

JAN 21 2022

S.B. NO. 2874

A BILL FOR AN ACT

RELATING TO REVERSE AUCTION PROCUREMENT.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that, in 2016, New Jersey
2 became the first state in the country to implement an automated
3 reverse auction procurement method to select a pharmacy benefit
4 manager to administer prescription drug benefits for its nearly
5 eight hundred thousand employees, dependents, and retirees. The
6 reverse auction procurement model deployed in New Jersey
7 standardized many steps in the procurement process. For
8 example, before pharmacy benefit managers could compete, they
9 had to agree up front to certain standardized contractual terms
10 prescribed by the state, including drug formularies, plan
11 design, and member cost sharing. This resulted in pharmacy
12 benefit managers competing on price alone via New Jersey's
13 state-of-the-art technology platform, which allowed those
14 competing to dynamically bid and counter-bid against one another
15 over multiple rounds of bidding, with the exclusive agreement
16 awarded to the lowest bidder. The New Jersey technology
17 platform can also review invoices from the winning pharmacy



1 benefit manager and flag errors and overcharges, enabling
2 certain electronic audits to be completed in a number of hours.
3 According to data from New Jersey, the selection of the pharmacy
4 benefit manager using the automated reverse auction procurement
5 process took two months, compared to the six or more months it
6 would normally take on average using the traditional request for
7 proposal process, and is projected to save the state
8 approximately \$2.5 billion by 2022, without requiring members to
9 pay more out of pocket for prescription drugs.

10 The legislature therefore finds that a comprehensive study
11 is warranted to address the comparative application of the
12 reverse auction method for Hawaii's procurement of a pharmacy
13 benefit manager to administer prescription drug benefits for
14 state employees, dependents, and retirees, and whether the State
15 could realize similar savings.

16 The purpose of this Act is to require the Hawaii employer-
17 union benefits trust fund board of trustees to conduct a
18 comprehensive study that includes but is not limited to issues
19 related to the feasibility, administrative processes and
20 requirements, and potential cost-savings that could be realized
21 if the State implemented a technology-based strategy similar to



1 New Jersey that features an online reverse auction process to
2 procure a pharmacy benefit manager to administer prescription
3 drug benefits for its members and beneficiaries, without
4 imposing any cuts in benefits or shifting of costs.

5 SECTION 2. (a) The Hawaii employer-union benefits trust
6 fund board of trustees shall conduct a comprehensive study that
7 includes but is not limited to issues related to the
8 feasibility, administrative processes and requirements, and
9 potential cost-savings that could be realized if the State
10 implemented an automated reverse auction method, similar to that
11 of New Jersey, for the procurement of a pharmacy benefit manager
12 to administer its prescription drug benefits for its members and
13 beneficiaries.

14 (b) The Hawaii employer-union benefits trust fund board of
15 trustees shall consult with any appropriate state departments,
16 agencies, or other stakeholders to obtain necessary data or
17 information to complete the comprehensive study.

18 (c) The Hawaii employer-union benefits trust fund board of
19 trustees shall complete the comprehensive study no later than
20 January 1, 2023, and shall submit a report of its findings and
21 recommendations, including any proposed legislation, to the

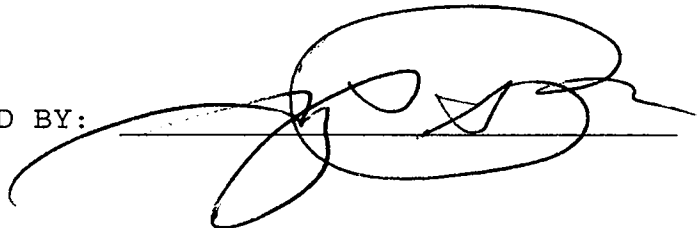


1 legislature no later than twenty days prior to the convening of
2 the regular session of 2023.

3 SECTION 3. This Act shall take effect upon its approval.

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INTRODUCED BY: _____

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S.B. NO. 2874

Report Title:

Hawaii Employer-Union Health Benefits Trust Fund Board of Trustees; Comprehensive Study; Pharmacy Benefit Management Services; Procurement; Reverse Auction; Report

Description:

Requires the Hawaii Employer-Union Health Benefits Trust Fund Board of Trustees to conduct a comprehensive study related to the feasibility, administrative processes and requirements, and potential cost-savings that could be realized if the State utilized an automated reverse auction method for the procurement of a pharmacy benefit manager to administer prescription drug benefits for state employees, dependents, and retirees. Requires a report to the legislature.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

