

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.



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,

  
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ROSALYN H. BAKER, Chair



