

Honolulu, Hawaii

FEB 14 , 2020

RE: H.B. No. 1609
H.D. 2

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirtieth State Legislature
Regular Session of 2020
State of Hawaii

Sir:

Your Committees on Consumer Protection & Commerce and
Judiciary, to which was referred H.B. No. 1609, H.D. 1, entitled:

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

beg leave to report as follows:

The purpose of this measure is to implement certain consumer
protections in the State's regulation of pharmacy benefit managers
by:

- (1) Establishing business practice and transparency
reporting requirements for pharmacy benefit managers;
- (2) Replacing the registration requirement for pharmacy
benefit managers with a licensing requirement; and
- (3) Increasing penalties for violations of the pharmacy
benefit managers law.

Your Committees received testimony in support of this measure
from the Hawaii Primary Care Association; Foodland Pharmacies;
Times Pharmacy; KTA Super Stores; The Queen's Health Systems;
Molokai Drugs, Inc.; Northshore Pharmacy; Princeville Pharmacy;
and thirteen individuals. Your Committees received testimony in
opposition to this measure from the Hawaii Medical Service
Association, Hawaii Association of Health Plans, and Cigna. Your



Committees received comments on this measure from the Department of the Attorney General, Department of Health, Department of Commerce and Consumer Affairs, Office of Information Practices, Hawaii Employer-Union Health Benefits Trust Fund, CVS Health, and Pharmaceutical Care Management Association.

Your Committees find that this measure is intended to help reduce the cost of prescription drugs for the benefit of Hawaii's people and bring much-needed transparency and accountability to pharmacy benefit managers in the State.

Your Committees have amended this measure by:

- (1) Clarifying that a pharmacy benefit manager may designate certain material in a transparency report as confidential and not subject to disclosure under the Uniform Information Practices Act (Modified), rather than designating the material as a trade secret, and permitting any person to appeal a denial of access to this information;
- (2) Requiring the Insurance Commissioner to publish transparency reports for each pharmacy benefit manager in a way that does not disclose confidential information, unless a court or the Office of Information Practices determines the information is required to be disclosed;
- (3) Clarifying the definition of "pharmacy benefit manager" in the pharmacy benefit manager law;
- (4) Specifying that a pharmacy benefit manager license is valid for one year, rather than three years;
- (5) Specifying that an application for licensure as a pharmacy benefit manager shall include any other documentation the Insurance Commissioner determines is necessary to ascertain the organization, background expertise, and financial integrity of the applicant;
- (6) Clarifying that the Insurance Commissioner's authority to discipline licensees includes the ability to refuse to issue a pharmacy benefit manager's license or impose fines in certain situations; and



- (7) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the records of votes of the members of your Committees on Consumer Protection & Commerce and Judiciary that are attached to this report, your Committees are in accord with the intent and purpose of H.B. No. 1609, H.D. 1, as amended herein, and recommend that it be referred to your Committee on Finance, in the form attached hereto as H.B. No. 1609, H.D. 2.

Respectfully submitted on
behalf of the members of the
Committees on Consumer
Protection & Commerce and
Judiciary,



CHRIS LEE, Chair



ROY M. TAKUMI, Chair



