

Honolulu, Hawaii

FEB 15 2019

RE: S.B. No. 1401  
S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Thirtieth State Legislature  
Regular Session of 2019  
State of Hawaii

Sir:

Your Committee on Commerce, Consumer Protection, and Health,  
to which was referred S.B. No. 1401 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:

- (1) Prohibit pharmacy benefit managers from engaging in self-serving business practices;
- (2) Replace the registration requirement for pharmacy benefit managers with a license requirement; and
- (3) Increase pharmacy benefit manager reporting requirements to the Insurance Commissioner.

Your Committee received testimony in support of this measure from KTA Super Stores; Paha Pharmacy; North Shore Pharmacy; Shiigi Drug Co., Inc.; Good Health Pharmacy; Times Supermarket Pharmacy; Hawaii Community Pharmacists; Medical Center Northshore Pharmacy; O'ahu County Committee on Legislative Priorities of the Democratic Party of Hawai'i; Hawaii Pharmacist Association; and seventeen individuals. Your Committee received comments on this measure from the Department of the Attorney General, Department of Commerce and Consumer Affairs, Office of Information Practices, and Pharmaceutical Care Management Association.



Your Committee finds that there is little to no oversight for pharmacy benefit managers and their business practices. The lack of transparency coupled with the lack of oversight has been a detriment to locally-owned, independent pharmacies. This measure establishes protections to ensure fair drug pricing for patients and health care providers.

Your Committee notes that it has requested the Department of Commerce and Consumer Affairs to produce information concerning other states that have provided oversight and licensure of pharmacy benefit managers to be further considered by your Committee on Ways and Means. Additionally, your Committee recommends that your Committee on Ways and Means consider a budget ceiling increase that may be required for the year this measure may ultimately become effective.

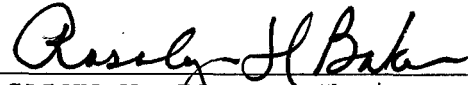
Your Committee has amended this measure by:

- (1) Clarifying that information provided under the transparency report to the Insurance Commissioner, and identifiable to a pharmacy benefit manager, is not disclosable as a public record, but permitting the Commissioner to report nonidentifiable aggregated information of multiple pharmacy benefit managers;
- (2) Increasing pharmacy benefit manager application and renewal fees and the penalty for failure to renew a license from \$140 to \$500;
- (3) Inserting an effective date of July 1, 2050, to encourage further discussion; and
- (4) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Commerce, Consumer Protection, and Health that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1401, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1401, S.D. 1, and be referred to your Committee on Ways and Means.



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



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ROSALYN H. BAKER, Chair



