



JOSH GREEN, M.D.
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SYLVIA LUKE
LIEUTENANT GOVERNOR | KA HOPE KIA'ĀINA

STATE OF HAWAII | KA MOKU'ĀINA 'O HAWAI'I
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
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Testimony of the Department of Commerce and Consumer Affairs

Before the
House Committee on Health
Wednesday, March 12, 2025
9:00 a.m.

State Capitol, Conference Room 329 & via Videoconference

On the following measure:
S.B. 1509, S.D. 1, RELATING TO PRESCRIPTION DRUGS

Chair Takayama, and Members of the Committee:

My name is Jerry Bump, and I am the Acting Insurance Commissioner of the Department of Commerce and Consumer Affairs' (Department) Insurance Division. The Department offers comments on this bill.

The purpose of this bill is to (1) require health insurers and pharmacy benefit managers (PBMs) to reduce an enrollee's defined cost sharing for a prescription drug by a price amount equal to at least one hundred per cent of all rebates received, or to be received, in connection with the dispensing or administration of the prescription drug; (2) require a PBM to submit a certification to the Insurance Commissioner by January 1 of each calendar year certifying compliance with the cost sharing requirements; (3) establish protections for the publishing of certain confidential or proprietary information by health insurers, PBMs, or plan sponsors that perform health care or administrative services on behalf of a health insurer or PBM; (4) require that the final reimbursement paid to a pharmacy by a PBM shall be in an amount not less than the

national average drug acquisition cost for the prescription drug at the time the drug is dispensed, plus a professional dispensing fee in an amount not less than the most recent Hawai'i Medicaid dispensing fee as approved by the Centers for Medicare and Medicaid Services; and (5) prohibit a PBM from offering reimbursement rates or incentives to a non-affiliated pharmacy in an amount less than those offered to an affiliated pharmacy for providing the same prescription drug.

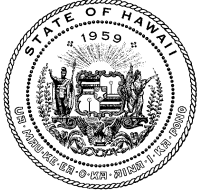
Section 1 of the bill applies to health care insurers under chapter 431:10A and requires those entities to share the benefits of prescription drug rebates with enrollees in the state. We note that it is unclear whether the new part created by section 1 is intended to be applicable to mutual benefit societies under chapter 432 and health maintenance organizations under chapter 432D.

Section 3 of the bill applies to PBMs and requires those entities to (1) share the benefit of rebates with enrollees in the State, (2) file a certification with the Insurance Commissioner on January 1 of each year, (3) reimburse pharmacies a certain minimum amount, and (4) offer non-affiliated pharmacies the same reimbursement rates as affiliated pharmacies. The Department notes that HRS chapter 431S requires PBMs to register with the Insurance Division and contains no provisions to authorize the Insurance Division to enforce requirements created by section 3 of the bill. Additionally, the Insurance Division would need funding and resources to determine the final reimbursement to pharmacies as described on Page 13, lines 5 to Page 14, lines 1 to 2.

For the Committee's information, Hawaii Revised Statutes section 23-51 provides, in part, that "[b]efore any legislative measure that mandates health insurance coverage for specific health services, specific diseases, or certain providers of health care services as part of individual or group health insurance policies, [sic] can be considered, there shall be concurrent resolutions passed requesting the auditor to prepare and submit to the legislature a report that assesses both the social and financial effects of the proposed mandated coverage." The assessment report under Hawaii Revised Statutes 23-52 is required to include, in part, the extent to which insurance coverage of the health care service can be reasonably expected to increase or

decrease the insurance premium and the impact of this coverage on the total cost of health care.

Thank you for the opportunity to testify.



**STATE HEALTH PLANNING
AND DEVELOPMENT AGENCY**
DEPARTMENT OF HEALTH - KA 'OIHANA OLAKINO

JOSH GREEN, M.D.
GOVERNOR OF HAWAII
KE KIA'ĀINA O KA MOKU'ĀINA 'O HAWAII

KENNETH S. FINK, MD, MGA, MPH
DIRECTOR OF HEALTH
KA LUNA HO'OKELE

JOHN C. (JACK) LEWIN, M.D.
ADMINISTRATOR

March 11, 2025

To: HOUSE COMMITTEE ON HEALTH
Representative Gregg Takayama, Chair
Representative Sue L. Keohokapu-Lee Loy, Vice Chair and
Honorable Members

From: Jack Lewin MD, Administrator, SHPDA and
Sr. Advisor to Governor Josh Green MD on Healthcare Innovation

Regarding: **SB1509 – Relating to Prescription Drugs**

Hearing: Wednesday, March 12, 2025 @ 9:00 am

Position: SUPPORT

Testimony:

SHPDA strongly supports this measure which requires health insurers and pharmacy benefit managers (PBMS) to reduce an enrollee's defined cost sharing for a prescription drug by a price amount equal to at least 100 per cent of all rebates received, or to be received, in connection with the dispensing or administration of the prescription drug. It also requires a pharmacy benefit manager (PBM) to submit a certification to the Insurance Commissioner by January 1 of each calendar year certifying compliance with the cost sharing requirements.

Many states have enacted similar legislation due to concerns about PBM practices which create adverse "rebate" incentives that increase costs for the patient-consumer over the actual and more affordable price that could otherwise be offered. This practice, in turn, also increases healthcare costs to purchasers of healthcare, including state governments.

Thank you for the opportunity to testify.

TESTIMONY OF MILIA LEONG

COMMITTEE ON HEALTH
Representative Gregg Takayama, Chair
Representative Sue L. Keohokapu-Lee Loy, Vice Chair

Wednesday, March 12, 2025
9:00 a.m.

SB 1509, SD1

Chair Takayama, Vice Chair Keohokapu-Lee Loy, and members of the Committee on Health, my name is Milia Leong, Executive Claims Administrator for HEMIC Insurance Managers, Inc., and Chair of the Workers' Compensation Policy Committee for Hawaii Insurers Council. The Hawaii Insurers Council is a non-profit trade association of property and casualty insurance companies licensed to do business in Hawaii. Member companies underwrite approximately forty percent of all property and casualty insurance premiums in the state.

Hawaii Insurers Council **opposes** this bill. Over the counter drugs in workers' compensation should not be dispensed by any physician. This bill would unnecessarily add costs to the system where over the counter drugs are readily available. If any physician feels the need to provide over the counter drugs to an injured worker, the reimbursement amount should be the average retail cost.

Thank you for the opportunity to testify.

March 10, 2025

The Honorable Gregg Takayama
Chair, Committee on Health

The Honorable Sue L. Keohokapu-Lee Loy
Vice Chair, Committee on Health

RE: SB 1509 S.D. 1 – NCPA Supports

Dear Chair Takayama, Vice Chair Keohokapu-Lee Loy, and Members of the Committee on Health:

I am writing on behalf of the National Community Pharmacists Association (NCPA) in strong support of SB 1509 S.D. 1, which would help streamline and control drug costs in Hawaii, provide transparency for patients and State payers regarding their prescription drug benefits programs, and create opportunity for sustainable oversight of the pharmacy benefit managers (PBMs) that administer those benefits.

NCPA represents the interest of America's community pharmacists, including the owners of more than 19,400 independent community pharmacies across the United States and approximately 44 independent community pharmacies in Hawaii. These pharmacies employed approximately 475 residents, and they filled over 2.6 million prescriptions in 2023.

Community pharmacists have long known that opaque PBM practices not only hamper patients' ability to obtain pharmacy services from their trusted community pharmacists, but those practices can also lead to higher drug costs for both patients and plan sponsors. Due to the massive consolidation and vertical integration in the health insurance market¹, the three largest PBM's control 80% of the prescription drug market² giving them the power to engage in abusive practices which limit patient access, increase drug costs and threaten the viability of small business pharmacies.

NCPA strongly supports the proposed amendment to use the National Average Drug Acquisition Cost (NADAC) benchmark as a floor for drug product reimbursement. While not perfect, NADAC is an average that is determined by a monthly nationwide survey, which usually makes its reimbursement fair and reasonable to community pharmacies. We also support the use of a survey-based dispensing fee per the state's Medicaid fee-for-service methodology. We urge regular cost of dispensing surveys to keep the professional dispensing fee updated and reflective of a pharmacy's cost to dispense. By enacting these measures, Hawaii would join leaders West Virginia, Tennessee, and Kentucky in creating transparent cost-based reimbursement schemes.

¹ <https://ncpa.org/sites/default/files/2023-01/verical-bus-chart.jpg>

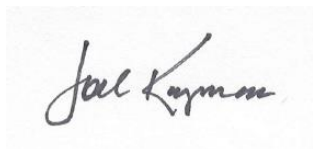
² [Drug Channels: The Top Pharmacy Benefit Managers of 2021: The Big Get Even Bigger](#)

NCPA also supports the provision requiring PBMs to offer equal reimbursement to a pharmacy not owned or affiliated with a PBM. It is not uncommon for a PBM to require patients to utilize a PBM-owned or affiliated pharmacy, often a mail-order pharmacy. The PBM is then free to reimburse its pharmacy at higher rates, thereby forcing patients and plan sponsors to pay higher costs to the PBM. This wise provision in SB 1509 will disincentivize patient steering.

NCPA also appreciated the bill's attempt to clarify reporting requirements as they relate to so-called "trade secrets." PBMs are notorious for being opaque and for obfuscating efforts at regulation. As proposed in the amended bill, the Department of Insurance will be better situated for overseeing matters of compliance, both for present and future regulations. Speaking of oversight and enforcement, NCPA would be pleased to provide, in partnership with the Hawaii Pharmacists Association, some best practices from the above-mentioned states for enforcing these critical reimbursement provisions.

We urge you to advance this critical legislation. We want to thank Senate President Kouchi for his leadership on this important issue. If you have any questions, please do not hesitate to contact me at (703) 600-1186 or joel.kurzman@ncpa.org.

Sincerely,

A handwritten signature in black ink that reads "Joel Kurzman". The signature is fluid and cursive, with the first name "Joel" and last name "Kurzman" clearly distinguishable.

Joel Kurzman
Director, State Government Affairs

CC: Members of the House Committee on Health

March 12, 2025

To: Chair Takayama, Vice Chair Keohokapu-Lee Loy, and Members of the House Committee on Health

From: Hawaii Association of Health Plans Public Policy Committee

Date/Location: March 12, 2025; 9:00 am/Conference Room 329 & Videoconference

Re: Testimony in OPPOSITION to SB1509 SD1 – Relating to Prescription Drugs

The Hawaii Association of Health Plans (HAHP) respectfully submits this testimony in opposition to SB1509 SD1. HAHP is a statewide partnership that unifies Hawaii's health plans to improve the health of Hawaii's communities together. A majority of Hawaii residents receive their health coverage through a plan associated with one of our organizations.

HAHP appreciates the efforts of lawmakers to reduce out-of-pocket costs for prescription drugs. However, we do not believe that passing drug rebates directly to consumers will achieve this goal. Furthermore, the complexities of factoring in the drug rebate is compounded by a lack of rebate transparency, extremely long lag times, and unpredictable rebate amounts. The issue is very difficult to solve for without addressing the vertical integration of drug manufacturers, specialty pharmacies, PBMs, insurers, and providers.

It is also important to note that drug rebates are not a primary contributor to higher drug prices. The real issue is that drug companies have too much freedom to set and increase prices due to laws that grant them monopoly power. While we acknowledge that the drug rebate process is not perfect, this legislation will lead to increased premiums, impacting all health plan members, including those who use non-rebated prescription drugs.

For these reasons, HAHP is in opposition to SB1509 SD1. If the members of this committee believe further discussion on this issue is necessary, we respectfully request the opportunity to participate in that conversation.

Sincerely,

HAHP Public Policy Committee
cc: HAHP Board Members



50 EAST PUAINAKO STREET
HILO, HAWAII 96720

PHONE: 808-959-4575

Testimony in SUPPORT of SB1509: Creation of a reimbursement floor and prohibition of spread pricing
House Committee on Health
Wednesday, March 12, 2025

To the Honorable Chair Takayama, Vice Chair Keohokapu-Lee Loy, and Members of the Committee,

As a pharmacist practicing in Hawai'i, I strongly support SB1509, with the most important provisions establishing a reimbursement floor paid to a pharmacy by a Pharmacy Benefit Manager (PBM) that is consistent with national standards being implemented across the country. This initiative also prohibits a PBM from offering reimbursement rates or incentives to a non-affiliated pharmacy in an amount less than those offered to an affiliated pharmacy for providing the same prescription drug. Both measures are critical to keeping community pharmacies in business, particularly those that serve remote populations across our neighbor islands. As a community pharmacist, I cannot overstate the detrimental effects of the unfair practices that PBMs have been imposing on our industry.

I have been serving the Hawai'i Island community for over 15 years as a community pharmacist at KTA Pharmacy, with a primary focus on ensuring that rural residents have access to essential medications and healthcare services. Community pharmacies like KTA Pharmacy play a crucial role in providing care to our local population, including kūpuna, individuals with chronic conditions, and those who face transportation barriers to accessing healthcare. We serve thousands of patients across the island, including those in remote areas where access to medical care is limited.

The reality of operating an independent pharmacy under current PBM reimbursement structures is unsustainable. The vast majority of prescriptions we dispense are reimbursed below the actual cost of the drug, not accounting for the additional costs associated with dispensing medications, such as pharmacist and staff wages, rent, utilities, and supplies. In essence, we are operating at a loss with nearly every prescription processed. This financial strain forces difficult decisions, including whether we can continue to stock essential but costly medications or whether we can remain open to serve our patients at all.

Our reimbursement contracts are neither clear nor fair. There is a significant disparity between what independent pharmacies like KTA Pharmacy can negotiate versus the rates provided to large corporate-affiliated pharmacies. We often have no ability to negotiate terms and are instead forced to accept reimbursement rates that do not cover our costs. Larger pharmacy networks, which have greater purchasing power and direct affiliations with PBMs, receive significantly better terms. This disparity is not just an issue of business competition—it is a direct threat to patient care in Hawai'i's rural communities.

One of the most heartbreaking aspects of this inequity is the impact on our patients. Due to inadequate reimbursement, there have been instances where we have had to turn patients away because filling their prescriptions would result in an unsustainable financial loss. While we strive to put patient care first, we also



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have to ensure that our business remains viable so we can continue serving our community in the long term. No healthcare provider should have to choose between financial survival and patient care, yet that is the daily reality for independent pharmacies under the current PBM system.

Additionally, PBM practices such as patient steering and mail-order requirements further exacerbate the challenges we face. Many patients are coerced into using PBM-affiliated mail-order pharmacies, disrupting continuity of care and depriving them of critical face-to-face counseling that community pharmacists provide. These deceptive practices not only harm independent pharmacies but also reduce the quality of patient care.

SB1509 is a necessary step to ensure fairness and sustainability in pharmacy reimbursement. Establishing a reimbursement floor will help prevent further pharmacy closures and protect patient access to essential medications. Prohibiting PBMs from offering lower reimbursement rates to non-affiliated pharmacies will help level the playing field, ensuring that community pharmacies can continue to serve patients without undue financial hardship.

I urge lawmakers to recognize the essential role of independent pharmacies in our communities and to take action to protect access to care for all Hawai'i residents. The passage of SB1509 will help preserve the viability of community pharmacies and ensure that patients, particularly those in rural areas, can continue to receive the care they need.

Thank you,

Megan Arbles, PharmD.
Director of Pharmacy Operations
KTA Super Stores, Pharmacy



Testimony of
John M. Kirimitsu
Counsel
Before:
House Committee on Health
The Honorable Gregg Takayama, Chair
The Honorable Sue L. Keohokapu-Lee Loy, Vice Chair

March 12, 2025
9:00 am
Conference Room 329

Re: SB 1509 SD1 Relating to Prescription Drugs

Chair, Vice Chair, and committee members thank you for this opportunity to provide testimony on SB 1509 SD1 relating to prescription drugs.

Kaiser Permanente Hawaii requests an amendment.

Kaiser Permanente appreciates this bill's intent centered on pharmacy benefit managers (PBMs) and achieving lower drug prices for both pharmacies and patients.

As Hawaii's largest HMO, Kaiser Permanente owns and operates its own pharmacies for the delivery of pharmacy benefits directly to its enrollees. Unlike PBMs, Kaiser Permanente does not provide pharmacy benefit management services to any unaffiliated party outside of our integrated health system.

Given the focus of this bill is on PBMs, and not integrated health systems that own and operate their own pharmacies, we ask for the following clarifying language that excludes an HMO that owns and operates its own pharmacies from the definition of PBM. Therefore, we recommend that Page 7, Lines 18-20 and Page 8, Lines 1-2, read as follows (added language is [bracketed] and underlined):

"Pharmacy Benefit Manager" means a person, business, or other entity that directly or indirectly performs a pharmacy benefit management service for, or on behalf of, a health care insurer in the administration of the prescription drug benefit of a health benefit plan, [provided that a "Pharmacy benefit manager" shall not include an HMO regulated under chapter 432D that owns and operates its own pharmacies].

711 Kapiolani Blvd
Honolulu, Hawaii 96813
Telephone: 808-432-5224
Facsimile: 808-432-5906
Mobile: 808-282-6642
E-mail: John.M.Kirimitsu@kp.org

Thank you for the opportunity to comment.

SB-1509-SD-1

Submitted on: 3/11/2025 8:09:19 AM

Testimony for HLT on 3/12/2025 9:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Travis Young	KTA Pharmacy	Support	Written Testimony Only

Comments:

Testimony in SUPPORT of SB1509: Creation of a reimbursement floor and prohibition of spread pricing

House Committee on Health

Wednesday, March 12, 2025

To the Honorable Chair Takayama, Vice Chair Keohokapu-Lee Loy, and Members of the Committee,

As a pharmacist practicing in Hawai‘i, I strongly support SB1509, with the most important provisions establishing a reimbursement floor paid to a pharmacy by a Pharmacy Benefit Manager (PBM) that is consistent with national standards being implemented across the country. This initiative also prohibits a PBM from offering reimbursement rates or incentives to a non-affiliated pharmacy in an amount less than those offered to an affiliated pharmacy for providing the same prescription drug. Both measures are critical to keeping community pharmacies in business, particularly those that serve remote populations across our neighbor islands. As a community pharmacist, I cannot overstate the detrimental effects of the unfair practices that PBMs have been imposing on our industry.

I have been serving the Hawai‘i Island community as a community pharmacist at KTA Pharmacy, with a primary focus on ensuring that rural residents have access to essential medications and healthcare services. Community pharmacies like KTA Pharmacy play a crucial role in providing care to our local population, including kūpuna, individuals with chronic conditions, and those who face transportation barriers to accessing healthcare. We serve thousands of patients across the island, including those in remote areas where access to medical care is limited.

The reality of operating an independent pharmacy under current PBM reimbursement structures is unsustainable. The vast majority of prescriptions we dispense are reimbursed below the actual cost of the drug, not accounting for the additional costs associated with dispensing medications, such as pharmacist and staff wages, rent, utilities, and supplies. In essence, we are operating at a loss with nearly every prescription processed. This financial strain forces difficult decisions, including whether we can continue to stock essential but costly medications or whether we can remain open to serve our patients at all.

Our reimbursement contracts are neither clear nor fair. There is a significant disparity between what independent pharmacies like KTA Pharmacy can negotiate versus the rates provided to

large corporate-affiliated pharmacies. We often have no ability to negotiate terms and are instead forced to accept reimbursement rates that do not cover our costs. Larger pharmacy networks, which have greater purchasing power and direct affiliations with PBMs, receive significantly better terms. This disparity is not just an issue of business competition—it is a direct threat to patient care in Hawai‘i’s rural communities.

One of the most heartbreaking aspects of this inequity is the impact on our patients. Due to inadequate reimbursement, there have been instances where we have had to turn patients away because filling their prescriptions would result in an unsustainable financial loss. While we strive to put patient care first, we also have to ensure that our business remains viable so we can continue serving our community in the long term. No healthcare provider should have to choose between financial survival and patient care, yet that is the daily reality for independent pharmacies under the current PBM system.

Additionally, PBM practices such as patient steering and mail-order requirements further exacerbate the challenges we face. Many patients are coerced into using PBM-affiliated mail-order pharmacies, disrupting continuity of care and depriving them of critical face-to-face counseling that community pharmacists provide. These deceptive practices not only harm independent pharmacies but also reduce the quality of patient care.

SB1509 is a necessary step to ensure fairness and sustainability in pharmacy reimbursement. Establishing a reimbursement floor will help prevent further pharmacy closures and protect patient access to essential medications. Prohibiting PBMs from offering lower reimbursement rates to non-affiliated pharmacies will help level the playing field, ensuring that community pharmacies can continue to serve patients without undue financial hardship.

I urge lawmakers to recognize the essential role of independent pharmacies in our communities and to take action to protect access to care for all Hawai‘i residents. The passage of SB1509 will help preserve the viability of community pharmacies and ensure that patients, particularly those in rural areas, can continue to receive the care they need.

Thank you,

Travis Young, PharmD.
KTA Super Stores, Pharmacy



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HILO, HAWAII 96720

PHONE: 808-959-4575

Testimony in SUPPORT of SB1509: Creation of a reimbursement floor and prohibition of spread pricing
House Committee on Health
Wednesday, March 12, 2025

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Thank you,

June D Gustina, PharmD.

KTA Super Stores, Pharmacy



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PHONE: 808-959-4575

Testimony in SUPPORT of SB1509: Creation of a reimbursement floor and prohibition of spread pricing
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Thank you,

Elissa Brown, PharmD.
KTA Super Stores, Pharmacy



March 11, 2025

[submitted electronically via: capitol.hawaii.gov]

The Honorable Greg Takayama
Chair, Committee on Health
Conference Room 329
415 South Beretania Street
Honolulu, HI 96813

RE: SB 1509 SD1 Relating to Prescription Drugs – SUPPORT

Dear Chair Takayama, Vice Chair Keohokapu-Lee Loy, and members of the Committee on Health:

The American Pharmacists Association (APhA) supports [Senate Bill \(SB\) 1509](#), which will protect Hawai'i patients' access to their medications and their trusted health care professional, the pharmacist. By preserving pharmacists' crucial role in ensuring patients' access to their medications, we can ensure the people of Hawai'i receive the best possible healthcare.

As a result of the predatory practices of pharmacy benefit managers (PBMs), patients' access to medications from their local pharmacist across the country has declined¹, taxpayer dollars have been funneled into corporate profits², and generationally owned community pharmacies have been driven out of business.³ A study found that PBM tactics forced Oregon Medicaid to overpay \$1.9M on a single drug, where PBMs marked up the drug by 800 percent.⁴ Appropriate government oversight is necessary to address the PBM industry's misaligned incentives, prioritizing profits over patients. SB 1509 would address many underlying issues that harm patients and pharmacists by ensuring sustainable reimbursement to pharmacies. This requirement will help keep local community pharmacy doors open and protect access to care, particularly for populations in rural and underserved Hawai'i communities.

For these reasons, APhA supports SB 1509 and respectfully request your "AYE" vote. If you have any questions or require additional information, please do not hesitate to contact E. Michael Murphy, PharmD, MBA, APhA Senior Advisor for State Government Affairs, by email at mmurphy@aphanet.org.

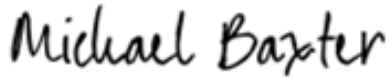
¹ Rose J, Krishnamoorth R. Why your neighborhood community pharmacy may close. *The Hill*. Available at <https://thehill.com/blogs/congress-blog/healthcare/530477-why-your-neighborhood-community-pharmacy-may-close>

² 3 Axis Advisors. Analysis of PBM Spread Pricing in New York Medicaid Managed Care. Available at <http://www.ncpa.co/pdf/state-advoc/new-york-report.pdf>

³ Callahan C. Mom-and-pop pharmacies struggle to hang on. *Times Union*. Available at <https://www.timesunion.com/hudsonvalley/news/article/Mom-and-pop-pharmacies-struggle-to-hang-on-16187714.php>

⁴ <https://oregonpharmacy.org/2022/10/27/oregon-report/>

Sincerely,

A handwritten signature in black ink that reads "Michael Baxter". The script is cursive and fluid, with the first name "Michael" and last name "Baxter" clearly legible.

Michael Baxter

Vice President, Government Affairs

cc: Representative Sue L. Keohokapu-Lee Loy, Vice Chair
Representative Terez Amato
Representative Cory M. Chun
Representative Lisa Marten
Representative Ikaika Olds
Representative Jenna Takenouchi
Representative David Alcos III
Representative Diamond Garcia

About APhA: APhA is the largest association of pharmacists in the United States advancing the entire pharmacy profession. APhA represents pharmacists in all practice settings, including community pharmacies, hospitals, long-term care facilities, specialty pharmacies, community health centers, physician offices, ambulatory clinics, managed care organizations, hospice settings, and government facilities. Our members strive to improve medication use, advance patient care and enhance public health. **In Hawai'i, with 900 licensed pharmacists and 1,470 pharmacy technicians, APhA represents the pharmacists and student pharmacists that practice in numerous settings and provide care to many of your constituents.** As the voice of pharmacy, APhA leads the profession and equips members for their role as the medication expert in team-based, patient-centered care. APhA inspires, innovates, and creates opportunities for members and pharmacists worldwide to optimize medication use and health for all.



Representative Gregg Takayama, Chair
Representative Sue Keohokapu-Lee Loy, Vice Chair
House Committee on Health

March 12, 2025 9:00 AM
State Capitol, Conference Room 329 & Videoconference
In Support of S.B. No. 1509, Relating to Prescription Drugs

Dear Representative Takayama, Representative Keohokapu-Lee Loy, and distinguished members:

The Patient Pocket Protector Coalition (PPPC) appreciates the opportunity to submit testimony in support of SB 1509, which requires that 100% of Pharmacy Benefit Manager (PBM) negotiated rebates be shared with patients. We strongly support SB 1509 in its amended form, which incorporated amendments from the Hawai'i Pharmacists Association (HPhA).

The PPPC is led by the Diabetes Patient Advocacy Coalition and works with state legislators to introduce and pass patient-first policies addressing the financial burdens of the 133 million Americans living with chronic conditions. The purpose of the Coalition is to unify chronic illness advocates, to build legislative support to drive policy change, and to reduce out-of-pocket patient costs.

SB 1509 would require PBM rebates to be passed through to patients at the point of sale. Under the current insurance system, volume-based manufacturer rebates on pharmaceutical drugs are negotiated by PBMs in exchange for formulary placement. Instead of passing these savings through to patients who are already desperate to afford their prescriptions, these rebates are retained by the PBMs and health insurers as profit. This means that our most vulnerable citizens – those living with chronic conditions – do not benefit from the lower net price of their medications. With rebates for branded drugs averaging 48%, patients are paying nearly twice what their insurance company pays for the same drug. When patients cannot afford their medications, they may ration or abandon their prescribed therapy, leading to painful and costly complications or more tragic outcomes, sacrificing quality of life and driving up overall health care costs for families and the system. SB 1509 is a strong step toward improving access, affordability, and health outcomes for people in Hawaii.

West Virginia, Indiana, and Arkansas passed similar legislation in 2021, 2023 and 2024 respectively. After implementation, rate filings for plans in Indiana and Arkansas saw no increase in premiums because of the policy change.ⁱ And, in West Virginia, the Offices of the Insurance Commissioner have recently released data showing that rebate pass-through has reduced rate increases for plans by 0.7% to 14%.ⁱⁱ

Thank you for your consideration of this legislation.

Sincerely,

Association of Diabetes Care & Education Specialists
Autoimmune Association
Children With Diabetes
Chronic Disease Coalition
Crohns and Colitis Foundation
Coalition of State Rheumatology Organizations
Diabetes Link
Diabetes Leadership Council
Diabetes Patient Advocacy Coalition
Diabetes Sisters
Eosinophilic & Rare Disease Cooperative
Lower Out of Pocket Now Coalition
Lupus and Allied Diseases Association
Mental Health America of Hawai'i
National Psoriasis Foundation
Patients Rising Now
The PBM Accountability Project
The DiaTribe Foundation
The Epilepsy Foundation
U.S. Pain Foundation
Women in Rheumatology

ⁱ Klein, M., & Holzer, H. (January 2024). Premium Impacts of POS Rebate Implementation in the ACA Market in the State of Arkansas. Milliman. *Available at* <https://dfr.oregon.gov/pdab/Documents/Constituent-testimony-2.pdf>; Robb, M., & Holzer, H. (January 2025). Premium Impacts of POS Rebate Implementation in the ACA Market in the State of Indiana. Milliman. *Available at* https://edge.sitecorecloud.io/millimaninc5660-milliman6442-prod27d5-0001/media/Milliman/PDFs/2025-Articles/1-29-25_POS-Filing-Impacts.pdf.

ⁱⁱ West Virginia Insurance Bulletin No. 25-01 (February 13, 2025). *Available at* https://www.wvinsurance.gov/Portals/0/pdf/pol_leg/IB_25-01_Prescription_Drug_Rebate_Impact_to_Commercial_Health_Insurance.pdf?ver=2025-02-13-125517-883.



Testimony presented before the
House Committee on Health
March 12, 2025

Dr. Corrie L. Sanders on behalf of
The Hawai'i Pharmacists Association (HPhA)

Honorable Chair Takayama, Vice Chair Keohokapu Lee-Loy and Members of the Committee,

The Hawai'i Pharmacists Association (HPhA) is in strong support of SB1509 that, in its current form, requires a Pharmacy Benefit Manager (PBM) to submit a certification to the Insurance Commissioner each calendar year, establishes a reimbursement rate floor consistent for all pharmacies regardless of network, and prohibits a PBM from offering reimbursement rates or incentives to a non-affiliated pharmacy in an amount less than those offered to an affiliated pharmacy for providing the same prescription drug. We appreciate the efforts of the Senate to adopt amendments that establish meaningful PBM Reform initiatives consistent with those across the country that will positively impact pharmacies and patients across our islands by providing a viable business model

Pharmacy Benefit Managers act as a middleman between insurance companies, pharmacies and drug manufacturers, negotiating medication prices and managing prescription drug benefits by creating formularies and leveraging their purchasing power to set rebate and discounts. They control which medications are covered and pricing for both pharmacies and patients. Often, these contracts and pricing are ambiguous to end users, and costs savings are retained by the PBMs rather than being passed on to pharmacies and consumers.

In October 2023, Attorney General Anne Lopez filed a lawsuit on behalf of the State of Hawai'i against the three largest PBMs—CVS Caremark, Express Scripts, and OptumRx. The lawsuit alleges that these PBMs engaged in practices that have significantly increased prescription drug prices, including demanding substantial rebates from drug manufacturers in exchange for favorable formulary placement. This "pay-to-play" scheme has led to the exclusion of numerous medications from formularies, disproportionately affecting patients with chronic conditions. The state seeks civil penalties, damages, disgorgement of profits, and injunctive relief to halt these anticompetitive practices. **And while penalties are certainly deserved, ultimately Hawai'i statute must reflect proactive measures from protecting pharmacies and consumers from these deceptive practices in the first place.**

One of the largest issues addressed in the current version of this legislation is the unclear reimbursement rates provided to pharmacies that result in pharmacies losing money on dispensed medications. PBMs frequently implement opaque reimbursement models, providing pharmacies with unpredictable and often inadequate compensation for dispensed medications. This uncertainty hampers pharmacies' ability to manage operations effectively and serve their communities. This lack of reimbursement is directly linked to the striking number of independent pharmacy closures across our islands, specifically in medical deserts,

The largest argument will certainly be that additional restrictions placed upon PBMs and demands for transparency will increase healthcare premiums. It's important to note that premiums are steadily increasing year over year across the country, and do not increase proportionally more in states that have strict PBM regulations and oversight. In fact, some states see premiums increase below those of the national average after passing legislation that demands transparency and places patients over profit.¹

In two recent FTC investigations published in July 2024 and January 2025 have identified anti-competitive practices by PBMs that harm pharmacies and patients.² The first investigation found that PBMs were **marking up the prices of specialty generic drugs dispensed at their affiliated pharmacies by substantial margins, sometimes exceeding 1,000%**. This FTC investigation highlights the potential for PBMs to manipulate the drug pricing system, leading to higher costs for patients, pharmacies, and plan sponsors while they maintain profit margins to the tune of billions of dollars.³

While PBM reform is gaining momentum on the federal level, we must follow suit with the actions of other states to ensure local statutes demand fair medication pricing, PBM oversight, and penalties for those failing to comply. This requires coordination between state regulatory bodies and cannot be implemented in one measure. But today, in SB1509, we can attempt to control medication pricing by mandating a reimbursement floor that ensures pharmacies are reimbursed for the cost of medication dispensing and ensuring that all pharmacies, regardless of PBM affiliation, are reimbursed in a fair transparent manner.

On behalf of The Hawai'i Pharmacists Association, mahalo for this opportunity to testify.

Very Respectfully,

A handwritten signature in black ink that reads "Corrie L. Sanders". The signature is fluid and cursive, with the first name "Corrie" and last name "Sanders" clearly legible.

Corrie L. Sanders, PharmD., BCACP, CPGx
Executive Director, Hawai'i Pharmacists Association

1. Based on data from the Kaiser Family Foundation (www.kff.org).
2. <https://www.ftc.gov/terms/pharmacy-benefits-managers-pbm>
3. <https://phrma.org/blog/ftc-finds-pbms-make-billions-in-profit-from-marking-up-cancer-other-critical-generic-drugs>



SanHi

GOVERNMENT STRATEGIES

A LIMITED LIABILITY LAW PARTNERSHIP

DATE: March 11, 2025

TO: Representative Gregg Takayama
Chair, Committee on Health

Representative Sue Keohokapu-Lee Loy
Vice Chair, Committee on Health

FROM: Tiffany Yajima

RE: **S.B. 1509, SD1 - Relating to Prescription Drugs**
Hearing Date: Wednesday, March 12, 2025 at 9:00 a.m.
Conference Room: 329

Dear Chair Takayama, Vice Chair Keohokapu-Lee Loy and Members of the Committee on Health:

We submit this testimony on behalf of Walgreen Co. ("Walgreens"). Walgreens operates stores at more than 9,000 locations in all 50 states, the District of Columbia, and Puerto Rico. In Hawaii, Walgreens has 13 stores on the islands of Oahu and Maui.

Walgreens is in **support** of this measure and strongly supports the amendments made in the S.D.1 to set a reimbursement rate floor to ensure pharmacies are fairly reimbursed for medications they dispense.

This measure requires health insurers and pharmacy benefit managers (PBMs) to reduce an enrollee's defined cost sharing for a prescription drug by an amount equal to at least 100 percent of all rebates received, or to be received, by a health insurer or PBM, in connection with the dispensing or administration of the prescription drug. This is a good first step towards making prescription drugs more affordable for patients. The S.D. 1 version of this bill also includes amendments to establish a fair and equitable reimbursement rate floor, which Walgreens strongly supports.

Walgreens is an unaffiliated pharmacy, meaning it does not own or operate a PBM. Independent pharmacies and unaffiliated pharmacies, like Walgreens, face the same reimbursement challenges whereby PBM reimbursement is less than what a pharmacy has paid to acquire and dispense a drug. The leverage that PBMs hold is what allows them to set low reimbursement rates for pharmacies that do not reflect the actual costs incurred by pharmacies to purchase and dispense medications.

Pharmacies are often the first and most frequent interaction patients have with the healthcare system, helping prevent and manage the full range of acute and chronic medical conditions. Pharmacies also serve some of the nation's most underserved populations, providing a wide range of pharmacy and healthcare services that improve access to care, lower costs and help patients.

Health insurers and pharmacy benefit managers have consolidated in recent years to create large, vertically integrated entities that have significant leverage over prescription reimbursement. Today, just three PBMs control 80% of the entire U.S. prescription drug market, and they either own or are owned by a health insurance company.

When reimbursed below their costs to acquire and dispense medicines, pharmacies – including Walgreens – are faced with store closures, limited hours and limited healthcare services. This puts the communities they serve at risk, especially in rural and other underserved areas that do not have many options.

S.B. 1509, S.D.1 is crucial to protecting pharmacies and the trusted and reliable access to medicines and healthcare they provide. It is for these reasons that Walgreens is in strong support of this bill and asks the committee to pass it as is.

Thank you for the opportunity to submit this testimony.

Aaron Broadwell, MD
President

March 11, 2025

Gary Feldman, MD
Immediate Past President

House Committee on Health
Hawaii State Capitol, Room 404
Honolulu, HI 96813

Madelaine Feldman, MD
VP, Advocacy & Government Affairs

Michael Saitta, MD, MBA
Treasurer

Re: Support SB 1509– Pass Drug Rebates back to the Patient

Firas Kassab, MD
Secretary

Chair Takayama, Vice Chair Keohokapu-Lee Loy, and members of the House Committee on Health:

Erin Arnold, MD
Director

Leyka Barbosa, MD
Director

The Coalition of State Rheumatology Organizations (CSRO) supports SB 1509, which would require pharmacy benefit managers to pass drug rebates back to the patient. CSRO serves the practicing rheumatologist and is comprised of over 40 state rheumatology societies nationwide with a mission of advocating for excellence in the field of rheumatology and ensuring access to the highest quality of care for the management of rheumatologic and musculoskeletal disease.

Kostas Botsoglou, MD
Director

Mark Box, MD
Director

Rheumatologic diseases, such as rheumatoid arthritis, psoriatic arthritis and lupus, are systemic and incurable, but innovations in medicine over the last several decades have enabled rheumatologists to better manage these conditions. With access to the right treatment early in the disease, patients can generally delay or even avoid damage to their bones and joints, as well as reduce reliance on pain medications and other ancillary services, thus improving their quality of life.

Michael Brooks, MD
Director

Amish Dave, MD, MPH
Director

PBM Practices Harm Patients

Rheumatology patients were among the first to experience the harmful repercussions of pharmacy benefit manager (PBM) business practices because rheumatologic conditions regularly require complex, and often expensive, specialty medications. These PBM business practices were built on a system of perverse incentives, where the higher a drug's list price, the greater the income potential for the PBM. As a result, prescription drug formularies are designed to maximize PBM revenues. Time and time again, we've seen our patients switched between different medications when PBMs change their formularies to higher-priced drugs when they have more to gain from rebates and fees set at a percentage of the list price. These tactics benefit the PBMs financially, while our patients see none of the savings accrued to the PBMs.

Harry Gewanter, MD, MACR
Director

Adrienne Hollander, MD
Director

Robert Levin, MD
Director

Amar Majjhoo, MD
Director

Gregory Niemer, MD
Director

The three largest PBMs —Caremark Rx, Express Scripts (ESI), and OptumRx— control 80% of the prescriptions filled in the United States, according to the Federal Trade Commission.¹ This vertical integration allows the PBMs to control which medication patients can take (through formulary construction), when they can take these medications (through utilization management), where they can purchase their medications (through pharmacy networks), and how much they must pay for their drugs (through cost-sharing). Currently, all of these decision points are leveraged to maximize PBM profits rather than provide the patient with the best care at the greatest savings. This consolidated healthcare system is not good for patients or the government as it causes competition that only raises drug prices.

Joshua Stalow, MD
Director

EXECUTIVE OFFICE

Leslie Del Ponte
Executive Director

Formulary design decisions are disastrous for patients who pay coinsurance because their out-of-pocket cost is based on list price of the medication – not what the PBM actually pays. An analysis by Drug Channels estimates that the spread between list and net price for insurers was over \$200 billion in 2021.ⁱⁱ A 2021 report by the Texas Department of Insurance demonstrated that patients see marginal benefit from the supposed PBM “savings.” Of \$5,709,118,113 in rebates generated by PBMs for Texas insurers, only 21% made it back to patients in the form of direct savings.ⁱⁱⁱ

Pass Manufacturer Rebates Directly onto Patients

PBMs claim to negotiate aggressive rebates and discounts that supposedly benefit employers and help keep premiums down. However, as demonstrated in the Texas report, those “savings” rarely trickle down to the patient. List prices appear to be fictional for everyone *except* the patient, whose cost-sharing is often based on the full price. It’s time for rebates and other price concessions to benefit the patient – not the PBMs, especially as many patients are enrolled in health insurance plans that utilize high deductibles and/or significant cost sharing.

CSRO supports SB 1509, as it would require manufacturer rebates to bypass the PBM and require 100% of the rebates to go directly to the patient. Given the immense vertical integration of PBMs and health insurance companies, policies that allow rebates to go directly to the health plan may have little impact in reducing patient expenses. Instead, rebates that go directly to the patient allow patients to see *immediate* savings at the point of sale. Not only will reducing patients’ out-of-pocket costs improve adherence with better health outcomes, but it will also foster transparency and fairness in the healthcare system.

On behalf of practicing rheumatologists throughout Hawaii, we request that you support SB 1509. We thank you for your consideration and are happy to further detail our comments to the Committee upon request.

Respectfully,



Aaron Broadwell, MD, FACP
President
Board of Directors



Madelaine A. Feldman, MD, FACP
VP, Advocacy & Government Affairs
Board of Directors

ⁱ Federal Trade Commission. “[FTC Sues Prescription Drug Middlemen for Artificially Inflating Insulin Drug Prices](#).” September 2024.

ⁱⁱ Drug Channels. “[Warped Incentives Update: The Gross-to-Net Bubble Exceeded \\$200 Billion in 2021 \(rerun\)](#).” July 2022.

ⁱⁱⁱ Texas Department of Insurance. “[Prescription Drug Cost Transparency-Pharmacy Benefit Managers](#)”. 2021.



March 11, 2025

The Honorable Chairman Gregg Takayama
Members of the Committee
House Committee on Health
Hawaii State Legislature
415 S Beretania St.
Honolulu, HI 96813

Subject: Testimony in Opposition to SB1509 SD1

Dear Chair, Takayama and Members of the Committee,

On behalf of the Pharmaceutical Care Management Association (PCMA), the national trade association representing pharmacy benefit managers (PBMs), I appreciate the opportunity to provide testimony regarding SB1509 SD1. We commend your leadership in addressing prescription drug affordability and access in Hawaii and share your commitment to ensuring patients receive their medications at the most affordable prices. However, we have significant concerns regarding specific provisions of this bill that do not effectively achieve this goal and may result in unintended consequences and higher costs for all Hawaii residents.

PBMs play a vital role in reducing prescription drug costs and improving access to medications for Hawaii residents by working with the government, labor unions, and employer-sponsored health plans to provide affordable and effective medication management. PBMs currently serve more than 1.29 million individuals in Hawaii, including union members, state employees, retirees, and those covered through employer—and government-sponsored plans.

Concerns Regarding SB1509 SD1

While SB1509 SD1 aims to lower out-of-pocket costs and support independent pharmacies through mandatory rebate pass-through and increased pharmacy reimbursement rates, we are concerned that these provisions will have the opposite effect by:

- **Increasing Premiums:** Restricting health plans through their hired PBM's ability to negotiate drug costs will likely drive-up premiums for enrollees.
- **Raising Overall Healthcare Spending:** The proposed policies will likely result in higher prescription drug prices rather than cost reductions.
- **Disrupting Pharmacy Networks:** Mandating fixed reimbursement structures without accounting for market conditions.

To ensure a practical approach, we respectfully request deferring the following provisions until all stakeholders, including employers, unions, health plans, PBMs, and patients—have the opportunity to participate in the process to ensure costs are fully explored.

Specific elements of the bill that are of concern:

Point-of-Sale (POS) Rebates

Mandatory 100% rebate pass-through at the point of sale—While well-intended, this will likely have the opposite impact on most plan participants.

Only a tiny percentage of prescription drugs receive manufacturer rebates—typically brand-name drugs with market competition. The vast majority of prescriptions filled—about 90% are for generics, which generally do not have rebates. This means only a subset of enrollees using certain high-cost medications would directly benefit from POS rebates, discouraging the utilization of generic options.

1. **How Plan Sponsors Currently Use Rebates** Today, health plans and union trust funds use rebates to lower overall healthcare costs for all enrollees, not just brand-name drugs that are rebated. These rebates help:
 1. Offset premium increases for all members.
 2. Reduce deductibles and out-of-pocket costs across the entire group.
 3. Fund additional health benefits, like disease management programs or wellness incentives.
2. **Why POS Rebates Benefit a Few at the Expense of Many:** Mandating POS rebates means that only enrollees using rebated drugs get the savings. At the same time, everyone else in the plan loses the cost-saving benefits of pooled rebates. This can result in:
 1. Higher premiums for all participants because plans lose a key tool to control costs.
 2. Unfair cost shifts, where healthier members or those taking generics subsidize rebates for a small group of enrollees.
 3. Less flexibility for plan sponsors (employers, unions, or health trusts) to manage costs in a way that benefits all members.

POS rebates help a few but raise costs for everyone, removing a proven mechanism that keeps overall healthcare expenses lower for the entire group.

NADAC + Dispensing Fee Raises Costs for Everyone

Mandating a fixed reimbursement system leads to cost shifts, with a small group benefiting from artificially inflated payments while costs increase for all plan participants.

NADAC (National Average Drug Acquisition Cost) + Dispensing Fee means that health plans, through their PBMs, must reimburse pharmacies at a set price for the drug (NADAC) plus a fixed dispensing fee, regardless of market conditions.

- NADAC is based on a voluntary survey of pharmacies, meaning its reported prices depend on how many pharmacies participate.
- When fewer pharmacies report data, NADAC prices may not accurately reflect real-world drug costs, leading to inflated or skewed reimbursement rates.

Example of the impact of SB 1509 SD1:

- A pharmacy fills a generic drug that costs \$2.00 at NADAC.
- The mandated dispensing fee is \$10.50.
- Total reimbursement = \$12.50, even though the drug only costs \$2.00 to acquire.

Why This Raises Costs:

- If negotiated market rates allowed a \$6.00 total reimbursement, the mandate forces the plan to overpay by 108%.
- Because NADAC reflects only the pharmacies that participate in the survey, it may not align with actual acquisition costs, leading to market distortions.
- These extra costs add up across thousands of prescriptions, leading to higher premiums and out-of-pocket costs for everyone in the plan.

Instead of a one-size-fits-all mandate, plan sponsors need flexibility to negotiate fair, market-driven reimbursement rates recognizing pharmacy access and affordability for all members.

Restrictions on reimbursement differentials between affiliated and non-affiliated pharmacies limit PBMs' ability to negotiate competitive rates, driving up costs for plan sponsors.

Restrictions on reimbursement differentials mean that PBMs and health plans would be required to pay the same to all pharmacies regardless of market efficiencies or contract negotiations. This eliminates cost-saving strategies that help keep prescription drug benefits affordable.



Why This Raises Costs:

- Eliminates negotiated cost savings – PBMs lose the ability to leverage volume discounts.
- One-size-fits-all reimbursement mandates Result in higher premiums and costs for health plan sponsors and, ultimately, the participant – The additional costs get passed on to union members, employers, and health plan participants through higher premiums and out-of-pocket expenses.

Through their PBMs, health plans need flexibility to negotiate market-based rates that balance cost savings and pharmacy access for their participants.

New reporting and certification requirements—The proposed mandates introduce substantial new administrative steps without explaining how they will reduce costs or improve patient access.

We appreciate your consideration of our concerns and look forward to collaborating on policies that protect patient access, safety, and affordability. Please feel free to reach out with any questions or for further discussion.

Sincerely,

A handwritten signature in blue ink, appearing to read "Tonia Sorrell-Neal". The signature is fluid and cursive, with a large loop at the end.

Tonia Sorrell-Neal
Sr. Director of State Affairs

Patient Savings and Independent Pharmacy Access in Hawaii

PBMs are advocates for patients and payers in the fight against high drug costs

PBMs cover
1,290,000
Hawaiians.¹

PBMs will save Hawaiians
\$4.6B
across all Hawaii insurance
markets over ten years
(2023–2032).²

PBMs will save Hawaiians
\$759M
over a 10-year period
(2023–2032) in
Hawaii Medicaid.²

PBMs save payers and
patients an average of
\$1,040 per person per year.³



PBMs drive prices down by
forcing manufacturers to
compete with one another.

SAVINGS ARE REALIZED THROUGH:

↓
Encouraging the
use of generic
and lower cost
brand drugs

↓
Reducing waste
and increasing
adherence

↓
Negotiating price
concessions with
drug manufacturers

↓
Creating networks
of affordable,
high quality
pharmacies

↓
Providing clinical
support to patients
taking specialty
medications

**Nationwide, the
independent pharmacy
marketplace is stable.**⁴

**Between 2014 and 2024,
the number of independent
retail pharmacies nationwide
increased by 1,287 stores, or 5.8%.⁵**

**Nationally, the number of chain
pharmacies decreased by
10.3% over the last 10 years.⁵**



**29.3% of pharmacies in Hawaii are independent
pharmacies.**⁵

Independent pharmacies say they're getting squeezed out of business, but according to the National Council of Prescription Drug Programs (NCPDP) data and the National Community Pharmacists Association (NCPA), the number of independent pharmacies has generally been stable. Adam Fein's Drug Channels also found that the independent pharmacies' financials have been steady. From 2018 to 2022, the average per prescription gross profit margin for independent pharmacies fluctuated slightly between 21.1% and 20.1%.⁶

**About 83% of independent pharmacies nationwide use a
Pharmacy Services Administrative Organization (PSAO) to
negotiate with PBMs on their behalf.⁷**

1 Visante analysis of US Census state population data, CMS enrollment data, and Kaiser Family Foundation data, see [The Return on Investment \(ROI\) on PBM Services](#), 2023.

2 Visante, [PBMs: Generating Savings for Plan Sponsors](#), 2023.

3 Visante, [The Return on Investment \(ROI\) on PBM Services](#), 2023.

4 PCMA, [The State of the Pharmacy Market](#).

5 Quest Analytics analysis of NCPDP pharmacy data, 2024. Pharmacy count data is from January of a given year.

6 Drug Channels, [The 2024 Economic Report on U.S. Pharmacies and Pharmacy Benefit Managers](#), March 2024.

7 Health Evaluations, [Pharmacy Services Administrative Organizations \(PSAOs\) and Their Little-Known Connections to Independent Pharmacies](#), 2021.

ABOUT PCMA

PCMA is the national association representing America's pharmacy benefit companies. Pharmacy benefit companies are working every day to secure savings, enable better health outcomes, and support access to quality prescription drug coverage for more than 275 million patients. Learn more at www.pcmanet.org.

Testimony in SUPPORT of SB1509

House Committee on Health

Wednesday, March 12, 2025

To the Honorable Chair Takayama, Vice Chair Keohokapu-Lee Loy, and Members of the Committee,

As the Owner of an independent pharmacy in Hawai'i, I strongly support SB1509. This bill is critical in establishing a fair reimbursement floor for pharmacies and prohibiting Pharmacy Benefit Managers (PBMs) from offering lower reimbursement rates to independent pharmacies than to their affiliated counterparts for the same prescription drugs. These measures are essential to maintaining access to care, particularly for patients who rely on independent pharmacies for essential services beyond just dispensing medications.

Our pharmacy provides a vital lifeline to our community by offering medication delivery services and specialized packaging solutions that enhance medication adherence and patient safety. Many of the patients we serve have complex medication regimens, are elderly, or live in areas where access to a pharmacy is limited. By offering customized multi-dose packaging and compliance packaging, we help patients take their medications correctly, reducing hospitalization and improving health outcomes. Additionally, our delivery services ensure that patients, especially those with mobility challenges or who live in remote locations—receive their medications on time, removing barriers to care.

Despite the critical role we play, PBM reimbursement practices make it increasingly difficult for independent pharmacies like ours to sustain these essential services. The reimbursement rates we receive are often below the cost of acquiring and dispensing medications, forcing independent pharmacies to operate at a loss or reduce services that directly benefit patients. This imbalance threatens the sustainability of independent pharmacies and, by extension, the patients who rely on us.

By implementing a reimbursement floor, SB1509 ensures that independent pharmacies can continue to provide high-quality care without being unfairly undercut by PBM-affiliated entities. This bill is not just about protecting small businesses, it's about preserving patient access to essential pharmacy services that improve health outcomes and keep communities healthy.

I urge the Health Committee to support SB1509 and establish the financial standards necessary to keep independent community pharmacies viable. Without this reform, many

pharmacies will be forced to close, leaving patients—especially those in underserved areas—without access to the critical services they depend on.

Sincerely,

Derek Tengan

Owner

5 Minute Pharmacy



Quality and Value Based Benefits

www.nlahcc.org

March 11, 2025

The Honorable Chairman Gregg Takayama
Members of the Committee
House Committee on Health
Hawaii State Legislature
415 S Beretania St.
Honolulu, HI 96813

I am writing on behalf of the National Labor Alliance of Health Care Coalitions, representing over 6 million union members, retirees and dependents nation-wide. We urge caution in advancing policies that increase prescription drug costs for working families. As ERISA-governed plans, most of our health funds operate under federal law to provide cost-effective, high-quality benefits to members. Proposals to mandate NADAC + dispensing fees and require 100% point-of-sale (POS) rebate pass-through threaten the sustainability of our labor/management health plans. Specifically,

- NADAC + Dispensing Fees force fixed reimbursement rates and reduce our ability to negotiate best pricing, leading to higher plan costs and premium increases for our members.
- Point-of-Sale Rebates may appear to lower costs for some, it shifts savings away from all other enrollees, driving up overall expenses for union health plans and reducing flexibility to manage benefits.

These mandates would weaken our ability to keep healthcare costs affordable for union members and increase costs across the board. We urge policymakers to engage with labor stakeholders before advancing changes that could harm the very workers these policies aim to protect.

We welcome further discussion and look forward to working together on solutions that balance affordability and access.

Respectfully Submitted,

Fred G. Brown

Fred G. Brown, Esq., President
National Labor Alliance of Healthcare Coalitions
16364 Far View Place
Anchorage, Alaska 99516
Mobile: (907) 378-0343



Testimony in SUPPORT of SB1509: Creation of a reimbursement floor and prohibition of spread pricing
House Committee on Health
Wednesday, March 12, 2025

To the Honorable Chair Takayama, Vice Chair Keohokapu-Lee Loy, and Members of the Committee,

As a pharmacy technician working in Hawai'i, I strongly support SB1509, which establishes a fair reimbursement floor for pharmacies and ensures that Pharmacy Benefit Managers (PBMs) cannot provide lower reimbursement rates to non-affiliated pharmacies compared to their own affiliated pharmacies. These protections are critical to keeping community pharmacies open, especially in rural areas where we are often the only healthcare provider available to many patients.

Every day, I see firsthand how unfair PBM practices impact both our pharmacy and the patients we serve. KTA Pharmacy provides essential medications and healthcare support to residents across Hawai'i Island, including kūpuna, those managing chronic conditions, and families who rely on us for their medications. Many of these patients would have nowhere else to go if independent pharmacies like ours were forced to close due to unsustainable reimbursement rates.

The reality is that most of the prescriptions we process are reimbursed below the cost of the medication itself—this does not even account for the cost of dispensing, including labor, supplies, and other operational expenses. PBMs are setting reimbursement rates so low that it is nearly impossible to sustain operations while continuing to provide quality care. This means that every day, we are struggling to keep essential medications in stock and maintain the level of service that our patients depend on.

Unlike large chain pharmacies with corporate backing and better-negotiated contracts, independent pharmacies like ours are at the mercy of unfair PBM practices. We do not have the purchasing power of major retail chains, yet we are expected to accept reimbursement rates that put us at a severe financial disadvantage. This imbalance does not just harm our business—it directly affects the patients who rely on us for their health and well-being.

I have personally witnessed patients struggling to afford their medications because they were forced into mail-order programs by PBMs, even when they preferred to pick up their prescriptions locally. PBM-affiliated pharmacies receive favorable reimbursement rates, while independent pharmacies are pushed to the brink, making it harder for us to provide the personal care and face-to-face counseling that many patients need.

SB1509 is a crucial step toward ensuring that independent pharmacies receive fair reimbursement and that patients are not left without access to care. Without these protections, more community pharmacies will be



50 EAST PUAINAKO STREET
HILO, HAWAII 96720

PHONE: 808-959-4575

forced to close, leaving many residents—especially in rural areas—without a reliable source of medications and healthcare support.

I urge lawmakers to support SB1509 and stand up for fair pharmacy practices that protect both independent pharmacies and the patients we serve. Ensuring fair reimbursement will allow us to continue doing what we do best—caring for our communities.

Thank you,

Laurie A Lau
KTA Pharmacy

You're Someone Special

WWW.KTASUPERSTORES.COM/PHARMACY



Testimony in SUPPORT of SB1509: Creation of a reimbursement floor and prohibition of spread pricing
House Committee on Health
Wednesday, March 12, 2025

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Every day, I see firsthand how unfair PBM practices impact both our pharmacy and the patients we serve. KTA Pharmacy provides essential medications and healthcare support to residents across Hawai'i Island, including kūpuna, those managing chronic conditions, and families who rely on us for their medications. Many of these patients would have nowhere else to go if independent pharmacies like ours were forced to close due to unsustainable reimbursement rates.

The reality is that most of the prescriptions we process are reimbursed below the cost of the medication itself—this does not even account for the cost of dispensing, including labor, supplies, and other operational expenses. PBMs are setting reimbursement rates so low that it is nearly impossible to sustain operations while continuing to provide quality care. This means that every day, we are struggling to keep essential medications in stock and maintain the level of service that our patients depend on.

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I have personally witnessed patients struggling to afford their medications because they were forced into mail-order programs by PBMs, even when they preferred to pick up their prescriptions locally. PBM-affiliated pharmacies receive favorable reimbursement rates, while independent pharmacies are pushed to the brink, making it harder for us to provide the personal care and face-to-face counseling that many patients need.

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Thank you,

Hailey Pajimola
KTA Pharmacy

You're Someone Special

WWW.KTASUPERSTORES.COM/PHARMACY



March 12, 2025

Testimony in SUPPORT for SB1509: Creation of a Reimbursement Floor and Prohibition of Spread Pricing

Dear Chair Takayama, Vice Chair Keohokapu-Lee Loy, and Members of the House Health Committee:

As a rural healthcare provider, access to comprehensive, high-quality healthcare services is our mission at Moloka'i Drugs. On behalf of our employees and patients, I am testifying in favor of SB1509 with establishing a reimbursement model paid to pharmacies by Pharmacy Benefit Managers (PBMs) that is similar to reimbursement rates on the mainland. This measure would also prohibit a PBMs from offering reimbursements to non-affiliated pharmacies in amounts less than those of affiliated pharmacies. These measures are critical to keeping rural, community pharmacies such as Molokai Drugs in business.

Pharmacy Benefit Managers act as intermediaries, or "middlemen," between insurance companies, pharmacies, and drug manufacturers, negotiating medication prices and managing prescription drug benefits by creating formularies that are often in favor of the PBMs (i.e. CVS Caremark, Express Scripts, OptumRx which is a subsidiary of UnitedHealthcare) vs. the patients. PBMs are leveraging their incredible purchasing power to set rebate and discounts. A small pharmacy such as Moloka'i Drugs could never compete with the quantity of medicines purchased by the PBMs. They control which medications are covered and control pricing for both pharmacies and patients. For example, our pharmacy will fill a prescription and lose \$150.00 for a one-month supply for a patient. We are not able to change the reimbursement of what we can charge the patient nor the insurance company because we are tied by contracts that we may not be able to change for one year. As a comparison, a grocery store selling one dozen eggs can instantly increase their price of goods from \$9.00 to \$11.00 when costs go up; Moloka'i Drugs is not able to do so.

One story I would like to share with you: on an almost daily basis, our Molokai Drugs staff saves patients trips to the ER and doctors' visits when patients are not able to see their providers on the same day. For example, if someone comes in for uku (or lice) medicine for their child, we are able to work with providers and insurers on getting that lice medicine immediately vs. going to the ER and/or doctors. Pharmacies such as ours save State and Federal tax payers as well as insurance companies money by preventing expensive doctors' and ER visits for minor health ailments. Our pharmacists are also available six days a week and very accessible.

All Hawai'i pharmacies, whether chain or independent, need to survive. We also need to stop the practice of "patient steering." PBMs often direct patients to pharmacies they own or have financial interests in, limiting patient choice, and access to preferred healthcare providers. For example, one of our *kupuna* was recently pressured by a PBM telemarketer to transfer all of her medicines to a mainland mail order pharmacy. We were fortunate to work with this patient and have her return back to Moloka'i Drugs. PBM profits over patient care and disrupts the long-time, priceless patient-pharmacist relationships. These aggressive practices affect our pharmacists' access to our patients.

Thank you for supporting this measure and ensuring that we have pharmacies in all of our communities, especially rural ones like Moloka'i. Thank you.

Sincerely,

/s/ Kimberly Mikami Svetin

Kimberly Mikami Svetin
President
Moloka'i Drugs, Inc.
P.O. Box 558
Kaunakakai, HI 96748

SB-1509-SD-1

Submitted on: 3/8/2025 10:05:13 PM

Testimony for HLT on 3/12/2025 9:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Ronald Taniguchi, Pharm.D., MBA	Individual	Support	Written Testimony Only

Comments:

I support passage of SB1509 SD1. Mahalo nui loa.

SB-1509-SD-1

Submitted on: 3/10/2025 7:51:13 AM

Testimony for HLT on 3/12/2025 9:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Chandra Kim	Individual	Support	Remotely Via Zoom

Comments:

My name is Chandra Kim and I am a resident of Kailua, Hawai‘i, here in support of SB1509, which would pass PBM negotiated rebates on prescription medications through to patients at the point of sale. My daughter lives with type 1 diabetes and life is challenging enough in many ways for her. The last thing I want for her to continue to think about is the cost of her insulin. We frequently hear about the cost of insulin, and steps continue to be taken to address this, but insulin is only one medication that a person with diabetes – like my daughter – relies on to stay healthy and alive.

This matter is very personal to me, and to many others who call Hawai‘i home. Going to the pharmacy to pick up a life-saving drug should not be stressful. We shouldn't be told that 1) our insurance does not cover a specific drug that keeps my daughter alive (this is for a different Bill that needs to be addressed); and 2) that the medicine will cost HUNDREDS of dollars (with insurance!!). We shouldn't have to leave the pharmacy without our LIFE SAVING medication because of cost. No one should ever have to make these kinds of decisions.

SB1509 would ensure that patients who rely on lifesaving and life-sustaining medications to manage their chronic condition would pay the lowest negotiated price for that drug, instead of the artificially inflated list price. My request is that you put patient needs over corporate profits to help kamaaina like me. Thank you.

SB-1509-SD-1

Submitted on: 3/10/2025 10:10:30 AM

Testimony for HLT on 3/12/2025 9:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Eleni Valanos	Individual	Support	Written Testimony Only

Comments:

On behalf of the Alliance for Transparent and Affordable Prescriptions (ATAP) Action Network, I am writing to express our support for Hawaii SB1509 and ask that the committee advance this legislation. Hawaii SB1509 seeks to ensure that patients do not pay inflated costs for their prescriptions by increasing transparency and accountability for Pharmacy Benefit Managers (PBMs).

Founded in 2017, ATAP works to address prescription drug costs and patient access to affordable treatment by regulating PBM practices and reforming the drug industry through educational outreach and grassroots advocacy initiatives at both the state and federal levels. ATAP is concerned about the role PBMs play regarding the alarming price increases in the total cost and out-of-pocket costs of prescription drugs for patients, resulting in the loss of patient access to affordable and life-saving medications. As you may be aware, PBMs are third-party entities that are hired by insurers and health plan sponsors to manage and administer prescription drug benefit plans. Using their intermediary position, PBMs:

- Negotiate rebates and discounts with pharmaceutical manufactures in exchange for including the manufacturer's drug on the PBMs tiered formulary.
- Determine which medication the PBM will cover and how much the patient will pay for their medication per the tiered formularies.
- Negotiate rebates and discounts for medications, meant to drive down the cost of medications for patients, which are pocketed by the PBMs within opaque contracts.
- Prohibit pharmacists from informing patients that the copayment amount for their medications may be higher than paying the retail ("cash") price for their medication.

Hawaii SB1509 seeks to remedy these practices requiring that 100% percent of rebates received by PBMs are passed through to patients. It would also require PBMs to submit annual compliance certifications to the Insurance Commissioner on the cost sharing requirements. These reforms would address a major market distortion in our current drug pricing system, remove the incentive for PBMs to prefer drugs with high list prices, and ensure Hawaii patients are better able to afford their prescription medications at the pharmacy counter.

ATAP is happy to be a resource as the committees considers Hawaii SB1509. If you have any questions about our position, or if you would simply like to learn more about how PBMs operate in the marketplace, please contact: Eleni Valanos at evalanos@hhs.com.

Sincerely,

Michael Schweitz, MD
President, ATAP Action Network

Testimony in SUPPORT of SB1509: Creation of a reimbursement floor and prohibition of spread pricing
House Committee on Health
Wednesday, March 12, 2025

To the Honorable Chair Takayama, Vice Chair Keohokapu-Lee Loy, and Members of the Committee,

As a pharmacist practicing in Hawai'i, I strongly support SB1509, with the most important provisions establishing a reimbursement floor paid to a pharmacy by a Pharmacy Benefit Manager (PBM) that is consistent with national standards being implemented across the country. This initiative also prohibits a PBM from offering reimbursement rates or incentives to a non-affiliated pharmacy in an amount less than those offered to an affiliated pharmacy for providing the same prescription drug. **Both measures are critical to keeping community pharmacies in business, particularly those that serve remote populations across our neighbor islands.**

As a community pharmacist in Hawaii for over 40 years, I cannot overstate the detrimental effects of the unfair practices that PBMs have been imposing on our industry.

For independent pharmacists and pharmacy owners:

- There is not a single day that my reimbursement for the prescriptions dispensed covers my basic costs.
- On an average day I will care for 75 to 100 members of my community
- My contracts are take it or leave it and on a 90 day supply of a popular diabetes medication I could lose over \$600.00!
- I make every effort to purchase the least expensive drugs and yet the PBMs' create contract terms that assure I make the minimum or operate at a loss
- The PBMs' act as both the buyer and seller of my services.
- I make every effort to challenge MAC prices and to date NOT A SINGLE MAC REVIEW has resulted in my pharmacy being paid at or above my purchase price!!
- Once in the past I called a large PBM to complain about the MAC review process and within 24 hours was subjected to an audit and recoupment in excess of several thousand dollars!!

I urge the Health Committee to support SB1509 and ensure that community pharmacies can continue to conduct business by establishing financial business requirements that are common practice in every other industry. Without such standards, our community pharmacies will no longer be able to serve the populations that rely on us the most.

Kevin Glick, PharmD

Lihue Pharmacy, Inc



Testimony in SUPPORT of SB1509: Creation of a reimbursement floor and prohibition of spread pricing
House Committee on Health
Wednesday, March 12, 2025

To the Honorable Chair Takayama, Vice Chair Keohokapu-Lee Loy, and Members of the Committee,

As a pharmacy technician practicing in Hawai'i, I strongly support SB1509, with the most important provisions establishing a reimbursement floor paid to a pharmacy by a Pharmacy Benefit Manager (PBM) that is consistent with national standards being implemented across the country. This initiative also prohibits a PBM from offering reimbursement rates or incentives to a non-affiliated pharmacy in an amount less than those offered to an affiliated pharmacy for providing the same prescription drug.

Both measures are critical to keeping COMMUNITY PHARMACIES in business, particularly those that serve remote populations across our neighbor islands!!!

As a pharmacy technician on the Big Island, I cannot overstate the detrimental effects of the unfair practices that PBMs have been imposing on independent community pharmacies. We are tied in to contracts that consistently reimbursed **BELOW COST** on medications! Profit margins that would make your **jaw drop**! What other business gives away goods for less than cost?? Not to mention labor, vials, caps, labels, etc. You could say we do not need to sign these contracts with these PBMs, but then what about our patients?? That is our why and our mission (...**to serve the healthcare needs of Big Islanders**), to take care of our community and provide them with the much needed services and medications they need. We are not trying to get rich; we just do not want to be in the hole.

I have been a certified pharmacy technician for 18 years and every year it gets worse and worse. The stress on community pharmacies to not go out of business real, finding other avenues for revenue is exhausting and requires more resources, all while these big corporations rake in the millions if not billions.

Please help us fight the good fight for our patients, for your friends and family members.

Thank you for your consideration.

Sincerely,



Christina Reuelman, CPhT
KTA Pharmacy (Big Island)
UH Hilo, The Daniel K. Inouye College of Pharmacy
HPhA Board of Directors - Technician

SB-1509-SD-1

Submitted on: 3/10/2025 8:22:34 PM

Testimony for HLT on 3/12/2025 9:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Hiromi Saito	Individual	Support	Written Testimony Only

Comments:

To the Honorable Chair Takayama, Vice Chair Keohokapu-Lee Loy, and Members of the Committee,

As a pharmacist practicing in Hawai‘i, I strongly support SB1509, with the most important provisions establishing a reimbursement floor paid to a pharmacy by a Pharmacy Benefit Manager (PBM) that is consistent with national standards being implemented across the country. This initiative also prohibits a PBM from offering reimbursement rates or incentives to a non-affiliated pharmacy in an amount less than those offered to an affiliated pharmacy for providing the same prescription drug. Both measures are critical to keeping community pharmacies in business, particularly those that serve remote populations across our neighbor islands.

Best Regards,
Hiromi Saito, RPh

SB-1509-SD-1

Submitted on: 3/10/2025 10:47:23 PM

Testimony for HLT on 3/12/2025 9:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Carrie Shibata	Individual	Support	Written Testimony Only

Comments:

To the Honorable Chair Takayama, Vice Chair Keohokapu-Lee Loy, and Members of the Committee,

As a pharmacist in Hawaii, I strongly support SB1509, with the most important provisions establishing a reimbursement floor paid to a pharmacy by a Pharmacy Benefit Manager (PBM) that is consistent with national standards being implemented across the country. This initiative also prohibits a PBM from offering reimbursement rates or incentives to a non-affiliated pharmacy in an amount less than those offered to an affiliated pharmacy for providing the same prescription drug. Both measures are critical to keeping community pharmacies in business, particularly those that serve remote populations across our neighbor islands.

As a community pharmacist, I cannot overstate the detrimental effects of the unfair practices that PBMs have been imposing on our industry. We spend a lot of time trying to find the cheapest price from different reputable drug companies only to still take a loss on the cost of the medication. Also the amount of prescriptions filled during the course of a day are increasing where reimbursements are less than the cost of a medication.

I urge the Health Committee to support SB1509 and ensure that community pharmacies can continue to conduct business by establishing financial business requirements that are common practice in every other industry. Without such standards, our community pharmacies will no longer be able to serve the populations that rely on us the most.

Sincerely,

Carrie Shibata, Pharm D

Times Aiea Pharmacy

Testimony in SUPPORT of SB1509: Creation of a reimbursement floor and prohibition of spread pricing
House Committee on Health
Wednesday, March 12, 2025

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As an community pharmacist, I cannot overstate the detrimental effects of the unfair practices that PBMs have been imposing on our industry. *Please use the body of your testimony to attest to the communities you serve and your direct impact on access and quality of care. Some questions to elaborate upon for the committee:*

For independent pharmacists and pharmacy owners:

- How long have you been embedded in your community, and how many patients/areas do you serve?
- How many prescriptions are you filling, and of those, on how many are you making enough in reimbursement to account for the cost of business?
- Describe your reimbursement contracts in basic business terms – are they clear and fair? Are there differences between your purchasing power and those affiliated with larger conglomerates?
- Are you able to procure all the medications needed to serve your patients? If not – is cost the barrier?
- What are the differences between how you make business decisions vs. pharmacies that have a larger buying network?
- The more specific you can be – the better! If you have data share it!
- Other examples of PBM deceptive practices can be provided for context (e.g. mail order requirements, patient steering, etc). However, the primary focus of this bill is to create a reasonable reimbursement rate floor and ensure fair rates between affiliated and non-affiliated pharmacies.

Non-independent pharmacist wishing to support this initiative:

- A vote in support is better than nothing! A simple vote does not require submission of a detailed testimony if you are not familiar with PBM Reform
- Describe the unfair practices of PBMs and how this impacts patient care – have you seen the results of these practices personally?

- Patient steering practices, unfair reimbursement rates causing pharmacies to lose money on dispensing medications, differences in reimbursement between network and non-network pharmacies, forced mail order provisions, etc.
- Describe the importance of our independent community AND specialty pharmacies, especially those serving patients on neighbor islands and in remote areas. What would the loss of these independent pharmacies mean?
 - Longer drive time to pharmacies, less touch points with the healthcare system, decreased medication adherence, less access to a trusted healthcare professional, etc.
 - Include any personal stories affiliated with these practices

Drug manufacturers and other industry pharmacists

- How are PBM pricing models affecting your business fiscal lines?
- How could these new proposed pricing standards benefit both your businesses and the impact you are able to have?
- Data? Share it!

I urge the Health Committee to support SB1509 and ensure that community pharmacies can continue to conduct business by establishing financial business requirements that are common practice in every other industry. Without such standards, our community pharmacies will no longer be able to serve the populations that rely on us the most.

Sincerely,

Aaron Lee, PharmD

Times Supermarket Pharmacy

Testimony in SUPPORT of SB1509

House Committee on Health
Wednesday, March 12, 2025

To the Honorable Chair Takayama, Vice Chair Keohokapu-Lee Loy, and Members of the Committee,

As a community pharmacist serving patients in Hawai'i, I strongly support SB1509. This bill is a necessary step toward ensuring fair reimbursement for pharmacies and protecting patient access to essential medications.

Independent pharmacies like ours do more than just fill prescriptions—we are healthcare hubs that provide personalized patient care, medication counseling, and specialized services that chain and mail-order pharmacies simply cannot match. Our medication delivery services allow patients—especially those who are elderly, disabled, or living in rural areas—to receive their prescriptions without barriers. Additionally, we offer customized multi-dose and compliance packaging, which improves adherence, reduces medication errors, and prevents hospital readmissions.

Despite the vital role we play in the community, PBMs continue to reimburse us at rates that are often below our acquisition costs, making it increasingly difficult to keep our doors open. This financial strain forces many independent pharmacies to close or cut back on services, leaving patients without access to a trusted healthcare provider who knows their history and cares for their well-being.

Without independent pharmacies, patients would face longer wait times, fewer personalized services, and limited access to essential medications—especially those requiring specialized packaging or urgent delivery.

By passing SB1509, you will help level the playing field and ensure that all pharmacies receive fair reimbursement rates, regardless of their affiliation. This legislation is crucial to keeping community pharmacies viable and ensuring that patients continue to receive the high-quality, accessible, and personalized care they deserve.

I urge the Health Committee to support SB1509 and take a stand for patient-centered care and the survival of independent pharmacies in Hawai'i.

Sincerely,
Keri Oyadomari

SB-1509-SD-1

Submitted on: 3/11/2025 11:23:00 AM

Testimony for HLT on 3/12/2025 9:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Brithany Ariga	Individual	Support	Written Testimony Only

Comments:

Testimony in SUPPORT of SB1509: Creation of a reimbursement floor and prohibition of spread pricing

House Committee on Health

Wednesday, March 12, 2025

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Every day, I see firsthand how unfair PBM practices impact both our pharmacy and the patients we serve. KTA Pharmacy provides essential medications and healthcare support to residents across Hawai‘i Island, including kūpuna, those managing chronic conditions, and families who rely on us for their medications. Many of these patients would have nowhere else to go if independent pharmacies like ours were forced to close due to unsustainable reimbursement rates.

The reality is that most of the prescriptions we process are reimbursed below the cost of the medication itself—this does not even account for the cost of dispensing, including labor, supplies, and other operational expenses. PBMs are setting reimbursement rates so low that it is nearly impossible to sustain operations while continuing to provide quality care. This means that every day, we are struggling to keep essential medications in stock and maintain the level of service that our patients depend on.

Unlike large chain pharmacies with corporate backing and better-negotiated contracts, independent pharmacies like ours are at the mercy of unfair PBM practices. We do not have the purchasing power of major retail chains, yet we are expected to accept reimbursement rates that put us at a severe financial disadvantage. This imbalance does not just harm our business—it directly affects the patients who rely on us for their health and well-being.

I have personally witnessed patients struggling to afford their medications because they were forced into mail-order programs by PBMs, even when they preferred to pick up their prescriptions locally. PBM-affiliated pharmacies receive favorable reimbursement rates, while independent pharmacies are pushed to the brink, making it harder for us to provide the personal care and face-to-face counseling that many patients need.

SB1509 is a crucial step toward ensuring that independent pharmacies receive fair reimbursement and that patients are not left without access to care. Without these protections, more community pharmacies will be forced to close, leaving many residents—especially in rural areas—without a reliable source of medications and healthcare support.

I urge lawmakers to support SB1509 and stand up for fair pharmacy practices that protect both independent pharmacies and the patients we serve. Ensuring fair reimbursement will allow us to continue doing what we do best—caring for our communities.

Thank you,

Brithany Ariga
KTA Pharmacy

Testimony in SUPPORT of SB1509: Creation of a reimbursement floor and prohibition of spread pricing
House Committee on Health
Wednesday, March 12, 2025

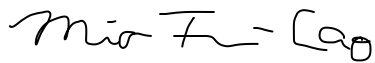
To the Honorable Chair Takayama, Vice Chair Keohokapu-Lee Loy, and Members of the Committee,

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As a community pharmacist, I cannot overstate the detrimental effects of the unfair practices that PBMs have been imposing on our industry. **We are unable to procure all the medications needed to serve our patients due to cost and reimbursement rates.**

I urge the Health Committee to support SB1509 and ensure that community pharmacies can continue to conduct business by establishing financial business requirements that are common practice in every other industry. Without such standards, our community pharmacies will no longer be able to serve the populations that rely on us the most. Thank you for your time.

Sincerely,

A handwritten signature in black ink that reads "Mia Tran-Cao". The signature is fluid and cursive, with the first name "Mia" being the most prominent.

Mia Tran-Cao, Pharm.D.

Times Pharmacy



Testimony in SUPPORT of SB1509: Creation of a reimbursement floor and prohibition of spread pricing
House Committee on Health
Wednesday, March 12, 2025

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I have been serving the Hawai'i Island community as a community pharmacist at KTA Pharmacy, with a primary focus on ensuring that rural residents have access to essential medications and healthcare services. Community pharmacies like KTA Pharmacy play a crucial role in providing care to our local population, including kūpuna, individuals with chronic conditions, and those who face transportation barriers to accessing healthcare. We serve thousands of patients across the island, including those in remote areas where access to medical care is limited.

The reality of operating an independent pharmacy under current PBM reimbursement structures is unsustainable. The vast majority of prescriptions we dispense are reimbursed below the actual cost of the drug, not accounting for the additional costs associated with dispensing medications, such as pharmacist and staff wages, rent, utilities, and supplies. In essence, we are operating at a loss with nearly every prescription processed. This financial strain forces difficult decisions, including whether we can continue to stock essential but costly medications or whether we can remain open to serve our patients at all.

Our reimbursement contracts are neither clear nor fair. There is a significant disparity between what independent pharmacies like KTA Pharmacy can negotiate versus the rates provided to large corporate-affiliated pharmacies. We often have no ability to negotiate terms and are instead forced to accept reimbursement rates that do not cover our costs. Larger pharmacy networks, which have greater purchasing power and direct affiliations with PBMs, receive significantly better terms. This disparity is not just an issue of business competition—it is a direct threat to patient care in Hawai'i's rural communities.

Additionally, PBM practices such as patient steering and mail-order requirements further exacerbate the challenges we face. Many patients are coerced into using PBM-affiliated mail-order pharmacies, disrupting



50 EAST PUAINAKO STREET
HILO, HAWAII 96720

PHONE: 808-959-4575

continuity of care and depriving them of critical face-to-face counseling that community pharmacists provide. These deceptive practices not only harm independent pharmacies but also reduce the quality of patient care.

SB1509 is a necessary step to ensure fairness and sustainability in pharmacy reimbursement. Establishing a reimbursement floor will help prevent further pharmacy closures and protect patient access to essential medications. Prohibiting PBMs from offering lower reimbursement rates to non-affiliated pharmacies will help level the playing field, ensuring that community pharmacies can continue to serve patients without undue financial hardship.

I urge lawmakers to recognize the essential role of independent pharmacies in our communities and to take action to protect access to care for all Hawai'i residents. The passage of SB1509 will help preserve the viability of community pharmacies and ensure that patients, particularly those in rural areas, can continue to receive the care they need.

Thank you for the opportunity to submit testimony.

Sincerely,

Dayna Wong-Otis, PharmD., CDCES
KTA Super Stores, Pharmacy

SB-1509-SD-1

Submitted on: 3/11/2025 3:49:10 PM

Testimony for HLT on 3/12/2025 9:00:00 AM

Submitted By	Organization	Testifier Position	Testify
LILY VAN	Individual	Support	Written Testimony Only

Comments:

To the Honorable Chair Takayama, Vice Chair Keohokapu-Lee Loy, and Members of the Committee,

As a pharmacist practicing in Hawai‘i, I strongly support SB1509, with the most important provisions establishing a reimbursement floor paid to a pharmacy by a Pharmacy Benefit Manager (PBM) that is consistent with national standards being implemented across the country. This initiative also prohibits a PBM from offering reimbursement rates or incentives to a non-affiliated pharmacy in an amount less than those offered to an affiliated pharmacy for providing the same prescription drug. Both measures are critical to keeping community pharmacies in business, particularly those that serve remote populations across our neighbor islands.

As a clinical pharmacist, I cannot overstate the detrimental effects of the unfair practices that PBMs have been imposing on our industry. Every day, I see firsthand how PBM policies disrupt patient access to necessary medications.

It is well known that PBMs operate with little transparency and have increasingly used their influence to impose unfair reimbursement rates, restrictive networks, and burdensome administrative hurdles. As a clinical pharmacist, I spend much of my workday working closely with providers to ensure that patients get the necessary medications they need to manage their complex conditions. However, PBM practices often create unnecessary delays and barriers. This past week alone, I have had a number of patients being steered by their PBM through patient access steering (ie, their plan will not pay their medication unless they receive the prescription where the PBM tells them to go). Not only does this provide frustration on the patients’ parts, but it significantly delays patient care as often times the patient will have to wait for their prescriptions to come in through the mail from the mainland.

I urge the Health Committee to support SB1509 and ensure that community pharmacies can continue to conduct business by establishing financial business requirements that are common practice in every other industry. Without such standards, our community pharmacies will no longer be able to serve the populations that rely on us the most.

Kindest regards,

Lily Van, PharmD, BCACP, CDCES