

JAN 23 2025

A BILL FOR AN ACT

RELATING TO CONSUMER PROTECTION.

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

1 SECTION 1. The legislature finds that the federal 340B
2 drug pricing program is essential for providing Hawaii's
3 low-income and uninsured populations with access to healthcare
4 and medications. The federal program requires drug
5 manufacturers to offer significant discounts on outpatient
6 medications to eligible nonprofit hospitals and safety net
7 providers, rural hospitals, community health centers, and Native
8 Hawaiian health centers.

9 The legislature further finds that the 340B drug pricing
10 program helps healthcare providers stretch limited resources,
11 allowing hospitals to reinvest savings into essential community
12 benefits. These benefits include financial assistance for
13 low-income patients, free wellness visits, screenings,
14 vaccinations, transportation to appointments, health education
15 classes, and workforce development programs. In Hawaii, the
16 drug pricing program also helps support unique services, like



1 the integration of Native Hawaiian health practices into patient
2 care.

3 The legislature recognizes that, despite the importance of
4 the drug pricing program, drug manufacturers have consistently
5 tried to undermine its benefits. Since 2020, some drug
6 manufacturers have limited the ability of 340B entities to
7 prescribe drugs through contract pharmacies. This is an unfair
8 practice that creates a barrier to health care, especially for
9 patients in rural areas, where many hospitals do not have
10 in-house pharmacies. More than eighty per cent of rural 340B
11 hospitals nationwide rely on contract pharmacies to dispense
12 medications to patients who might otherwise go without
13 critically needed treatments.

14 The legislature notes that contract pharmacies are
15 particularly crucial in Hawaii, where geographic isolation makes
16 it difficult for many residents to access medications.
17 Partnering with contract pharmacies in the State's rural
18 communities allows hospitals, federally qualified health centers
19 and federal Ryan White program participants to ensure that their
20 patients receive their prescribed medications without needing to
21 travel long distances. Additionally, the partnerships provide



1 Hawaii's patients access to some specialty drugs that are only
2 available through specific pharmacy channels.

3 The legislature believes that the restrictions imposed by
4 drug manufacturers on contract pharmacy partnerships not only
5 limit patients' access to affordable medications but also
6 jeopardize the financial status of critical healthcare
7 providers. Hospitals, federally qualified health centers, and
8 federal Ryan White program participants rely on the opportunity
9 to reinvest in their operations the difference between the 340B
10 discounted drug price and the amount reimbursed by insurance.
11 Without access to contract pharmacies, hospitals face reduced
12 savings, which could result in cutbacks to essential healthcare
13 programs.

14 Accordingly, the purpose of this Act is to preserve the
15 integrity of the 340B program and prevent unfair practices that
16 are harmful to consumers by:

17 (1) Prohibiting covered entities in the State from
18 entering into contracts with drug manufacturers that
19 limit the covered entities' use of contract
20 pharmacies;



- 1 (2) Voiding contract provisions that are based on the
2 maximum allowable cost payment model; and
3 (3) Authorizing the attorney general to bring a civil
4 action for violations of this Act.

5 SECTION 2. Chapter 481B, Hawaii Revised Statutes, is
6 amended by adding a new section to part I to be appropriately
7 designated and to read as follows:

8 "§481B- 340B contract pharmacies; maximum allowable
9 cost basis; prohibited. (a) Beginning June 30, 2025:

- 10 (1) No 340B covered entity in the State shall enter into a
11 contract with a drug manufacturer, wholesale
12 distributor, or an agent or affiliate of a drug
13 manufacturer or wholesale distributor, if provisions
14 of the contract directly or indirectly restrict or
15 prohibit the acquisition of a 340B drug through a
16 contract pharmacy, unless the acquisition of that drug
17 through a contract pharmacy is prohibited by the
18 United States Department of Human Services; and
19 (2) Any provision of a contract entered into for a drug
20 sold based on the maximum allowable cost payment



1 model, where the payment model was in effect on or
2 before June 30, 2025, shall be void.

3 (b) In addition to any other remedy authorized by
4 section 481B-25, the attorney general may bring a civil action
5 on behalf of any person or persons whose rights under this
6 section have been violated, against any person responsible for
7 violating this section.

8 (c) For purposes of this section:

9 "340B covered entity" means an entity that participates in
10 the 340B drug discount program authorized by 42 United States
11 Code section 256b.

12 "340B drug" means a drug dispensed by a pharmacy and
13 purchased by a 340B covered entity through the 340B drug
14 discount program authorized by 42 United States Code section
15 256b.

16 "Contract pharmacy" means a pharmacy that is not owned or
17 operated by a covered entity but is contracted with to dispense
18 prescription drugs to eligible patients.

19 "Manufacturer" has the same meaning as defined in
20 section 328-112.



1 "Maximum allowable cost" is a payment model for generic
2 drugs that specifies the maximum amount that a pharmacy can be
3 reimbursed for a specific generic drug, regardless of a
4 manufacturer's price.

5 "Pharmacy" has the same meaning as defined in
6 section 461-1.

7 "Wholesale distributor" has the same meaning as defined
8 in section 328-112."

9 SECTION 3. This Act does not affect rights and duties that
10 matured, penalties that were incurred, and proceedings that were
11 begun before its effective date.

12 SECTION 4. New statutory material is underscored.

13 SECTION 5. This Act shall take effect upon its approval.

14

INTRODUCED BY: RBA



S.B. NO. 1280

Report Title:

Consumer Protection; 340B Drug Discount Program; Maximum Allowable Cost

Description:

Prohibits covered entities in the State from entering into contracts with drug manufacturers that limit the covered entities' use of contract pharmacies. Voids contract provisions for certain drugs if the provisions are based on the maximum allowable cost payment model. Authorizes the attorney general to bring a civil action for violations.

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

