

STAND. COM. REP. NO.

2675

Honolulu, Hawaii

MAR 02 2018

RE: S.B. No. 3104
S.D. 2

Honorable Ronald D. Kouchi
President of the Senate
Twenty-Ninth State Legislature
Regular Session of 2018
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred S.B. No. 3104, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO PHARMACY BENEFIT MANAGERS,"

begs leave to report as follows:

The purpose and intent of this measure is to reduce the price of prescription drugs.

Specifically, this measure:

- (1) Establishes requirements for pharmacy benefit managers and maximum allowable cost pricing, including the ability of pharmacies to receive comprehensive maximum allowable cost lists and bring complaints within the purview of the Department of Commerce and Consumer Affairs, rather than the Department of Health;
- (2) Requires pharmacy benefit managers to disclose where an equivalent drug can be obtained at or below the maximum allowable cost in certain situations;
- (3) Clarifies the available penalties for violations of maximum allowable cost requirements; and



- (4) Repeals a requirement that prohibits a contracting pharmacy from disclosing the maximum allowable cost list and related information to any third party.

Your Committee received written comments in support of this measure from Times Pharmacy; Hawaii Pharmacists Association; Shiigi Drug Co. Inc.; The Queen's Health Systems; Waimanalo Pharmacy Inc.; Northshore Pharmacy, ElixRx Pharmacy; Westside Pharmacy; KTA Super Stores; Ululani Pharmacy; National Community Pharmacists Association; Molokai Drugs, Inc.; Chinatown Pharmacy; Pharmicare Hawaii; Wailea Pharmacy; and forty-six individuals.

Your Committee received written comments on this measure from the Department of Commerce and Consumer Affairs, Pharmaceutical Care Management Association, and Hawaii Medical Service Association.

Your Committee finds that strengthening the ability of pharmacies to receive timely maximum allowable cost lists, establishing a complaints process for violations, and clarifying penalties will encourage transparency among pharmacy benefit managers, while protecting the State's independent pharmacies and consumers.

Your Committee notes that as this measure moves forward, consideration should be given to the Department of Commerce and Consumer Affairs's request that its budget ceiling be adjusted to cover the fiscal impact of this measure.

Your Committee has amended this measure by:

- (1) Clarifying that, for claims that are reversed and rebilled following an appeal to a pharmacy benefit manager, the pharmacy benefit manager shall pay the appealing contracting pharmacy the difference between:
 - (A) The maximum allowable cost as adjusted by the pharmacy benefit manager after resolution of the appeal; and
 - (B) The maximum allowable cost appealed by the contracting pharmacy;



- (2) Changing the effective date to July 1, 2050, to facilitate further discussion on the measure; and
- (3) Making technical nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 3104, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 3104, S.D. 2.

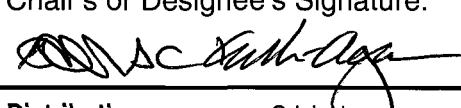
Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,


DONOVAN M. DELA CRUZ, Chair



The Senate
 Twenty-Ninth Legislature
 State of Hawai'i

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:* SB 3104, SD1	Committee Referral: CPH, WAM	Date: 2/23/18		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
DELA CRUZ, Donovan M. (C)	X			
KEITH-AGARAN, Gilbert S.C. (VC)	X			
ENGLISH, J. Kalani	X			
GALUTERIA, Brickwood	X			
HARIMOTO, Breene	X			
INOUYE, Lorraine R.	X			
KAHELE, Kaiali'i	X			
KIDANI, Michelle N.	X			
RIVIERE, Gil	X			
SHIMABUKURO, Maile S.L.				X
WAKAI, Glenn	X			
TOTAL	10			1
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes