

STAND. COM. REP. NO.

550

Honolulu, Hawaii

February 17, 2017

RE: H.B. No. 1181
H.D. 2

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Ninth State Legislature
Regular Session of 2017
State of Hawaii

Sir:

Your Committee on Consumer Protection & Commerce, to which was referred H.B. No. 1181, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO WORKERS' COMPENSATION
PRESCRIPTION DRUG REIMBURSEMENT,"

begs leave to report as follows:

The purpose of this measure is to bring Hawaii closer to the rest of the nation in terms of its dispensing policies and reimbursement rates for prescription drugs and compounds in the workers' compensation system by:

- (1) Amending the reimbursement rate for prescription drugs in the workers' compensation system to be ten percent below average wholesale price; and
- (2) Restricting the provision of physician-dispensed prescription drugs following injury.

The Department of Human Resources of the City and County of Honolulu, The Chamber of Commerce of Hawaii, Hawaii Insurers Council, National Association of Mutual Insurance Companies, Property Casual Insurers Association of America, and Solera Integrated Medical Solutions testified in support of this measure. The Work Injury Medical Association of Hawaii, Automated HealthCare Solutions, Hawaii Medical Association, and numerous

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concerned individuals testified in opposition to this measure. The Department of Labor and Industrial Relations, Department of Human Resources Development, and International Longshore and Warehouse Union Local 142 provided comments.

Prescription drugs are a huge cost driver of medical costs in the workers' compensation system. Your Committee finds that an analysis of thirty-seven states that reimburse prescription drugs on the basis of a percentage of the wholesale price found that amounts of reimbursement rates vary greatly. More notably, your Committee finds that Hawaii's current reimbursement rate of forty percent over the average wholesale price is not only the highest rate in the nation but that it is substantially higher than any other state and that this has an impact on workers' compensation medical care costs.

While your Committee notes the point made by the City and County of Honolulu that establishing reimbursement rates at minus ten percent of the average wholesale price would bring Hawaii more in line with other states, your Committee is concerned that such a reimbursement rate may have a negative impact on the amount of physicians willing to provide workers' compensation care and negatively impact treatment for injured workers.

Therefore, your Committee notes that this is a complex issue but finds that the matter deserves further consideration and discussion. Your Committee also notes that as discussions continue, the actions of other states regarding prescription drug reimbursement rates for workers' compensation cases should be scrutinized.

Your Committee has amended this measure by changing the reimbursement rate for prescription drugs in the workers' compensation system to an unspecified percent of the average wholesale price.

As affirmed by the record of votes of the members of your Committee on Consumer Protection & Commerce that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1181, H.D. 1, as amended herein, and recommends that it be referred to your Committee on Finance in the form attached hereto as H.B. No. 1181, H.D. 2.



Respectfully submitted on
behalf of the members of the
Committee on Consumer
Protection & Commerce,



ANGUS L.K. MCKELVEY, Chair



