STAND. COM. REP. NO. 622

Honolulu, Hawaii MAR 04 2021

RE: S.B. No. 975 S.D. 1

Honorable Ronald D. Kouchi President of the Senate Thirty-First State Legislature Regular Session of 2021 State of Hawaii

Sir:

Your Committee on Commerce and Consumer Protection, to which was referred S.B. No. 975, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO PHARMACY AUDITS,"

begs leave to report as follows:

The purpose and intent of this measure is to establish procedures and rules for pharmacy audits that are necessary to prevent unfair pharmacy auditing practices.

Your Committee received testimony in support of this measure from the National Community Pharmacists Association, Times Supermarket and Times Pharmacy and one individual. Your Committee received testimony in opposition to this measure from CVS Health and Kaiser Permanente Hawaii.

Your Committee finds that although pharmacy audits are a necessary practice to identify fraud, abuse, and wasteful spending, they are often abused by pharmacy benefit managers (PBMs) to generate additional revenue sources for themselves at the expense of independent pharmacies, plan sponsors, taxpayers, and most importantly, patients. According to testimony received by your Committee, PBMs routinely go beyond the intent of the pharmacy audit and target community pharmacies and recoup money for harmless clerical errors where the correct medication was properly dispensed and no financial harm was incurred.



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Your Committee further finds that not only have PBMs increasingly hired third party entities to conduct pharmacy audits, but PBMs also compensate these entities based on the amount of discrepancies they find and the amount of money they can help PBMs recoup. Your Committee recognizes that local pharmacies do not have the resources to keep contesting audit discrepancies, especially when the PBM refuses to overturn their decision, even after the pharmacy has provided sufficient documentation. This measure will help prevent abusive pharmacy auditing practices conducted by PBMs, health providers, insurance companies, third party payors, and any entity that represents these companies or groups.

As affirmed by the record of votes of the members of your Committee on Commerce and Consumer Protection that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 975, S.D. 1, and recommends that it pass Third Reading.

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

ROSALYN H. (BAKER, Chair



The Senate Thirty-First Legislature State of Hawaiʻi

Record of Votes Committee on Commerce and Consumer Protection CPN

Bill / Resolution No.:*	Committee Referral:		D	Date:	
5B975 5DI	5 SDI HTH, CPN		0	02.23.2021	
The Committee is reconsidering its previous decision on this measure.					
The Recommendation is:					
Pass, unamended Pass, with amendments Hold Recommit 2312 2311 2310 2313					
Members		Ауе	Aye (WR)	Nay	Excused
BAKER, Rosalyn H. (C)					
CHANG, Stanley (VC)		/			
MISALUCHA, Bennette E.		/			
NISHIHARA, Clarence K.		/			
RIVIERE, Gil		/			
SAN BUENAVENTURA, JOY A	۱.	/			
FEVELLA, Kurt					
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TOTAL		7	_	-	
Recommendation: Adopted Not Adopted					
Chair's or Designee's Signature:					
Clorene K hichikan					
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy					

*Only <u>one</u> measure per Record of Votes