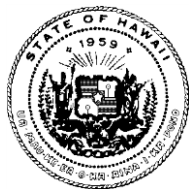


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February 11, 2019

TO: The Honorable Representative John M. Mizuno, Chair
House Committee on Health

The Honorable Representative Joy A. San Buenaventura, Chair
House Committee on Human Services and Homelessness

FROM: Pankaj Bhanot, Director

SUBJECT: **HB 668 – RELATING TO HEALTHCARE**

Hearing: Wednesday, February 13, 9:15 a.m.
Conference Room 329, State Capitol

DEPARTMENT'S POSITION: The Department of Human Services (DHS) appreciates the intent of the bill and offers comments. DHS has serious concerns regarding the requirement placed on the State to join the Sovereign States Drug Consortium (Consortium).

PURPOSE: The purpose of this bill is to require DHS to enroll Hawaii as a member of the Consortium in order to lower Medicaid purchasing and administrative costs to the State. The Consortium is a collaborative group of state Medicaid programs organized as a shared purchasing and rebate pool that is intended to leverage the purchasing power of its member states' collective Medicaid populations. The primary activity of the Consortium is a drug rebate program that negotiates for supplemental rebates that are in addition to those required under the federal Medicaid drug rebate program.

DHS supports the underlying goal of the bill, which is to lower Medicaid prescription drug costs. However, DHS has analyzed the benefits of enrolling in the Consortium and doubts that the State would see significant prescription drug cost savings. Furthermore, DHS would

have to make business process and system changes to enroll in the Consortium. These changes would require the employment of several new staff with specialized knowledge and experience.

Currently, the prescription drug benefit provided to MQD beneficiaries is managed by QUEST Integration (QI) health plans. The QI plans are responsible for negotiating supplemental rebates with drug manufacturers directly. The QI plans are required to report their supplemental rebates to MQD, and MQD adjusts their capitation payments to the QI plans to account for the supplemental rebates. MQD can make sure that the supplemental rebate savings are passed on to the State through this payment arrangement.

Enrolling in the Consortium would result in new DHS staffing and resource needs. One of the requirements of joining the Consortium is the use of a Preferred Drug List (PDL). A PDL is also known as a formulary; it is a list of prescription drugs, both generic and brand name, that are preferred and/or covered by a Medicaid program. DHS presently does not have need for a PDL because prescription drug coverage is managed by the QI plans. DHS would need to hire at least two additional full-time pharmacists as well as policy and clerical support to establish and maintain a PDL. The administrative budget for MQD would have to be raised from a staffing and resource perspective to participate in the Consortium.

The QI program is a comprehensive managed care program. One of the virtues of a comprehensive managed care program is the ability for a health plan to coordinate care for all of a beneficiary's health care needs. This includes pharmacy. DHS believes that continuing to keep the prescription drug benefit under the management of QI plans helps the QI plans better manage the health of their beneficiaries. Enrolling in the Consortium could disrupt QI plans' efforts.

DHS supports the goal of the bill to keep Medicaid prescription drug costs low. The QI plans have experienced success in negotiating supplemental rebates in recent years. Requiring DHS to enroll in the Consortium may not be the most cost-effective approach to prescription drug cost management at this time. However, DHS acknowledges that enrollment in the Consortium in the future may be a good option and suggests that the best course of action be to continue to monitor QI plan progress on supplemental rebates.

Thank you for the opportunity to testify.



O`ahu County Committee on Legislative Priorities

COMMITTEE ON HEALTH

Rep. John M. Mizuno, Chair
Rep. Bertrand Kobayashi, Vice Chair

COMMITTEE ON HUMAN SERVICES & HOMELESSNESS

Rep. Joy A. San Buenaventura, Chair
Rep. Nadine K. Nakamura, Vice Chair

DATE: Wednesday, February 13, 2019

TIME: 9:15 a.m.

PLACE: Conference Room 329, State Capitol

RE: HB 668 Relating to Healthcare

To the Honorable John M. Mizuno, Chair, the Honorable Bertrand Kobayashi Vice Chair, and Members of the Committee on Health, and

To the Honorable Joy A. San Buenaventura, Chair; the Honorable Nadine K. Nakamura, Vice Chair, and the Members of the Committee on Human Services & Homelessness:

My name is Melodie Aduja and I serve as Chair of the O`ahu County Committee on Legislative Priorities of the Democratic Party of Hawai`i. Mahalo nui loa for this opportunity to provide testimony on HB 668. The O`ahu County Committee on Legislative Priorities (OCCLP) of the Democratic Party of Hawai`i (DPH) hereby submits its testimony in **SUPPORT of HB 668 relating to Healthcare.**

HB 668 requires the Department of Human Services to enroll Hawaii as a member in the Sovereign States Drug Consortium to lower medicaid purchasing and administrative costs to the State.

DPH believes that healthcare is a right, not a privilege, and our healthcare system must put people before profits. The high costs of insurance and insufficient coverage mean that many people do not have access to the care they need, which creates devastating social costs that are also a significant economic burden to the State.

Therefore, DPH supports robust funding of the Hawai'i Health Authority (HHA) or other State Health Agency to design a statewide, unified, cost-effective healthcare system that includes comprehensive healthcare services for all, and then submit that design to the legislature for evaluation.

Such a universal, comprehensive healthcare system would: (1) Unify the delivery of healthcare in Hawai'i by establishing a single network, benefit structure, reimbursement system, drug formulary, and prior authorization policies; (All state-regulated payers would be required to pay into this unified system, including Medicaid, Medicare Advantage, and health insurance provided by the state and counties, and commercial health insurance plans funded by employers and individuals.); (2) provide parity of mental and physical health coverage; (3) provide cost-effective regulation of comprehensive health care delivery systems with an administrative overhead of less than 3%; (4) include and protect all women's healthcare needs including reproductive rights and the healthcare needs of the LGBTQIA community; (5) provide preventative health programs; (6) provide long-term care, dental, and vision care; and (7) provide healthcare to Compact of Free Association (Federated States of Micronesia, the Marshall Islands, and Palau) (COFA) citizens and other non-citizens lawfully residing in Hawai'i on an equal basis with US citizens and permanent residents.

DPH urges Hawai'i's Medicaid Program to join an existing multi-state prescription drug discount purchasing group as Medicaid, and then, via the HHA's or other State Health Agency's ability to create a unified statewide system, enable delivery of that discount to all state residents.

On the Federal level, we support a universal single-payer healthcare system similar to or better than HR 676, Expanded and Improved Medicare For All, wherein all individuals residing in the United States and U.S. territories are provided with comprehensive healthcare services.

DPH supports the crack down on price gouging by drug companies and cap the amount that consumers have to pay out-of-pocket every month on prescription drugs. We will prohibit anti-competitive "pay for delay" deals that keep generic drugs off the market, and we will allow individuals, pharmacists, and wholesalers to import prescription drugs from licensed pharmacies in Canada and other countries with appropriate safety protections. Democrats will also fight to make such that Medicare will negotiate lower prices with drug manufacturers. *Democratic Party of Hawai'i Platform (2018), p. 11, ln. 14-49.*

For the foregoing reasons, to wit, having Hawai'i's Medicaid Program join an existing multi-state prescription drug discount purchasing group as Medicaid, via the HHA's or other State Health Agency's ability to create a unified statewide system, to enable delivery of that discount to all state residents, OCCLP supports HB 668 and urges its passage out of the Committee on Health and Committee on Human Services & Homelessness.

Mahalo nui loa

Me ka `oia`i`o

/s/ *Melodie Aduja*

Melodie Aduja

Chair, O`ahu County Committee on Legislative Priorities of the Democratic Party of
Hawai`i

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HB-668

Submitted on: 2/11/2019 10:10:31 AM

Testimony for HLT on 2/13/2019 9:15:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Ian	Individual	Support	No

Comments: