler Dos Santos-Tam
Executive Director
Hawai'i Construction Alliance
execdir@hawaiiconstructionalliance.org

HAWAII INSURERS COUNCIL
A trade association of property and casualty insurance companies

Pauahi Tower, Suite 2010
1003 Bishop Street
Honolulu, Hawaii 96813
Telephone (808) 525-5877

Alison H. Ueoka
President

TESTIMONY OF ALISON UEOKA

COMMITTEE ON LABOR & PUBLIC EMPLOYMENT
Representative Aaron Ling Johanson, Chair
Representative Daniel Holt, Vice Chair

Tuesday, February 7, 2017
9:00 a.m.

HB 1181

Chair Johanson, Vice Chair Holt, and members of the Committee on Labor & Public Employment, my name is Alison Ueoka, President of the Hawaii Insurers Council. The Hawaii Insurers Council is a non-profit trade association of property and casualty insurance companies licensed to do business in Hawaii. Member companies underwrite approximately forty percent of all property and casualty insurance premiums in the state.

Hawaii Insurers Council strongly **supports** this bill. During the interim prior to the 2017 Legislature, Hawaii Insurers Council participated in the Working Group examining many aspects of the workers' compensation insurance system. HIC shared with the Working Group that with respect to prescription drug reimbursement, Hawaii's reimbursement rate is by far an outlier and the highest in the nation at the Average Wholesale Price (AWP) plus 40%.

According to NCCI, prescription drug prices increased 11% in 2014, which is much greater than the ten-year average of 4%. Prescription drugs account for 17% of total medical costs. Furthermore, physician-dispensed drug costs in Hawaii are greater than 16.2% of the total prescription drug costs. NCCI lists only 7 states as high-cost physician-dispensed drug states of which Hawaii is included: Connecticut, Delaware, Florida, Georgia, Illinois, Maryland, and Hawaii. (see map attached)

In addition, thirty-seven states use a percentage of Average Wholesale Price (AWP) to reimburse prescription drugs. Hawaii is the highest at AWP plus 40%. Seventeen states reimburse at a negative percentage including 8 who reimburse at minus 10% of AWP. (see attached chart)

Finally, despite the 2014 law changes, we continue to see a much higher cost for physician dispensed drugs than pharmacy dispensed drugs.

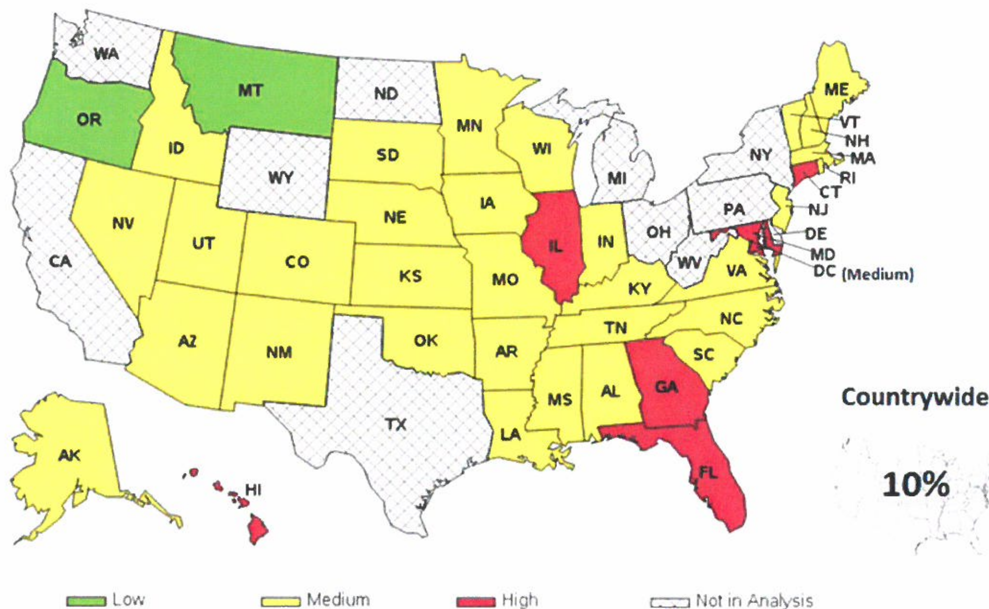
This bill seeks to reduce the cost of prescription drugs and compounds by reducing the reimbursement rate from AWP + 40% to minus 10% of AWP. In addition, it allows a physician to dispense drugs for 90 days from the date of injury which we believe is an appropriate amount of time for the patient to have stabilized and for the physician to have diagnosed the injury or injuries. With these changes, we hope to reduce the costs of prescription drugs and compounds.

Thank you for the opportunity to testify.

Physician Dispensing

Usually when doctors prescribe a drug for a patient, the patient obtains the drug from a pharmacy. However, sometimes the doctors fill the prescription in their own office. We refer to this as physician dispensing. The cost per unit of physician-dispensed drugs is often higher than the cost per unit of the same drug dispensed by a pharmacy [2]. Exhibit 8a shows the 2014 physician-dispensed share of prescription drug costs for the states included in this study. The countrywide 2014 physician-dispensed share of prescription drug costs was 10%. In states where physician dispensing is highly regulated, the physician-dispensed share of prescription drug costs was less than 2%. In contrast, in some states where physician dispensing is not highly regulated, the physician-dispensed share of prescription drug costs exceeded 20%.

2014 Physician-Dispensed Share of Rx Costs



NCCI analysis based on Medical Data Call, for physician-dispensed prescriptions with a National Drug Code provided in Service Year 2014. High > 16.2% and Low < 1.7%. Ranges are based on the arithmetic mean ± one standard deviation. Data used with permission.

Exhibit 8a

Exhibit 8b shows the year-to-year changes in price, utilization, and prescription drug costs per active claim for physician-dispensed prescription drugs. While Exhibit 2b shows that in 2014 utilization decreased by 4% for prescription drugs overall, Exhibit 8b shows that in 2014 utilization increased by 4% for physician-dispensed prescription drugs. The 2014 increase in utilization combined with the 4% increase in prices resulted in an 8% increase in the physician-dispensed prescription drug costs per active claim.

The change in utilization is a major contributor to the change in physician-dispensed prescription drug costs per active claim. Exhibit 8c shows the physician-dispensed utilization components. This exhibit shows that changes in the mix of prescription drugs are a major contributor to changes in utilization for physician dispensing. In 2014, despite the decreases in both (1) the share of active claims receiving a physician-dispensed prescription drug and (2) the number of physician-dispensed prescription drugs per active claim, the changes in the mix of physician-dispensed prescription drugs were responsible for the overall increase in utilization.

SOURCE: Optum "Pharmacy Resource Guide" August 2016
12/9/2016
37 states have AWP for drug reimb.
14 states do not
Yellow - Large state
Orange - Highest reimbursement
Green - Lowest reimbursment on Brand, then Gen, then fees

STATE	BRAND+%	GENERIC+%	BR Fee	GEN fee
DE	-18%	-26%	3.72	4.65
CA	-17%	-17%	7.25	7.25
OR	-16.50%	-16.50%	2	2
MA	-16%	-16%	3	3
NY	-12%	-20%	4	5
MN	-12%	-12%	3.65	3.65
WA	-10%	-50%	4.5	4.5
MT	-10%	-25%	3	3
KS	-10%	-15%	3	5
MI	-10%	-10%	3.5	5.5
NM	-10%	-10%	5	5
OK	-10%	-10%	5	5
WY	-10%	-10%	5	5
RI	-10%	-10%		
OH	-9%	-9%	3.5	3.50
AZ	-5%	-15%	7	7
NC	-5%	-5%		
WI	0%	0%	3	3
VT	0%	0%	3.15	3.15
CO	0%	0%	4	4
ND	0%	0%	4	5
FL	0%	0%	4.18	4.18
GA	0%	0%	4.31	6.45
KY	0%	0%	5	5
MS	0%	0%	5	5
SC	0%	0%	5	5
CT	0%	0%	5	8
ID	0%	0%	5	8
AK	0	0	5	10
TN	0%	0%	5.1	5.1
AR	0	0	5.13	5.13
NV	0%	0%	10.54	10.54
AL	5%	5%	8.92	11.58
TX	9%	25%	4	4
PA	10%	10%		
LA	10%	40%	10.51	10.51
HI	40%	40%		

TTLS:	-117%	-156%	159.96	182.69
Ave:	-3%	-4%	4.32	4.94

SUMMARY:

1. Hawaii has the highest reimbursement rate in the country at AWP + 40%
for both BR and GR.
2. Next highest for BR is LA at AWP +10% + $10.51 DF.
3. Ave National BR AWP -3%, $4.32 DF. GEN AWP -4%, $4.94 DF
4. Ave Largest 4 states BR AWP -5%, $4.86 DF. GEN AWP -3%, $5.11 DF
5. Only 5 states have AWP greater than 0
6. 17 states reimburse BR AWP negative from -5 to -18%
GEN -5 to -50%, DF both, $2-$7.25
7. 15 states reimburse BR and GEN AWP + zero, DF on both $3-$10.54.
8. 8 states reimburse BR at AWP -10%.

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www.hawaiimedicalassociation.org

FROM:
HAWAII MEDICAL ASSOCIATION
Dr. Chris Flanders, Executive Director
Lauren Zirbel, Community and Government Relations

TO: COMMITTEE ON LABOR & PUBLIC EMPLOYMENT
Rep. Aaron Ling Johanson, Chair
Rep. Daniel Holt, Vice Chair

DATE: Tues., February 7, 2017
TIME: 9:00am
PLACE: Conference Room 309
State Capitol

Position: Oppose

On behalf of the physician and medical student members of the Hawaii Medical Association, we are writing regarding our ongoing commitment to improving Hawaii's health care system.

The HMA opposes this legislation, which seeks to cap physician reimbursement at ten percent below wholesale price.

Decreasing physician reimbursement decreases access to care and contributes to our worsening physician shortage.

Please to do not aggravate our shortage of healthcare providers by passing this type of legislation.

Mahalo for the opportunity to testify.

HMA OFFICERS
President – Bernard Robinson, MD President-Elect – William Wong, Jr., MD Secretary – Thomas Kosasa, MD
Immediate Past President – Scott McCaffrey, MD Treasurer – Michael Champion, MD
Executive Director – Christopher Flanders, DO

From:	mailinglist@capitol.hawaii.gov
Sent:	Saturday, February 4, 2017 10:06 PM
To:	LABtestimony
Cc:	mankwanw@msn.com
Subject:	Submitted testimony for HB1181 on Feb 7, 2017 09:00AM

HB1181
Submitted on: 2/4/2017
Testimony for LAB on Feb 7, 2017 09:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Mankwan Wong	MANKWAN WONG MD LLC	Oppose	No

Comments: As one of the very few physicians on Oahu who accept workers' compensation patients, further reduction of payment for and time restriction on dispensing will no doubt further increase the shortage of physicians accepting these patients. There is a general shortage of physicians in the state of Hawaii which is a well known fact. This measure may result in further reduction of number of physicians willing to accept workers' compensation to a critical level. In addition, drug dispensing from physicians office increases compliance and saves patients' time, therefore provides better patient care. It can be extremely difficult for patients to obtain medications from retail pharmacies due to complicated dealings with the insurance carriers and approvals, resulting in more pain and suffering for the patients.

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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February 3, 2017

Re: **OPPOSE** HB1181

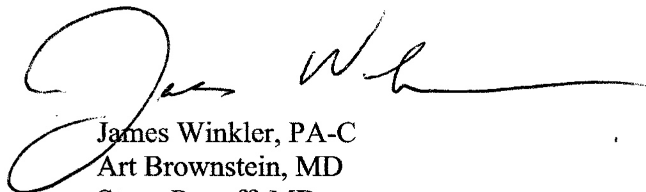
Hale Lea Medicine has been serving Kauai's residents for over 25 years, and is one of the few remaining clinics still accepting Workers Compensation insurance ("WC") on the island of Kauai.

Local community pharmacies as well as medical clinics such as ours are, one by one, going out of business or refusing to see WC patients. Low reimbursement for time consuming work is the reason.

To further lower reimbursements, in this case through lowering medication reimbursement to 10% below AWP and by preventing physician offices from dispensing after 90 days—a strategy that allows some clinics to justify the otherwise low reimbursements—will only exacerbate the problem of finding clinics willing to take WC patients in the state of Hawaii.

Anything that further lowers WC reimbursements or prevents clinics from supplementing these low reimbursements by dispensing medications, will only exacerbate the problem and deepen this growing public safety issue.

Respectfully,



James Winkler, PA-C
Art Brownstein, MD
Steve Rogoff, MD
KAUAI COMMUNITY HEALTH ALLIANCE
HALE LEA MEDICINE

From:	mailinglist@capitol.hawaii.gov
Sent:	Monday, February 6, 2017 12:01 PM
To:	LABtestimony
Cc:	S.SANCHEZ@WORKSTAR.COM
Subject:	*Submitted testimony for HB1181 on Feb 7, 2017 09:00AM*

HB1181
Submitted on: 2/6/2017
Testimony for LAB on Feb 7, 2017 09:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
SHEENAH	Individual	Oppose	No

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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Problems with HB1181 and HB706:
HB 1181 & HB 706 arbitrarily and unfairly restrict physicians' ability to treat injured workers while imposing no restraints on the pharmacies. Eliminating and/or imposing limitations on physicians who dispense does not save costs; it merely shifts reimbursement to the insurance-owned pharmacies & other entities that benefit from physicians no longer being able to dispense.

The limitation is nothing more than unnecessary interference in the doctor-patient relationship, creates additional obstacles for injured workers seeking access to quality care and is medically inappropriate. It's been proven that physicians dispensing provides patients with the following;

- Convenience
- Patients walk out of your office with medications in hand
- No trips to the pharmacy
- Saves patients time
- Saves patients money
- Eliminates pharmacy benefit questions and possible out–of–pocket expenses
- Therapeutic Advantages
- Assurance that patients receive medications
- Patients can begin medication therapy immediately
- Improves therapeutic compliance
- Recent studies indicate that approximately one-third of prescriptions go unfilled. In-house dispensing eliminates this concern.
- Improves Patient Satisfaction
- Patients appreciate receiving medications rather than prescriptions.
- Patients appreciate a full-service medical practice
-

According to Act 231 (effective July 8, 2014), it made reimbursement for medications the same as if they were dispensed from a pharmacy. Thus

the cost of medication is the same – regardless of whether it comes from a pharmacy or physician – it shouldn't matter where the patient gets his/her medication. Since the passage of Act 231, the percentage of medical payments currently attributable to medications is less than 14% of all medical payments.

Physician Dispensing Leads to Increased Compliance, Better Outcomes and a Better Patient-Physician Relationship:
When doctors dispense, patients can begin their medication treatment immediately. This greatly increases compliance with the prescribed treatment regimen because there is a 100% fill rate (compared to fill rates of only 70% to 80% at pharmacies, primarily due to insurance-related hurdles). Increased compliance with the treatment plan translates into faster recovery; less medication dispensed, early return to work and lower overall claim costs.

Unlike with a pharmacy, when physicians dispense medication in-office, they maintain much more effective control over patient care and can more closely monitor patient recovery so that when the patient no longer needs the medication, the dispensing stops.
Physicians are able to screen with urinalyses (UDS), and do pill count if they suspect patients aren't taking their prescriptions or if they are taking more than prescribed.

In fact, insurance industry data shows that physicians dispense fewer pills per claim than the pharmacy and dispense more cost effective generic medications than the pharmacy.

Doctors are the most capable and trained to determine the proper course of treatment for an injured worker. Limitations on physician dispensing are medically inappropriate. Doctors have greater monitoring over determining what medications are actually medically necessary and thus the ability to avoid unnecessary refills (vs. sending patients to the pharmacy which fill/auto-refill prescriptions for various dosage amounts (i.e. 60, 90 day supply) regardless of medical need). This is especially important when opioids are involved.

Difficulties that patient face when filling up prescriptions at the pharmacy;
Workers' Comp is Not Like Regular Healthcare – Filling Prescriptions at a Pharmacy is Often Far More Difficult. Many injured workers are blue collar, and have difficulty with transportation to pharmacies.

One of the most critical aspects of dispensing at the pharmacy,
Many pharmacies will deny filling prescriptions altogether if the claim is denied pending investigation, forcing the injured worker to either pay out-of-pocket for the medication or simply go without the medication entirely.

The end result is many injured workers failing to receive the prescription medications they need when they need them, which can result in aggravated injuries, more medication dispensed and longer delays before the employee returns to work.
When medication is dispensed in the physician's office, however, the injured worker begins treatment immediately.

This limitation will be devastating for our rural communities that live far from pharmacies. Hawaii has a completely different type of demographic conditions than any other state, not to mention the limited amount of doctors that see Worker's Comp insurances. For instance, many patients from Maui and Kauai have to travel to Oahu in order to see a Worker's Comp doctor, with this scenarios, dispensing at doctors office is far more safe since doctor most keep a close monitoring of outer island patients and sometimes the fact that they have to pick up the medicine at the doctors office, allows doctors to have close monitoring of each case.

From:	mailinglist@capitol.hawaii.gov
Sent:	Monday, February 6, 2017 12:02 PM
To:	LABtestimony
Cc:	charissaf@workstar.com
Subject:	*Submitted testimony for HB1181 on Feb 7, 2017 09:00AM*

HB1181
Submitted on: 2/6/2017
Testimony for LAB on Feb 7, 2017 09:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Charissa Freitas	Individual	Oppose	No

Comments:

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From:	mailinglist@capitol.hawaii.gov
Sent:	Monday, February 6, 2017 12:10 PM
To:	LABtestimony
Cc:	cynthiad@workstar.com
Subject:	*Submitted testimony for HB1181 on Feb 7, 2017 09:00AM*

HB1181
Submitted on: 2/6/2017
Testimony for LAB on Feb 7, 2017 09:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
inocencia dumlao	Individual	Oppose	No

Comments:

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From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 6, 2017 12:27 PM
To: LABtestimony
Cc: christine@pthawaii.com
Subject: *Submitted testimony for HB1181 on Feb 7, 2017 09:00AM*

HB1181
Submitted on: 2/6/2017
Testimony for LAB on Feb 7, 2017 09:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
christine medeiros	Individual	Oppose	No

Comments:

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From:	mailinglist@capitol.hawaii.gov
Sent:	Monday, February 6, 2017 1:27 PM
To:	LABtestimony
Cc:	jeannette@pthawaii.com
Subject:	*Submitted testimony for HB1181 on Feb 7, 2017 09:00AM*

HB1181
Submitted on: 2/6/2017
Testimony for LAB on Feb 7, 2017 09:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
jeannette towne	Individual	Oppose	No

Comments:

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From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 6, 2017 1:22 PM
To: LABtestimony
Cc: miandra@pthawaii.com
Subject: *Submitted testimony for HB1181 on Feb 7, 2017 09:00AM*

HB1181
Submitted on: 2/6/2017
Testimony for LAB on Feb 7, 2017 09:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Miandra Amantiad	Individual	Oppose	No

Comments:

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To: **Rep. Aaron Ling Johanson, Chair**
Rep. Daniel Holt, Vice-Chair
Members of the Committee on Labor & Public Employment

Date: **Tuesday, February 7, 2017**
Time: **9:00 a.m.**
Place: **Conference Room 309**
State Capitol
415 South Beretania Street

OPPOSITION TO HB 1181

Automated HealthCare Solutions (AHCS) submits the following testimony in opposition to HB1181.

HB 1181 has two components: (1) limits physicians' ability to dispense medications to injured workers to first 90 days from the date of injury; and (2) reduces reimbursement for prescription medications, including repackaged and relabeled medications, from 140% of the average wholesale price set by the original manufacturer of the dispensed medication to "minus ten percent" of the average wholesale price set by the original manufacturer of the dispensed medication. Respectfully, both of these provisions are problematic.

1) Problems With Limiting Physician Dispensed Medication to the First Ninety Days:

HB 1181 arbitrarily and unfairly restricts physicians' ability to treat injured workers to the first ninety dates from the date of injury while imposing no restrictions on the pharmacies. There is no policy justification for forcing injured workers in Hawaii to get their medication from the pharmacy instead of their physician after the first ninety days. Limiting injured workers' ability to obtain medication directly from their physician interferes with the doctor-patient relationship and ignores the various benefits associated with physician dispensing.

When doctors dispense, patients can begin their medication treatment immediately. This greatly increases compliance with the prescribed treatment regimen because there is a 100% fill rate (compared to fill rates of only 70% to 80% at pharmacies, primarily due to insurance and transportation related hurdles). Increased compliance with the treatment plan can facilitate a quicker recovery/return to work and lower overall claim costs.

HB 1181 ignores the fact that workers' compensation is not like regular healthcare; filling a prescription at a pharmacy can often be far more difficult. It is often overlooked that many injured workers lack reliable transportation or have difficulty getting to their physician's office, let alone making another trip to the pharmacy. If they can get to a pharmacy, many pharmacies will deny filling prescriptions altogether if the claim is denied pending investigation, forcing the injured worker to either pay out-of-pocket for the medication or simply go without the medication entirely. The end result is many injured workers failing to receive the prescription medications they need when they need them, which can result in aggravated injuries and longer delays before the employee returns to work.

Interfering with an injured worker's ability to fill a prescription through a physician can create significant additional hardships on the worker and does nothing to curtail costs. Section 386-21.7, Hawaii Revised Statutes, provides that "payment for all forms of prescription drugs including repackaged and relabeled drugs shall be one hundred forty percent of the average wholesale price set by the original manufacturer of the dispensed prescription drug . . . ." The reimbursement rates for pharmacy and physician dispensed medication are the same so restricting physician dispensing does not save costs – it simply shifts those reimbursements to the pharmacy. Arbitrarily restricting physicians from dispensing – while allowing pharmacies to dispense without limitation – is wholly unjustified, targets physician dispensers for no apparent reason and does nothing more than create additional obstacles for injured workers in the State by making it more difficult for them to obtain their medication.

2) Problems With Reducing the Reimbursement Rate

HB 1181 does not cite any Hawaii data that indicates medication costs are a true problem worth upheaving the entire pharmaceutical reimbursement schedule. In 2014, Act 231 changed the reimbursement rate for medications and created one fee schedule for "all forms of prescription drugs including repackaged and relabeled drugs." In doing so, the cost of physician dispensed medication was dramatically reduced. Since the passage of Act 231, the percentage of medical payments in Hawaii attributable to medications is less than 14% of all medical payments (with the National Council on Compensation Insurance projecting the national average for pharmacy payments at 17%). Simply put, there is no basis for making a statutory change to the reimbursements for pharmaceuticals in Hawaii's workers' compensation system.

Thank you for your consideration.

Jennifer Maurer, Esq.
Vice President of Government Affairs
Automated HealthCare Solutions, LLC

HB 1181

LATE TESTIMONY

DAVID Y. IGE
GOVERNOR

SHAN S. TSUTSUI
LIEUTENANT GOVERNOR

LINDA CHU TAKAYAMA
DIRECTOR

LEONARD HOSHIJO
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS
830 PUNCHBOWL STREET, ROOM 321
HONOLULU, HAWAII 96813
www.labor.hawaii.gov
Phone: (808) 586-8844 / Fax: (808) 586-9099
Email: dlir.director@hawaii.gov

February 7, 2017

To: The Honorable Aaron Ling Johanson, Chair,
The Honorable Daniel Holt, Vice Chair, and
Members of the House Committee on Labor & Public Employment

Date: Tuesday, February 7, 2017
Time: 9:00 a.m.
Place: Conference Room 309, State Capitol

From: Linda Chu Takayama, Director
Department of Labor and Industrial Relations (DLIR)

Re: H.B. No. 1181 Relating to Workers' Compensation Prescription Drugs

I. OVERVIEW OF PROPOSED LEGISLATION

HB 1181 proposes to amend Section 386-21.7, Hawaii Revised Statutes (HRS), to establish a reimbursement rate for prescription drugs and limits physician-dispensed prescription drugs to the first ninety days following injury:

- Any prescription drug shall be reimbursed at the rate of ten per cent below the average wholesale price.
- Physician-dispensed prescription drugs for an injured worker, shall be limited to the first ninety days following injury.

The department supports the intent of the measure and offers comments below.

II. CURRENT LAW

Currently, Section 386-21.7, HRS, allows prescription and compound drugs to be reimbursed at one hundred forty per cent of the average wholesale price. The law does not preclude the physician from dispensing any drug beyond ninety-days.

III. COMMENTS ON THE HOUSE BILL

1. According to the Pharmacy Resource Guide, August 2016 report, Hawaii has the highest pharmacy reimbursement rates in the country for both brand and generic rate (See attached chart).

2. The Department is concerned with the steady increase in prescriptions and medications in the treatment of injured workers. This increase in use has led to a steady rise in costs, and in some cases, an exorbitant high cost for compound drugs. The Department believes this proposal helps to identify the problem and help control costs from spiraling out of control.

3. In 2016, DLIR assembled the Workers' Compensation Working Group, (H.C.R. 168, HD2, SD1) to assess workers' compensation issues. The Group reviewed the various states and federal prescription drug reimbursement rates. With the assistance of the Group, DLIR is currently analyzing reduced rate changes. Under consideration are proposals to reduce the fee percentages or use formularies from commercial plans.

Equal Opportunity Employer/Program
Auxiliary aids and services are available upon request to individuals with disabilities.
TDD/TTY Dial 711 then ask for (808) 586-8866

2016 Pharmacy State Fee Schedule Detail – Pharmacy Resource Guide August 2016

State	Brand Rate	Generic Rate	State	Brand Rate	Generic Rate
AZ	AWP - 5% + $7.00	AWP - 15% + $7.00	AK	AWP + $5.00	AWP + $10.00
CA	AWP - 17% + $7.25	AWP - 17% + $7.25	AL	AWP + 5% + $8.92	AWP + 5% +$11.58
DE	AWP - 18.2% + $3.72	AWP - 25.6% + $4.65	AR	AWP + $5.13	AWP + $5.13
KS	AWP - 10% + $3.00	AWP - 15% + $5.00	CO	AWP + $4.00	AWP + $4.00
MA	AWP - 16% +$3.00	AWP - 16% + $3.00	CT	AWP + $5.00	AWP + $8.00
MI	AWP - 10% + $3.50	AWP - 10% + $5.50	FL	AWP + $4.18	AWP + $4.18
MN	AWP - 12% + $3.65	AWP - 12% + $3.65	GA	AWP + $4.31	AWP + $6.45
MT	AWP - 10% + $3.00	AWP - 25% + $3.00	**HI**	**AWP + 40%**	**AWP + 40%**
NC	AWP - 5%	AWP - 5%	ID	AWP + $5.00	AWP + $8.00
NM	AWP - 10% + $5.00	AWP - 10% + $5.00	KY	AWP + $5.00	AWP + $5.00
NY	AWP - 12% + $4.00	AWP - 20% + $5.00	LA	AWP + 10% + $10.51	AWP + 40% + $10.51
OH	AWP - 9% $3.50	AWP - 9% + $3.50	MS	AWP + $5.00	AWP + $5.00
OK	AWP - 10% + $5.00	AWP - 10% + $5.00	ND	$4.00 dispensing fee	$4.00 dispensing fee
OR	AWP - 16.5% + $2.00	AWP - 16.5% + $2.00	NV	AWP + $10.54	AWP + $10.54
RI	AWP - 10%	AWP - 10%	PA	AWP + 10%	AWP + 10%
WA	AWP - 10% + $4.50	AWP - 50% + $4.50	SC	AWP + $5.00	AWP + $5.00
WY	AWP - 10% + $5.00	AWP - 10% + $5.00	TN	AWP + $5.10	AWP + $5.10
Federal	AWP - 15% + $4.00	AWP - 40% + $4.00	TX	AWP + 9% + $4.00	AWP + 25% + $4.00
Federal	AWP - 10% + $4.00	AWP - 25% + $4.00	VT	AWP + $3.15	AWP + $3.15
			WI	AWP + $3.00	AWP + $3.00

DEPARTMENT OF HUMAN RESOURCES
CITY AND COUNTY OF HONOLULU
650 SOUTH KING STREET, 10TH FLOOR • HONOLULU, HAWAII 96813
TELEPHONE: (808) 768-8500 • FAX: (808) 768-5563 • INTERNET: www.honolulu.gov/hr

KIRK CALDWELL
MAYOR

LATE

LATE

LATE

CAROLEE C. KUBO
DIRECTOR

NOEL T. ONO
ASSISTANT DIRECTOR

February 7, 2017

The Honorable Aaron Ling Johanson, Chair
The Honorable Daniel Holt, Vice Chair
and Members of the Committee
on Labor & Public Employment
The House of Representatives
State Capitol, Room 309
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chair Johanson, Vice-Chair Holt and Members of the Committee:

SUBJECT: House Bill No. 1181
Relating to Workers' Compensation Prescription Drug Reimbursement

H.B. 1181 seeks to reduce the reimbursement rate for prescription drugs in workers' compensation to 90% of the average wholesale price ("AWP") as published in the Red Book: Pharmacy's Fundamental Reference. The bill would also restrict physician dispensed drugs to the first ninety days from the date of injury. The City and County of Honolulu strongly supports the measure.

Reducing the reimbursement rate for prescription drugs to minus ten percent of AWP would bring Hawaii's reimbursement rate in line with other states. As H.B. 1181 indicates, Hawaii's current reimbursement rate is not only the highest in the nation, it is 30% more than the next highest rate. There is no valid reason for the gross disparity in cost and the provisions provided for in the bill would save taxpayers' money by eliminating the unfounded variation.

Thank you for the opportunity to testify.

Sincerely,

Carolee C. Kubo
Director

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 6, 2017 5:43 PM
To: LABtestimony
Cc: doc@workstar.com
Subject: Submitted testimony for HB1181 on Feb 7, 2017 09:00AM

HB1181
Submitted on: 2/6/2017
Testimony for LAB on Feb 7, 2017 09:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Scott McCaffrey, MD	Workstar Injury Recovery Center	Oppose	Yes

Comments: Aloha! This issue was deal with three years ago by our legislators with significant compromise by providers already. Its impact will be to make dispensing impossible thereby depriving patients of dependable and point-of-service access. In addition it will further undermine provider participation in an already depleted workforce and will cause maximum negative impact on neighbor islands where WC patients already are without doctors who are willing to accept industrial injuries. Mahalo nui loa.............Scott McCaffrey, MD

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LATE LATE LATE

The Twenty-Ninth Legislature
Regular Session of 2017

HOUSE OF REPRESENTATIVES
Committee on Labor and Public Employment
Rep. Aaron Ling Johanson, Chair
Rep. Daniel Holt, Vice Chair
State Capitol, Room 309
Tuesday, February 7, 2017; 9:00 a.m.

STATEMENT OF THE ILWU LOCAL 142 ON H.B. 1181
RELATING TO WORKERS' COMPENSATION
PRESCRIPTION DRUG REIMBURSEMENT

The ILWU Local 142 would like to offer comments regarding H.B. 1181, which amends the reimbursement rate for prescription drugs in the workers' compensation system to be ten per cent below average wholesale price. The bill further restricts the provision of physician-dispensed prescription drugs to the first ninety days following injury.

The ILWU Local 142's primary concern is that the injured employee promptly receives the medical treatment and benefits he or she is entitled to. Section 386-21(a) states in part "so long as reasonably needed the employer shall furnish to the employee all medical care, services, and supplies as the nature of the injury requires." In addition, Section 386-21(c) states in part "The rates or fees provided for in this section shall be adequate to ensure at all times the standard of services and care intended by this chapter to injured employees."

The framework established by these references, reinforces the original intent of the law, which was to ensure the injured worker that he or she would have prompt access to any medical treatment and care, including medications, that was warranted by the nature of the industrial injury. The ILWU's position with respect to applying the provisions of Chapter 386 HRS is that this intent should always be honored.

The ILWU would have grave concerns if the passage of H.B. 1181 was to undermine the injured worker's ability to promptly access the medical care, including medications, that would be warranted by the nature of the injury.

It appears that going from one hundred forty per cent of the average wholesale price set by the original manufacturer of the dispensed prescription drug, to minus ten per cent of the same average wholesale price can appear to be arbitrary. Also, imposing a 90 day time limitation for physician-dispensed prescription drugs from the date of injury seems arbitrary.

Thank you for the opportunity to share these comments, as well as our views on this matter.

LATE

LATE

LATE

February 7, 2017

To: The Honorable Aaron Ling Johanson, Chair
The Honorable Daniel Holt, Vice-Chair
And Members of the Senate Committee on Labor and Public Employment
Date: February 7, 2017
Time: 9:00 AM
Place: Conference Room 309

Re: HB 1181 Relating to Workers' Compensation Prescription Drug Reimbursement

Chair Johanson, Vice-Chair Holt, and Members of the Committee:

My name is Kris Kadzielawa and I am the Managing Director for Solera Integrated Medical Solutions. My company provides payment integrity services to workers' compensation and automobile insurance programs.

We SUPPORT this measure with amendments.

HB 808 seeks to limit physician dispensed drugs to 90 days following the injury. We would support a tighter limit of 30 days or even 10 days. This would allow an adequate amount of time for the injured worker to obtain their prescription drugs from a pharmacy. We fully support the proposed AWP – 10% pricing for prescription drugs.

With pharmacies so abundant in our state, physician dispensing seems superfluous. We believe it is trying to solve a problem that doesn't exist. Instead, physician dispensing has brought extravagant pricing to our market and thousands of bill disputes upon the Department of Labor and Hawaii employers. 96% of the bill disputes my company deals with are due to physician dispensed drugs. For the 14 years prior to physician dispensed drugs, we never had a single drug related dispute with any provider. Since physician dispensing invaded the market, we have had hundreds.

The reason why there are so many Bill Disputes regarding Physician Dispensing is because of the following:

1) Very pricy creams: Example: $750 for a tube of 3% lidocaine which is of <u>lesser</u> strength than the 4% lidocaine you can buy over the counter at Longs for $10. Several tubes of this can add thousands of dollars to an otherwise inexpensive claim.
2) Off label medication at high price: Example: Ondansetron a very strong medication to treat nausea for chemotherapy or radiation therapy patients, is being prescribed for nausea from

taking pain killers or for nausea prevention after surgery to patients with no documented history of post op nausea. Never before had we seen this medication prescribed routinely postoperatively. Oftentimes the charge for the Ondansetron prescription is higher than the surgical procedure. 30 pills are billed at $1,030.

3) There is no incentive for the dispensing physician to prescribe/dispense the most cost effective drug. Rather than prescribing the Ondansetron, there are other options such as Ranitidine or Omeprazole.
4) And, even if they prescribe Ranitidine or Omeprazole they seem to go for the ones that have the highest AWP vs the lowest. For example the AWP for Ranitidine 150 mg can be as low as $0.10/pill or as high as $1.72/pill.
5) With physician dispensing there is also no incentive to wean the claimant off of the medications. Prescription drugs yield them a higher level office visit and higher number of office visits. The market forces are not at play, so limiting to 90 days should limit the abuse and reduce the time, effort and work by the Department of Labor and the payors trying to lessen the impact of the abuse. They can refocus the time into managing the files.

Thank you for the opportunity to testify on this measure.

Mahalo,

Kris Kadzielawa
Managing Director
Solera Integrated Medical Solutions
841 Bishop Street, Suite 2250
Honolulu, Hawaii 96813

LATE LATE LATE

From:	mailinglist@capitol.hawaii.gov
Sent:	Monday, February 6, 2017 7:42 PM
To:	LABtestimony
Cc:	cwilson@ahcs.com
Subject:	*Submitted testimony for HB1181 on Feb 7, 2017 09:00AM*

HB1181
Submitted on: 2/6/2017
Testimony for LAB on Feb 7, 2017 09:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
cathy wilson	Individual	Oppose	No

Comments:

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LATE LATE LATE

Chamber of Commerce HAWAII
The Voice of Business

Testimony to the House Committee on Labor & Public Employment
Tuesday, February 7, 2017 at 9:00 A.M.
Conference Room 309, State Capitol

RE: HOUSE BILL 1181 RELATING TO WORKERS' COMPENSATION PRESCRIPTION DRUG REIMBURSEMENT

Chair Johanson, Vice Chair Holt, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **supports** HB 1181, which amends the reimbursement rate for prescription drugs in the workers' compensation system to be ten per cent below average wholesale price; restricts the provision of physician-dispensed prescription drugs to the first ninety days following injury.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 1,600+ businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

Prescription drugs and especially repackaged drugs are a huge cost driver in the workers' compensation system. Since Act 231 was enacted, further analysis of other states shows that of the 37 states that reimburse prescription drugs on the basis of a percentage of average wholesale price, the reimbursement rates range widely. Notably, Hawaii has the highest reimbursement rate for brand name and generic drugs at 40 percent over average wholesale price.

The national average reimbursement rate is three per cent below average wholesale price plus a $4.32 dispensing fee for brand name drugs and four percent below average wholesale price plus a $4.94 dispensing fee for generic drugs. Hawaii is clearly hugely over the national average. This bill does not take away any employee rights or treatment but rather focuses on cost containment issues which is good for all concerned.

Thank you for the opportunity to testify.

1132 Bishop Street, Suite 2105 • Honolulu, Hawaii 96813 • Phone: (808) 545-4300 • Facsimile: (808) 545-4369