

DAVID Y. IGE
GOVERNOR



STATE OF HAWAII
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

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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 FINANCE
ON SENATE BILL NO. 3104 S.D. 2 H.D. 2

April 3, 2018
1:30 p.m.
Room 308

RELATING TO PHARMACY BENEFIT MANAGERS

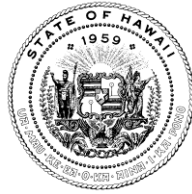
Chair Luke, Vice Chair Cullen, and Members of the Committee:

The EUTF Board of Trustees has not taken a position on this bill. At this time, EUTF staff would like to provide an estimated cost impact of the bill.

The current version of the bill (S.D. 2 H.D. 2) should not significantly impact prescription drug claim costs to the EUTF. However, the Senate version (S.D. 2) if enacted could increase annual prescription drug claims by \$2.2 million annually in the aggregate for both active employee and retiree plans. The increase in costs to the retiree plans could add over \$25 million to the unfunded actuarial accrued liability.

Thank you for the opportunity to testify.

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 informed service that is excellent, courteous, and compassionate.



DAVID Y. IGE
GOVERNOR

DOUGLAS S. CHIN
LIEUTENANT GOVERNOR

STATE OF HAWAII
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS

335 MERCHANT STREET, ROOM 310
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CATHERINE P. AWAKUNI COLÓN
DIRECTOR

JO ANN M. UCHIDA TAKEUCHI
DEPUTY DIRECTOR

TO THE HOUSE COMMITTEE ON FINANCE

TWENTY-NINTH LEGISLATURE
Regular Session of 2018

Tuesday, April 3, 2018
1:30 p.m.

**TESTIMONY ON SENATE BILL NO. 3104, S.D. 2, H.D. 2, RELATING TO
PHARMACY BENEFIT MANAGERS.**

TO THE HONORABLE SYLVIA LUKE, CHAIR, AND MEMBERS OF THE
COMMITTEE:

The Department of Commerce and Consumer Affairs (“Department”) appreciates the opportunity to testify on S.B. 3104, S.D. 2, H.D. 2, Relating to Pharmacy Benefit Managers. My name is Gordon Ito, and I am the Insurance Commissioner (“Commissioner”) for the Department’s Insurance Division (“Division”). The Department takes no position on this bill and provides the following comments.

The purpose of this bill is to establish requirements for pharmacy benefit managers (“PBMs”) and maximum allowable cost basis reimbursements. By repealing Hawaii Revised Statutes (“HRS”) section 328-106 and amending HRS chapter 431-R, this bill shifts jurisdiction over the regulation of maximum allowable cost basis reimbursement from the Department of Health to the Commissioner and amends those regulations.

Section 3 on page 9, lines 1-4 defines a “contracting pharmacy” as an “independent pharmacy that is not a part of a regional or national chain, or part of a pharmacy services administration organization” This definition does not clarify that a contractual relationship exists between entities. Additionally, the contracting pharmacy definition will exclude contracting pharmacies that are a part of a pharmacy

services administrative organization (“PSAO”) and will therefore leave out independent and rural pharmacies that may benefit from participation in a PSAO.

The Department respectfully requests that the Committee consider an intermediary appeals process to enforce the provisions of this bill, as well as an adjustment to the Division’s budget ceiling to cover the fiscal impact of this bill.

Thank you for the opportunity to testify on this measure.



THE QUEEN'S HEALTH SYSTEMS

To: The Honorable Sylvia Luke, Chair
The Honorable Ty J.K. Cullen, Vice Chair
Members, Committee on Finance

From: Paula Yoshioka, Vice President, Government Relations and External Affairs, The
Queen's Health Systems

Date: April 2, 2018

Hrg: House Committee on Finance Hearing; Tuesday, April 3, 2018 at 1:30 P.M. in Room 308

Re: **Support for SB 3104, SD2, HD2 Relating to Pharmacy Benefit Managers**

My name is Paula Yoshioka and I am the Vice President for Government Relations and External Affairs for The Queen's Health Systems (Queen's). We appreciate the opportunity to provide support with concerns on SB 3104, SD2, HD2, Relating to Pharmacy Benefit Managers (PBMs). This bill seeks to allow pharmacies to obtain maximum allowable cost (MAC) lists from PBMs, bring complaints with the Department of Commerce and Consumer Affairs (DCCA), require PBMs to disclose where an equivalent drug can be obtained at or below the MAC when it is upheld on appeal, and preserves the prohibition of contracting pharmacies from disclosing the MAC list to third parties.

MAC lists vary between PBMs and there can be multiple MAC lists. Because PBMs control the formularies for prices like those through MAC lists, they have the ability create pricing uncertainty for pharmacies. We have experienced situations where MAC prices were lower than what our pharmacy could acquire with our purchasing power. Our pharmacies estimate that out of 2,000 appeals per month, only about 40, or 2 percent, are successful. Strengthening the ability of pharmacies to receive timely, comprehensive MAC lists, and provide timelines for PBM updates on multi-source generic drugs is important for the functioning of local pharmacies in Hawaii so that they may continue to serve our community. We believe that SB 3104, SD2 version of the bill best addresses the issue of drug transparency costs for our pharmacies. Queen's has concerns with the later amended versions of the bill, as it strips language that is already in current statute and deprives pharmacies with the ability to effectively do business in the state and serve our communities.

Our pharmacies go through undue burdens when accessing MAC prices on PBM websites for any given drug and we currently do not receive data in a comprehensive list format and must obtain MAC prices on an individual prescription basis. We believe that it is critical that language from the SD 2 be restored in to bill that states that a comprehensive report for all drugs on the maximum allowable cost list be made available to the contracting pharmacies.

Having greater transparency in the data sources that PBMs utilize to derive costs will greatly benefit our pharmacies and patients. Thank you for the opportunity to testify on this measure.

The mission of The Queen's Health Systems is to fulfill the intent of Queen Emma and King Kamehameha IV to provide in perpetuity quality health care services to improve the well-being of Native Hawaiians and all of the people of Hawai'i.

SB-3104-HD-2

Submitted on: 3/31/2018 8:40:10 PM

Testimony for FIN on 4/3/2018 1:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Jessica Lo	Good Health Pharmacy	Support	No

Comments:

To the Honorable: Representative Sylvia Luke, Chair and Representative Ty J K Cullen, Vice Chair

Please support SB3104 SD2 HD2. Right now independent pharmacies are at the mercy of pharmacy benefits managers. The PBM's have the power to cut insurance reimbursement to our pharmacies and put us out of business. Many small pharmacies have already closed, therefore we need you do all that you can to help us remaining ones survive.

Small pharmacies like mine can cater to our patients, whether it be medication reconciliation, delivering the medicines to their homes, or more importantly, having an ongoing relationship with them, knowing them and taking care of them like family. And for patients like mine, if my pharmacy had to shut down, many of these elderly, non-English speaking patients could face very difficult consequences.

Please support this bill. Thank you for the opportunity to submit testimony.

SB-3104-HD-2

Submitted on: 3/30/2018 3:22:43 PM

Testimony for FIN on 4/3/2018 1:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
greg harmon	kAMEHAMEHA pHARMACY	Support	No

Comments:

Aloha honorable house committee hearing SB 3104. This bill is very important to my patients or members living in this rural critical access region in North Kohala on Big Island.. The current business practice provided by PBM's in Hawaii do not allow for a sustainable professional practice to continue forcing a non-competitive behavior and closeure. I strongly support this important bill so I may receive professional reimbursements for my community pharmacy above my purchase costs so I may continue to deliver medications to my customers for healthy outcomes. My customers will need to drive 45 miles to the nearest chain pharmacy to access medications.if PBM's continue this illegal practice in our state following my store closure. My customers, patients, members deserve safe medication access to prevent unnecessary emergency room visits and preserve our limited state resources. Please support this bill,

Sincerely, Greg Harmon, Pharmacist-President Kamehameha Pharmacy LLC

SB-3104-HD-2

Submitted on: 3/30/2018 12:20:52 PM

Testimony for FIN on 4/3/2018 1:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
magdi latif	BB inc NorthShore Pharmacy	Support	No

Comments:

House FINANCE Committee (Sylvia Luke, chair)

Aloha Representative Luke and other house members on the House Finance Committee.

As the owner and manager of a small Community Pharmacy, NorthShore Pharmacy on the island of Kauai, in the State of Hawaii. We have been in active in our community since 1988, we employ 18 people in our operation, and service an area that did not have pharmaceutical services till we opened our doors in 1988. We are a family run operation, with my son being a third generation pharmacist who graduated from University of Hawaii Hilo.

we are seeking legislative support to increase transparency and regulation to manage the cost and access to prescription drugs for the patients we serve in our communities. We believe strengthening the bill will promote better transparency of prescription drug pricing for patients, healthcare providers and legislators in our State. We need your help so we can better serve our community as we are being hindered by the current playing field. As an example, PBM have the ability to charge our customers and add on to copays, we then have to collect it from the patient and give it to the PBM. We are legally bound to not discuss other options with the patients to save them money, this is called Claw back. As you are aware there's legislation country wide to prevent Claw Back, transparency in MAC and all kind of other unfair PBM practices.

SB3104 Relating to Pharmacy Benefit Managers: Establishes requirements for pharmacy benefit managers and maximum allowable cost, 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. Requires pharmacy benefit managers to disclose where an equivalent drug can be obtained at or below the maximum allowable cost when a maximum allowable cost is upheld on appeal. Allows contracting pharmacies to reverse and rebill claims if the pharmacy benefit manager establishes a maximum allowable cost that is denied on appeal and is required to pay the difference to the contracting pharmacies. Preserves the prohibition of a contracting pharmacy from disclosing the maximum allowable cost list and related information to any third party.

Thank you for the opportunity to submit testimony.

Mike Latif RPh

SB-3104-HD-2

Submitted on: 3/30/2018 2:11:25 PM

Testimony for FIN on 4/3/2018 1:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
terry	Northshore pharmacy	Support	No

Comments:

NorthShore Pharmacy on the island of Kauai, in the State of Hawaii has been active in our community since 1988, we employ 18 people in our operation, and service an area that did not have pharmaceutical services till we opened our doors in 1988. We are a family run operation, with my son being a third generation pharmacist who graduated from University of Hawaii Hilo.

we are seeking legislative support to increase transparency and regulation to manage the cost and access to prescription drugs for the patients we serve in our communities. We believe strengthening the bill will promote better transparency of prescription drug pricing for patients, healthcare providers and legislators in our State. We need your help so we can better serve our community as we are being hindered by the current playing field. As an example, PBM have the ability to charge our customers and add on to copays, we then have to collect it from the patient and give it to the PBM. We are legally bound to not discuss other options with the patients to save them money, this is called Claw back. As you are aware there's legislation country wide to prevent Claw Back, transparency in MAC and all kind of unfair PBM practices.

SB3104 Relating to Pharmacy Benefit Managers: Establishes requirements for pharmacy benefit managers and maximum allowable cost, 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. Requires pharmacy benefit managers to disclose where an equivalent drug can be obtained at or below the maximum allowable cost when a maximum allowable cost is upheld on appeal. Allows contracting pharmacies to reverse and rebill claims if the pharmacy benefit manager establishes a maximum allowable cost that is denied on appeal and is required to pay the difference to the contracting pharmacies. Preserves the prohibition of a contracting pharmacy from disclosing the maximum allowable cost list and related information to any third party.

Thank you for the opportunity to submit testimony.

SB-3104-HD-2

Submitted on: 3/30/2018 12:22:36 PM

Testimony for FIN on 4/3/2018 1:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Allan Matsukado	Shiigi Drug Co., Inc.	Support	No

Comments:

Dear esteemed members of the House Finance Committee:

I, Allan Matsukado, would like to provide written testimony on behalf of myself and my business, Shiigi Drug Co., Inc. (dba: Shiigi Drug). As the President and owner of Shiigi Drug, I am writing in support for SB3104, which would assist local, independent pharmacies to better serve our customers and your constituents.

Very briefly, I would like to explain the circumstances that transpired that has prompted the proposal of SB3104. For roughly the last three months of 2017, pharmacies were severely underpaid by PBMs for many prescription claims, often to the point of being reimbursed less than the cost of the drug itself. The drastic reimbursement reductions truly hurt our ability to service our customers. Countless hours were spent contacting PBMs, trying to understand why we were being paid below cost for prescriptions. Much of this time was spent in vain as the PBMs would give little to no support, and to date, has never repaid any claims that were "underpaid". Also, a large amount of time had to be allocated trying to find cheaper drugs from various vendors in order to stay afloat. Please keep in mind, often the low reimbursement would not even cover the cost of the drug. This doesn't even take into account other expenses and overhead that any normal business incurs.

This problem with the deep reimbursement cuts by the PBMs was exacerbated when we attempted to report a PBM for non-compliance. No one within the different state government agencies seemed to know who had oversight of the PBMs. We tried seeking assistance from the Department of Health, Commerce and Consumer Affairs and the Insurance Commission, but no one seemed to know what to do and was unable to hold the PBMs accountable.

So how does supporting SB3104 positively impact the state, the pharmacy industry and the healthcare industry at large? Well, what is the large debate over healthcare focused on? Isn't it how to control the skyrocketing cost of healthcare? And the common thought is if we can provide people with attentive, specialized care at the pharmacy level, it should help reduce the emergency room admissions, which is where costs can soar.

At Shiigi Drug, we take pride in having performance measure scores that exceed the national average. In short, this means that we are focused on ensuring that our

customers are adherent with their medication, taking their medication on time, and as directed. We also provide customers with delivery service, free of charge, and other services to help keep them as healthy as possible. I say this, not to promote my pharmacy, but to highlight the importance of the local, independent pharmacy in Hawaii. Many other independent pharmacies in our state provide these similar services and are just as committed to their customers as we are.

I believe SB3104 is a step in the right direction for the pharmacy industry and healthcare at large. It can lead to improved transparency and regulation. And it can also help with cost management and access to prescription drugs for everyone. Thank you for your service to our state, your time and consideration today, and for the opportunity to provide testimony and support for SB3104.

Respectfully submitted,

Allan Matsukado

Shiigi Drug Co., Inc.



You're Someone Special

LATE

April 2, 2018

To the Honorable: Representative Sylvia Luke, Chair, Representative Ty J.K. Cullen, Vice Chair, and Members of the Committee on Finance.

I am writing to offer strong support for **SB3104 SD2 HD2**.

KTA Super Stores operates 4 pharmacies on the Island of Hawaii. Our pharmacies are located in Hilo, Waimea, Waikoloa and Keauhou.

The intent of this bill is to increase PBM transparency and create regulations to better manage the cost of and access to prescription drugs.

Please help us create a fair and equal playing field so that we may continue to provide pharmacy services for our community and provide our patients with a high level of care. We believe this will be accomplished by:

- Establishing requirements and regulations for PBMs and MAC pricing.
- Requiring a PBM to disclose where an equivalent drug can be obtained at or below the MAC so that pharmacies are not dispensing prescriptions at a loss.
- Clarifying and enforcing the penalties for violations of MAC requirements.
- Deleting the requirement which prohibits a contracting pharmacy from disclosing the MAC list and related information to a third party so that these issues can be subjected to an external review process.

Thank you for the opportunity to provide testimony on SB3104 SD2 HD2.

PHONE: (808) 959-4575

50 EAST PUAINAKO STREET, HILO, HAWAI'I 96720

WWW.KTASUPERSTORES.COM



SB-3104-HD-2

Submitted on: 4/2/2018 10:43:31 AM

Testimony for FIN on 4/3/2018 1:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Kerri Okamura	KTA Super Stores	Support	No

Comments:

To the Honorable: Representative Sylvia Luke, Chair, Representative Ty J.K. Cullen, Vice Chair, and Members of the Committee on Finance.

I am writing to offer strong support for SB3104 SD2 HD2.

KTA Super Stores operates 4 pharmacies on the Island of Hawaii in Hilo, Waimea, Waikoloa and Keauhou.

Please help local, independent pharmacies by increasing transparency and regulations of PBMs so that we may continue to provide a high level of pharmacy services in our communities. We believe this will be accomplished by:

- Establishing requirements and regulations for PBMs and MAC pricing.
- Requiring a PBM to disclose where an equivalent drug can be obtained at or below the MAC so that pharmacies are not dispensing prescriptions at a loss.
- Clarifying and enforcing the penalties for violations of MAC requirements.
- Repealing the requirement which prohibits a contracting pharmacy from disclosing the MAC list and related information to a third party so that these issues can be subjected to an external review process.

Thank you for the opportunity to provide testimony on SB3104 SD2 HD2.

SB-3104-HD-2

Submitted on: 4/1/2018 11:12:52 PM

Testimony for FIN on 4/3/2018 1:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
LYNN TU TRAN	Times pharmacy	Support	No

Comments:

I am writing to offer strong support for SB 3104 SD2 HD1, which will increase transparency and regulation to better manage the cost and access to prescription drugs for the patients we serve in our communities.

Local community pharmacies are being taken advantage of by PBMs and we are simply asking for proper oversight to establish an equal and fair playing field.

Thank you for the opportunity to provide testimony on SB3104 SD2 HD1.

Lynn Tran

SB-3104-HD-2

Submitted on: 4/3/2018 9:10:09 AM

Testimony for FIN on 4/3/2018 1:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
amy esmeralda	times pharmacy	Support	No

Comments:

To the Honorable: Representative Sylvia Luke, Chair, Representative Ty J.K. Cullen, Vice Chair, and Members of the Committee on Finance.

I am writing to offer strong support for SB3104 SD2 HD2. The purpose and intent of this bill is to increase transparency and regulation to better manage the cost and access to prescription drugs for the patients we serve in our communities.

Please help us create a fair and equal playing field so that pharmacies and patients do not continue to be taken advantage of by PBMs. We believe this will be accomplished by:

- Establishing requirements and regulations for PBMs as well as MAC pricing.
- Requiring a PBM to disclose where an equivalent drug can be obtained at or below the MAC so that pharmacies are not dispensing prescriptions at a loss.
- Allowing contracting pharmacies to reverse and rebill claims if the MAC is denied on appeal.
- Clarifying and enforcing the penalties for violations of MAC requirements.
- Deleting a requirement that prohibits a contracting pharmacy from disclosing the MAC list and related information to a third party so that these issues can be subjected to an external review process (Insurance Division, etc).

Thank you for the opportunity to provide testimony on SB3104 SD2 HD2.

SB-3104-HD-2

Submitted on: 4/2/2018 9:04:28 AM

Testimony for FIN on 4/3/2018 1:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Richard S. Mejia	Times Supermarket Pharmacy	Support	No

Comments:

To the Honorable: Representative Sylvia Luke, Chair, Representative Ty J.K. Cullen, Vice Chair, and Members of the Committee on Finance.

I am writing to offer strong support for SB3104 SD2 HD2. The purpose and intent of this bill is to increase transparency and regulation to better manage the cost and access to prescription drugs for the patients we serve in our communities.

Please help us create a fair and equal playing field so that pharmacies and patients do not continue to be taken advantage of by PBMs. We believe this will be accomplished by:

- Establishing requirements and regulations for PBMs as well as MAC pricing.
- Requiring a PBM to disclose where an equivalent drug can be obtained at or below the MAC so that pharmacies are not dispensing prescriptions at a loss.
- Allowing contracting pharmacies to reverse and rebill claims if the MAC is denied on appeal.
- Clarifying and enforcing the penalties for violations of MAC requirements.
- Deleting a requirement that prohibits a contracting pharmacy from disclosing the MAC list and related information to a third party so that these issues can be subjected to an external review process (Insurance Division, etc).

Thank you for the opportunity to provide testimony on SB3104 SD2 HD2.

Sincerely,

Richard S Mejia

SB-3104-HD-2

Submitted on: 4/2/2018 1:33:20 PM

Testimony for FIN on 4/3/2018 1:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Melodie Aduja	Oahu County Committee on Legislative Priorities of the Democratic Party of Hawai'i	Support	No

Comments:

MOLOKAI DRUGS, INC.
P.O. Box 558
Kaunakakai, HI 96748-0558
Phone 808-553-5790

April 2, 2018

Re: Testimony in Support of SB3104

Dear Chair Luke, Vice Chair Cullen, and members of the House Finance Committee:

I am Kimberly Mikami Svetin, the president of Molokai Drugs. For 83 years, we have provided pharmacy services for over 7,000 residents on Molokai. We are the contracted pharmacy for the Molokai Community Health and provide services to Molokai General Hospital. We are accredited by the American Board for Certification in Orthotics, Prosthetics & Pedorthics and provide all durable medical equipment such as wheelchairs and electric beds on Molokai. We offer free delivery Monday through Friday to home-bound residents at Hale Mahaolu. We manage the medicine for over 700 residents through our synchronization program and provide special blister packaging for high-risk patients.

Our goals beyond pharmacy are to make patients compliant, improve patient safety, reduce costs for our patients and medical insurance companies, and develop even stronger relationships between the trifecta of physicians, patients, and pharmacy staff.

Until Medicare Part D started in 2006, HMSA provided the drug benefits for the majority of Molokai's residents. Every quarter, our pharmacy would receive a mailed "Maximum Allowable Cost" (or MAC) drug list from HMSA, which told us what price we could buy a drug. MAC prices are the top limits that a prescription drug benefit plan (or PBM) will pay Molokai Drugs for generic brands and brand name drugs that have generic drugs available (multi-source brands).

HMSA and other Hawaii-based insurance companies primarily use mainland-headquartered PBM companies. We have PBM contracts that mandate what we can and cannot say to our Legislators. Because of these contracts, I cannot show them to you or name the PBMs involved or risk our pharmacy not being able to dispense medicine in the State of Hawaii.

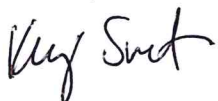
Our PBM drug contracts mandate that we cannot deny any prescription. **Molokai Drugs will fill every prescription sent to us, even medicine reimbursed under our cost.** This happens to our pharmacy every, single day. We fill and dispense each of the prescriptions without knowing what we would be reimbursed until after claims' processing. Without this medicine for these chronic situations, the patients could have gone to the emergency room, been air-ambulated off-island or died.

We have filled single prescriptions at a loss of -\$75.00 or more. We fill these prescriptions not knowing what we will be paid because the MAC pricing can change at any time with no warning.

As a rural pharmacy, we are asking for your support of SB3104 to help us have access to the costs of prescription drugs for our rural consumers. We are told by the PBMs what we should be able to find a drug priced at. We are not told where to buy the drug. SB3104 will allow Molokai Drugs to dispense medicine safely. This bill will also provide patients with access to their medicines since community pharmacies will know the price of the drug and will be able to maintain appropriate inventories, which is critical for us since our medicine has to be flown in by air several times a week.

Our 78 independent pharmacies are important pillars in Hawaii and give back to their communities, especially in rural areas such as Molokai. Mahalo for allowing us to testify on behalf of our Molokai patients.

Sincerely,



Kimberly Mikami Svetin, President
Molokai Drugs, Inc.

MOLOKAI DRUGS, INC.
P.O. Box 558
Kaunakakai, HI 96748-0558
Phone 808-553-5790

April 2, 2018

Re: Testimony in Support of SB3104

Dear Chair Luke, Vice Chair Cullen, and Members of the House Finance Committee:

My name is David Mikami, RPh, and I have been a rural community pharmacist on Molokai for 49 years. I have spent my entire professional life living and working in rural communities in Hawaii, Illinois, and Kansas. I became a pharmacist and moved to Molokai to specifically help the residents of my wife's home island.

I love my customers and I love what I do.

As a rural pharmacy owner, I am asking for your support of SB3104 to help us manage the cost and access to prescription drugs for your constituents on Molokai.

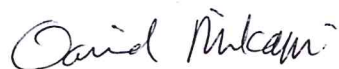
We are told by mainland-based pharmacy benefit management companies what we should be able to find a drug priced at. We are not told where to buy the drug. SB3104 will tell us where we can buy the drug.

We believe SB3104 will help Hawaii residents by providing patients with access to their medicines since community pharmacies will know the price of the drug and will be able to maintain appropriate inventories. Also, this legislation will help keep our 70+ community pharmacies on all of the six major Hawaiian Islands and 700+ employees employed and focused on helping our patients.

This legislation will increase regulation and transparency and help all Hawaii independent pharmacies service their patients, including our customers on Molokai.

Thank you for allowing me to submit testimony.

Sincerely,



David T. Mikami, RPh
Pharmacist-in-Charge and CEO
Molokai Drugs, Inc.
P.O. Box 558
Kaunakakai, HI 96748-0558



April 3, 2018

The Honorable Sylvia Luke, Chair
The Honorable Ty J. K. Cullen, Vice Chair
House Committee on Finance

Re: SB 3104, SD2, HD2 – Relating to Pharmacy Benefit Managers

Dear Chair Luke, Vice Chair Cullen, and Members of the Committee:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on SB 3104, SD2, HD2 that establishes requirements for pharmacy benefit managers (PBM) and maximum allowable cost, 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; and clarifies the available penalties for violations of maximum allowable cost requirements. HMSA continues to **oppose** SB 3104, SD2, HD2.

Pharmacy benefit managers play an important role in addressing the rising cost of pharmaceutical drugs. While we appreciate the previous Committee's amendments, we continue to feel that this bill undermines the intent of the existing PBM statute and poses administrative challenges to the PBM.

In order to more effectively and perhaps appropriately address the concerns being raised by the pharmacy community, we would respectfully ask the Committee to consider language that addresses the independent community pharmacies who are critical access points for rural communities across our state. To this point, we submit for your consideration the following amendment to Section 3 of the Bill, which defines contracting pharmacy:

"Contracting pharmacy" means an independent pharmacy that is not part of a regional or national chain, or part of a pharmacy services administration organization (PSAO), and there is no other pharmacy within a ten mile radius.

Thank you for allowing us to testify in opposition to SB 3104, SD2, HD2.

Sincerely,

Pono Chong
Vice-President, Government Relations

April 1, 2018

Support for SB3104

Dear Chair Luke, Vice Chair Cullen and Members of the Committee,

My name is Keri Oyadomari and I am a community pharmacist here in Honolulu for an independent pharmacy, 5 Minute Pharmacy. I am testifying my support for SB3104. Pharmacy Benefit Managers currently affect every aspect of a pharmacy's business operations. They work with both pharmacies and insurance providers in determining reimbursements for drugs that are dispensed. Pharmacy Benefits Managers set the amount that pharmacies are reimbursed for drugs.

According to previous legislation passed, the pharmacy has the right to appeal this reimbursement if it is below cost, within a designated time period. However, almost all of our appeals result in no success. Many independent pharmacies nationwide have been bought out or been forced to shut down because of this issue. As a pharmacist at an independent pharmacy, we are able to provide many beneficial and free services to our patients that larger corporations cannot. With the pattern of below cost reimbursements, it will be difficult to continue to provide free services, and furthermore stay in business.

We believe SB3104 will promote better transparency of prescription drug pricing for patients, healthcare providers and the community.

Thank you for the opportunity to submit testimony.

Sincerely,

Keri Oyadomari, Pharm.D.

April 1, 2018

Support for SB3104

Dear Chair Luke, Vice Chair Cullen and Members of the Committee,

My name is Derek Tengan and I am a pharmacist and a pharmacy owner of an independent pharmacy with four locations here on the island of Oahu. I am writing to testify my support for SB3104 relating to Pharmacy Benefit Mangers (PBMs).

Pharmacy Benefit Managers are the middlemen who determine how much a pharmacy is reimbursed for a drug. If a PBM were to reimburse a pharmacy below the pharmacy's purchasing cost, the pharmacy had the right to appeal and receive a decision within 14 days. We have been denied 90% of our appeals. I am the owner of an independent pharmacy with four locations. In the year 2017, we measured a total of 26,258 prescriptions that we dispensed in which we made less than zero dollars, or a negative profit. This means for 26,258 instances, we were reimbursed less than the amount we purchased the drug for. This negative profit does not take into account labor hours, utilities, and other expenses that any pharmacy will face. What we ask for as independent pharmacies is transparency from these larger, billion dollar corporations who do business in the state of Hawaii.

Passing SB3104 will help protect independent pharmacies statewide and furthermore continue to provide valuable personalized services to their communities. Please protect our patients and communities who depend on our services by supporting SB3104.

Thank you for the opportunity to submit testimony.

Sincerely,

Derek Tengan, Pharm.D.

SB-3104-HD-2

Submitted on: 3/30/2018 4:31:10 AM

Testimony for FIN on 4/3/2018 1:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Brian Carter	Individual	Support	No

Comments:

STRONGLY SUPPORT SB3104

I find it interesting tht a contract for my pharmacy has 35 pages of things I must do to fulfill my obligations to the PBM or insurance company and the payment responsibility of the PBM is summed up in 3 letters, MAC.

MAC is a mystery term used to mean maxim allowable cost. It is a mystery how it is calculated and changes at the whim of the insurer or PBM (most often the PBM).

In what industry does someone sign a contract that has no rational for determining payment? The pharmacy has things they HAVE to do but the PBM pays.....well....whatever they want. Even better the PBM which is determining payment for my pharmacy has a pharmacy of their own right up the street and there is NOTHING preventing them from paying themselves twice to three times as much for the same services.

Our community pharmacy return income from the community directly back into our communities. We need legislation to protect our patients access to medication because without substantial changes in the industry there will not be a community pharmacy to go to.

This situation is unfair and needs to be corrected as soon as possible.

Aloha,

Brian Carter RPh

SB-3104-HD-2

Submitted on: 3/30/2018 4:44:54 AM

Testimony for FIN on 4/3/2018 1:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Ronald Taniguchi, Pharm.D.	Individual	Support	No

Comments:

SB-3104-HD-2

Submitted on: 3/30/2018 1:56:30 PM

Testimony for FIN on 4/3/2018 1:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Megan Arbles	Individual	Support	No

Comments:

I am writing to offer strong support for SB 3104 with comments. The intent of this bill is to increase transparency and regulation to better manage the cost and access to prescription drugs for the patients we serve in our communities.

I am requesting that the amendments made in SB3104 SD2 HD1 be reconsidered because they oppose and disregard the original purpose and intent of this bill.

The purpose and intent of this bill is to create a fair and equal playing field so that pharmacies and patients do not continue to be taken advantage of by PBMs. I believe this will be accomplished by:

- Establishing requirements and regulations for PBMs as well as MAC pricing.
- Requiring a PBM to disclose where an equivalent drug can be obtained at or below the MAC so that pharmacies are not dispensing prescriptions at a loss.
- Allowing contracting pharmacies to reverse and rebill claims if the MAC is denied on appeal.
- Clarifying and enforcing the penalties for violations of MAC requirements.
- Deleting a requirement that prohibits a contracting pharmacy from disclosing the MAC list and related information to a third party so that these issues can be subjected to an external review process (Insurance Division, etc).

Thank you for the opportunity to provide testimony on SB3104.

SB-3104-HD-2

Submitted on: 3/31/2018 12:15:11 PM

Testimony for FIN on 4/3/2018 1:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
June Gustina	Individual	Support	No

Comments:

SB-3104-HD-2

Submitted on: 4/1/2018 8:16:11 PM

Testimony for FIN on 4/3/2018 1:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Tia Medeiros	Individual	Support	No

Comments:

To the Honorable: Representative Sylvia Luke, Chair, Representative Ty J.K. Cullen, Vice Chair, and Members of the Committee on Finance

My name is Tia Medeiros and I am a fourth year Student Pharmacist at the UH Hilo Daniel K. Inouye College of Pharmacy. I am writing to offer **strong support** for SB 3104, which will increase transparency and regulation to better manage the cost and access to prescription drugs for the patients we serve in our communities.

Local community pharmacies are being taken advantage of by PBMs and we are simply asking for an equal and fair playing field.

Thank you for the opportunity to provide testimony for the hearing on SB3104 (Tuesday, April 3, 2018 at 1:30 pm).

SB-3104-HD-2

Submitted on: 4/1/2018 9:42:01 PM

Testimony for FIN on 4/3/2018 1:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Marc M Matsumoto	Individual	Support	No

Comments:

Please consider passing this bill. Unfortunately, a lot of insurance companies are for-profit at the expense of the members or providers. Also, there does not seem to be a limit to the increase in costs. They even give incentives to their workers to sell more insurance so their company and shareholders can profit. This is reflected in the recent Amazon/Berkshire/JP Morgan effort to make their own insurance for their workers. Passing this bill will be a step in keeping the insurance companies in check.

SB-3104-HD-2

Submitted on: 4/1/2018 10:56:39 PM

Testimony for FIN on 4/3/2018 1:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Imai Chock	Individual	Support	No

Comments:

To the Honorable: Representative Sylvia Luke, Chair, Representative Ty J.K. Cullen, Vice Chair, and Members of the Committee on Finance.

I am a writing to offer strong support for SB3104 SD2 HD2. The purpose and intent of this bill is to increase transparency and regulation to better manage the cost and access to prescription drugs for the patients we serve in our communities.

Please help us create a fair and equal playing field so that pharmacies and patients do not continue to be taken advantage of by PBMs. We believe this will be accomplished by:

- Establishing requirements and regulations for PBMs as well as MAC pricing.
- Requiring a PBM to disclose where an equivalent drug can be obtained at or below the MAC so that pharmacies are not dispensing prescriptions at a loss.
- Allowing contracting pharmacies to reverse and rebill claims if the MAC is denied on appeal.
- Clarifying and enforcing the penalties for violations of MAC requirements.
- Deleting a requirement that prohibits a contracting pharmacy from disclosing the MAC list and related information to a third party so that these issues can be subjected to an external review process (Insurance Division, etc).

Thank you for the opportunity to provide testimony on SB3104 SD2 HD2.

SB-3104-HD-2

Submitted on: 4/1/2018 11:14:16 PM

Testimony for FIN on 4/3/2018 1:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Jenni Ueno	Individual	Support	No

Comments:

To the Honorable: Representative Sylvia Luke, Chair, Representative Ty J.K. Cullen, Vice Chair, and Members of the Committee on Finance.

I am writing to offer strong support for SB3104 SD2 HD2. The purpose and intent of this bill is to increase transparency and regulation to better manage the cost and access to prescription drugs for the patients we serve in our communities.

Please help us create a fair and equal playing field so that pharmacies and patients do not continue to be taken advantage of by PBMs. I believe this will be accomplished by:

- Establishing requirements and regulations for PBMs as well as MAC pricing.
- Requiring a PBM to disclose where an equivalent drug can be obtained at or below the MAC so that pharmacies are not dispensing prescriptions at a loss.
- Allowing contracting pharmacies to reverse and rebill claims if the MAC is denied on appeal.
- Clarifying and enforcing the penalties for violations of MAC requirements.
- Deleting a requirement that prohibits a contracting pharmacy from disclosing the MAC list and related information to a third party so that these issues can be subjected to an external review process (Insurance Division, etc).

Thank you for the opportunity to provide testimony on SB3104 SD2 HD2.

SB-3104-HD-2

Submitted on: 4/2/2018 6:36:25 AM

Testimony for FIN on 4/3/2018 1:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Dayna Wong-Otis	Individual	Support	No

Comments:

To the Honorable: Representative Sylvia Luke, Chair, Representative Ty J.K. Cullen, Vice Chair, and Members of the Committee on Finance.

I am writing to offer strong support for SB3104 SD2 HD2. The purpose and intent of this bill is to increase transparency and regulation to better manage the cost and access to prescription drugs for the patients we serve in our communities.

Please help us create a fair and equal playing field so that pharmacies and patients do not continue to be taken advantage of by PBMs. We believe this will be accomplished by:

- Establishing requirements and regulations for PBMs as well as MAC pricing.
- Requiring a PBM to disclose where an equivalent drug can be obtained at or below the MAC so that pharmacies are not dispensing prescriptions at a loss.
- Allowing contracting pharmacies to reverse and rebill claims if the MAC is denied on appeal.
- Clarifying and enforcing the penalties for violations of MAC requirements.
- Deleting a requirement that prohibits a contracting pharmacy from disclosing the MAC list and related information to a third party so that these issues can be subjected to an external review process (Insurance Division, etc).

Thank you for the opportunity to provide testimony on SB3104 SD2 HD2.

Dayna Wong-Otis, Pharm.D.

SB-3104-HD-2

Submitted on: 4/2/2018 8:23:15 AM

Testimony for FIN on 4/3/2018 1:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Ron Okamura	Individual	Support	No

Comments:

SB3104 SD2 HD2 will increase transparency and regulation to better manage the access and cost to prescription drugs for our State.

Strongly support this bill.

SB-3104-HD-2

Submitted on: 4/2/2018 8:50:44 AM

Testimony for FIN on 4/3/2018 1:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Jessica Ku	Individual	Support	No

Comments:

To the Honorable: Representative Sylvia Luke, Chair, Representative Ty J.K. Cullen, Vice Chair, and Members of the Committee on Finance.

I am writing to offer strong support for SB3104 SD2 HD2. The purpose and intent of this bill is to increase transparency and regulation to better manage the cost and access to prescription drugs for the **local** patients we serve in our communities.

Please help us create a fair and equal playing field so that **local Hawaii community pharmacies** and **local loyal** patients do not continue to be taken advantage of by PBMs and **large corporations with business centers on the mainland**.

We believe this will be accomplished by:

- Establishing requirements and regulations for PBMs as well as MAC pricing.
- Requiring a PBM to disclose where an equivalent drug can be obtained at or below the MAC so that pharmacies are not dispensing prescriptions at a loss.
- Allowing contracting pharmacies to reverse and rebill claims if the MAC is denied on appeal.
- Clarifying and enforcing the penalties for violations of MAC requirements.
- Deleting a requirement that prohibits a contracting pharmacy from disclosing the MAC list and related information to a third party so that these issues can be subjected to an external review process (Insurance Division, etc).

Thank you for the opportunity to provide testimony on SB3104 SD2 HD2.

SB-3104-HD-2

Submitted on: 4/2/2018 9:09:00 AM

Testimony for FIN on 4/3/2018 1:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Carolyn Ma	Individual	Support	No

Comments:

SB-3104-HD-2

Submitted on: 4/2/2018 9:17:00 AM

Testimony for FIN on 4/3/2018 1:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Aili Hallstone	Individual	Support	No

Comments:

To the Honorable: Representative Sylvia Luke, Chair, Representative Ty J.K. Cullen, Vice Chair, and Members of the Committee on Finance.

I am writing to offer strong support for SB3104 SD2 HD2. The purpose and intent of this bill is to increase transparency and regulation to better manage the cost and access to prescription drugs for the patients we serve in our communities.

Please help us create a fair and equal playing field so that pharmacies and patients do not continue to be taken advantage of by PBMs. We believe this will be accomplished by:

- Establishing requirements and regulations for PBMs as well as MAC pricing.
- Requiring a PBM to disclose where an equivalent drug can be obtained at or below the MAC so that pharmacies are not dispensing prescriptions at a loss.
- Allowing contracting pharmacies to reverse and rebill claims if the MAC is denied on appeal.
- Clarifying and enforcing the penalties for violations of MAC requirements.
- Deleting a requirement that prohibits a contracting pharmacy from disclosing the MAC list and related information to a third party so that these issues can be subjected to an external review process (Insurance Division, etc).

Thank you for the opportunity to provide testimony on SB3104 SD2 HD2.

SB-3104-HD-2

Submitted on: 4/2/2018 9:46:07 AM

Testimony for FIN on 4/3/2018 1:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Kevin Glick	Individual	Support	No

Comments:

I strongly support this bill. Pharmacy Benefit Managers have ignored the law as passed in 2015 regulating their pricing schemes and ignored the will of the Hawaii Legislature. Currently PBM's in Hawaii have the power to put community pharmacies out of business. I have contested over 2000 underpaid claims according to the law enacted in 2015 and less than 3% have been corrected according to the law. PBM's don't want any third party oversight regarding their behavior. While they consistently underpay pharmacies they can afford to purchase insurance carriers for billions of dollars. They are the only winners in this unregulated climate. Please pass this bill intact out of committee.

April 1, 2018

Support for SB3104

Dear Chair Luke, Vice Chair Cullen and Members of the Committee,

My name is Lauri Madanay and I am a clinical nurse specialist for 5 Minute Pharmacy here in Honolulu. I am testifying my support for SB3104. Pharmacy Benefit Managers currently affect every aspect of a pharmacy's business operations. They work with both pharmacies and insurance providers in determining reimbursements for drugs that are dispensed.

As the nurse for an independent pharmacy, I am able to provide many beneficial and free services to our patients that larger corporations cannot. I currently have over 80 patients that I provide a free service of long acting psych-injection administration to at their home or place of residence. I previously worked for a different independent pharmacy who was purchased last year by a larger chain pharmacy. Unfortunately they were not able to maintain my services after the purchase, so I found another independent pharmacy able to allow me to provide my services to my patients. My patients depend on my services to stay adherent with their anti-psychotic medications, and so does their families, caregivers and providers. Together as a care team, we keep these patients stable, adherent to their medication, and sometimes even off the streets. The pattern of below cost reimbursements will in the long run, potentially be detrimental for my patients should this pharmacy cease to be in business.

I believe SB3104 will promote better transparency of prescription drug pricing for patients and healthcare providers, and allow me to continue to provide free services for my patients.

Thank you for the opportunity to submit testimony.

Sincerely,

Lauri Madanay, RN

April 1, 2018

Support for SB3104

Dear Chair Luke, Vice Chair Cullen and Members of the Committee,

My name is Joo Kim and I am a Business Director and active member of the community here in Honolulu. I am testifying my support for SB3104. Pharmacy Benefit Managers currently affect every aspect of a pharmacy's business operations. They work with both pharmacies and insurance providers in determining reimbursements for drugs that are dispensed. SB3104 will provide transparency for these huge billion dollar corporations that operate in our state.

I believe SB3104 will promote better transparency of prescription drug pricing for patients, healthcare providers, and independent pharmacies statewide.

Thank you for the opportunity to submit testimony.

Sincerely,

Joo Kim

SB-3104-HD-2

Submitted on: 4/2/2018 1:06:15 PM

Testimony for FIN on 4/3/2018 1:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Melissa Machida	Individual	Support	No

Comments:

To the Honorable: Representative Sylvia Luke, Chair, Representative Ty J.K. Cullen, Vice Chair, and Members of the Committee on Finance.

I am writing to offer strong support for SB3104 SD2 HD2. The purpose and intent of this bill is to increase transparency and regulation to better manage the cost and access to prescription drugs for the patients we serve in our communities.

Please help us create a fair and equal playing field so that pharmacies and patients do not continue to be taken advantage of by PBMs. We believe this will be accomplished by:

- Establishing requirements and regulations for PBMs as well as MAC pricing.
- Requiring a PBM to disclose where an equivalent drug can be obtained at or below the MAC so that pharmacies are not dispensing prescriptions at a loss.
- Allowing contracting pharmacies to reverse and rebill claims if the MAC is denied on appeal.
- Clarifying and enforcing the penalties for violations of MAC requirements.
- Deleting a requirement that prohibits a contracting pharmacy from disclosing the MAC list and related information to a third party so that these issues can be subjected to an external review process (Insurance Division, etc).

Thank you for the opportunity to provide testimony on SB3104 SD2 HD2.

SB-3104-HD-2

Submitted on: 4/2/2018 5:47:26 PM

Testimony for FIN on 4/3/2018 1:30:00 PM



Submitted By	Organization	Testifier Position	Present at Hearing
VALERIE HENCKEL	Individual	Support	No

Comments:

To the Honorable: Representative Sylvia Luke, Chair, Representative Ty J.K. Cullen, Vice Chair, and Members of the Committee on Finance.

I am writing to offer strong support for SB3104 SD2 HD2. The purpose and intent of this bill is to increase transparency and regulation to better manage the cost and access to prescription drugs for the patients we serve in our communities.

Please help us create a fair and equal playing field so that pharmacies and patients do not continue to be taken advantage of by PBMs. We believe this will be accomplished by:

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- Requiring a PBM to disclose where an equivalent drug can be obtained at or below the MAC so that pharmacies are not dispensing prescriptions at a loss.
- Allowing contracting pharmacies to reverse and rebill claims if the MAC is denied on appeal.
- Clarifying and enforcing the penalties for violations of MAC requirements.
- Deleting a requirement that prohibits a contracting pharmacy from disclosing the MAC list and related information to a third party so that these issues can be subjected to an external review process (Insurance Division, etc).

Thank you for the opportunity to provide testimony on SB3104 SD2 HD2.

LATE

SB-3104-HD-2

Submitted on: 4/2/2018 8:28:24 PM

Testimony for FIN on 4/3/2018 1:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Carrie Shibata	Individual	Support	No

Comments:

To the Honorable: Representative Sylvia Luke, Chair, Representative Ty J.K. Cullen, Vice Chair, and Members of the Committee on Finance.

I am writing to offer strong support for SB3104 SD2 HD2. The purpose and intent of this bill is to increase transparency and regulation to better manage the cost and access to prescription drugs for the patients we serve in our communities.

Please help us create a fair and equal playing field so that pharmacies and patients do not continue to be taken advantage of by PBMs. We believe this will be accomplished by:

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- Requiring a PBM to disclose where an equivalent drug can be obtained at or below the MAC so that pharmacies are not dispensing prescriptions at a loss.
- Allowing contracting pharmacies to reverse and rebill claims if the MAC is denied on appeal.
- Clarifying and enforcing the penalties for violations of MAC requirements.
- Deleting a requirement that prohibits a contracting pharmacy from disclosing the MAC list and related information to a third party so that these issues can be subjected to an external review process (Insurance Division, etc).

Thank you for the opportunity to provide testimony on SB3104 SD2 HD2.

Carrie Shibata

Staff Pharmacist

Times Aiea Pharmacy