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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 SENATE COMMITTEES ON GOVERNMENT OPERATIONS AND LABOR,
CULTURE, AND THE ARTS
ON SENATE CONCURRENT RESOLUTION NO. 114

March 25, 2021
3:00 p.m.
Conference Room 016 & Via Videoconference

REQUESTING THE AUDITOR, HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND, AND MED-QUEST DIVISION TO PROVIDE INFORMATION TO THE LEGISLATURE REGARDING THE COSTS AND BENEFITS OF RELYING ON A SINGLE PROVIDER TO FULFILL PRESCRIPTION MEDICATION.

Chairs Morikami and Taniguchi, Vice Chairs Dela Cruz and Ihara, and Members of the Committee:

The Hawaii Employer-Union Health Benefits Trust Fund (EUTF) Board of Trustees would like to raise concerns about this resolution.

The EUTF contracts with a national pharmacy benefits manager (PBM), CVS, to provide administrative services such as claims processing, use of their network, utilization management programs, and formulary management. EUTF is not aware of any local PBMs nor has any proposed when RFPs have been issued. Additionally, HMSA as the largest medical insurer in the State also contracts similar services to CVS as their PBM.

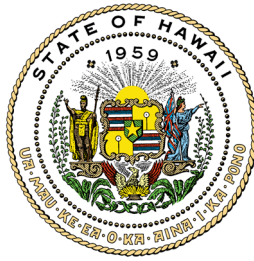
The resolution claims that the EUTF contracts with CVS as the single pharmacy provider to fulfill pharmacy benefits for EUTF members. This is not the case. The CVS

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.

has a network that includes over 93% of pharmacies in Hawaii, excluding Kaiser and military pharmacies. The network includes large retail chains such as Longs, Costco, Walgreens, Walmart and Safeway and local chain pharmacies such as KTA and Times. In addition, the CVS network also include local independent pharmacies in urban and rural areas such as Molokai Drugs, Rainbow Pharmacy (Lanai), Kamehameha Pharmacy (Kohala) Shiigi Drug (Hilo), Westside Pharmacy (Hanapepe), and Koolauloa Pharmacy (Kahuku). EUTF members can fill in-network at all these pharmacies and more. Over the past 12 months, approximately 99.95% of all claims have been filled at an in-network pharmacy. Lastly, the EUTF PBM's network is open to all pharmacies.

While the EUTF does not oppose a review by the Auditor, the initiation of an audit should be to address a problem. There does not appear to be a problem based on the high percentage of pharmacies in Hawaii in the CVS network and nearly 100% of EUTF member prescriptions being filled at in-network pharmacies.

Thank you for the opportunity to testify.



SENATE COMMITTEE ON GOVERNMENT OPERATIONS

The Honorable Sharon Y. Moriwaki, Chair
The Honorable Donovan M. Dela Cruz, Vice Chair

SENATE COMMITTEE ON LABOR, CULTURE AND THE ARTS

The Honorable Brian T. Taniguchi, Chair
The Honorable Les Ihara, Jr., Vice Chair

**S.C.R. NO. 114, REQUESTING THE AUDITOR, HAWAII EMPLOYER-UNION
HEALTH BENEFITS TRUST FUND, AND MED-QUEST DIVISION TO PROVIDE
INFORMATION TO THE LEGISLATURE REGARDING THE COSTS AND BENEFITS
OF RELYING ON A SINGLE PROVIDER TO FULFILL PRESCRIPTION
MEDICATION**

Hearing: Thursday, March 25, 2021, 3:00 p.m.

The Office of the Auditor takes **no position** on S.C.R. No. 114 and offers the following comments.

The resolution requests the Auditor to conduct a study that analyzes the costs and benefits of the Hawai'i Employer-Union Health Benefits Trust Fund relying on a single provider to fulfill prescription drugs. The study would include an examination of the immediate cost savings of relying on a single provider to fulfill prescription drugs against the long-term cost of potentially losing independent community pharmacies, including: (1) The costs of losing pharmacies in rural communities that have accumulated generations of knowledge about the communities that they serve; and (2) Costs to Hawai'i Employer-Union Health Benefits Trust Fund members who live in locations that do not have convenient access to the single provider.

The Office of the Auditor was established to conduct audits of state departments, offices, and agencies. Our work primarily is performance audits, meaning we evaluate a department or program's operations against appropriate criteria, such as relevant statutes, administrative rules, policies, procedures, and best practices, to assist the Legislature and the departments with improving program performance, reducing costs, and facilitating greater efficiency in state government.

Our sister-agency, the Legislative Reference Bureau, among other things, conducts studies and impartial policy and legal research upon request by the Legislature. We respectfully suggest the study requested is better addressed by that agency.

Thank you for considering our testimony related to S.C.R. No. 114.

Times Supermarket and Times Pharmacy Strongly Support SCR114

Aloha Chair Moriwaki, Chair Taniguchi, Vice Chair Dela Cruz, and Vice Chair Ihara Jr.,

The Pharmacy Benefit Manager (PBM) market has become a highly consolidated industry whose focus is not on serving consumers but on increasing company profits. Egregious and anti-competitive behavior on the part of the major PBMs has caused drug costs to skyrocket and harmed consumers and local community pharmacies.

Three PBMs-Optum Rx, Express Scripts, and CVS Caremark-control 85% of the PBM market according to the President's Council of Economic Advisors. The Council also observed "Over 20% of spending on prescription drugs was taken in as profit by the pharmaceutical distribution system. The size of manufacturer rebates and the percentage of the rebate passed on to health plans and patients are secret." There are also numerous conflicts of interest, the most significant are rebates - when PBMs can share in rebates they want higher not lower drug prices. PBMs have their own pharmacies and drive consumers from their community pharmacy to the PBM owned pharmacy.

PBM rebates are based on a percentage of the list price of drugs, therefore PBMs inflate the list price and steer patients to drugs where PBM's profit, not patients. PBM rebates - thanks to lack of competition and transparency - now exceed \$150 billion per year, but that increase has not resulted in lower prices for patients.

PBMs overcharge states and fail to pass along discounts. Ohio State Auditor found that the PBM OptumRx earned over \$223 million between April 2017 and March 2018. Kentucky found that hidden PBM fees accounted for \$125 million in costs to taxpayers. And between April 2017 and April 2018, PBMs overcharged New York taxpayers by over \$200 million. Innovative new therapies are also sent to the back of the line for consumer access.

PBMs use hidden fees (among other tactics) to increase their revenue. According to Pew Charitable Trust, PBMs nearly quadrupled fees they charged biopharmaceutical companies between 2014 and 2016. Growth in alternate PBM revenue streams, such as spread pricing and administrative fees, increased from \$5.9 billion in 2012 to \$16.6 billion in 2016.

PBMs aggressively fight transparency which is the main reason why there is no meaningful regulation of PBMs. There are at most 5-6 states that require PBMs to register, but there is no regulation of rebates, transparency, or conflicts of interest.

Local residents and local businesses, your constituents, are being ripped off due to these unethical business practices. I would not be surprised if the state's EUTF program is getting ripped off as well. Just look at the hundreds of millions of taxpayer dollars that other states have found going straight into the PBM's pocket. Please look into the PBM issues, get educated, and help protect Hawaii. Thank you for the opportunity to provide testimony on SCR114.