

Honolulu, Hawaii

FEB 28 2025

RE: S.B. No. 1509
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Third State Legislature
Regular Session of 2025
State of Hawaii

Sir:

Your Committees on Health and Human Services and Commerce and Consumer Protection, to which was referred S.B. No. 1509 entitled:

"A BILL FOR AN ACT RELATING TO PRESCRIPTION DRUGS,"

beg leave to report as follows:

The purpose and intent of this measure is to:

- (1) Require health insurers and pharmacy benefit managers to reduce an enrollee's defined cost sharing for a prescription drug by a price amount equal to at least one hundred percent of all rebates received, or to be received, in connection with the dispensing or administration of the prescription drug;
- (2) Require a pharmacy benefit manager to submit a certification to the Insurance Commissioner by January 1 of each calendar year certifying compliance with the cost sharing requirements; and
- (3) Establish protections for the publishing of certain confidential or proprietary information by health insurers or pharmacy benefit managers.

Your Committees received testimony in support of this measure from the State Health Planning and Development Agency; Infusion Access Foundation; Alliance for Transparent and Affordable



Prescriptions Action Network; Walgreens Co.; Hawai'i Pharmacists Association; Patient Pocket Protector Coalition; National Infusion Center Association; Moloka'i Drugs, Inc.; National Community Pharmacists Association; and twelve individuals.

Your Committees received testimony in opposition to this measure from the Hawaii Insurers Council, AHIP, Hawaii Association of Health Plans, and Pharmaceutical Care Management Association.

Your Committees received comments on this measure from the Insurance Division of the Department of Commerce and Consumer Affairs and American Pharmacists Association.

Your Committees find that health insurers and pharmacy benefit managers have a significant impact in determining the total cost to a patient for prescription drugs by negotiating rebates with pharmaceutical drug manufacturers to lower the cost of prescription drugs to the health insurer or pharmacy benefit manager. Your Committees further find that the cost savings from rebates are often not used to directly lower the price of prescription drugs to patient consumers, and may instead be used by insurance companies to lower insurance premiums for its policy holders. This measure lowers financial barriers to essential treatments, ensuring that patients benefit directly from negotiated rebates savings.

Your Committees note the concern raised by the Hawaii Pharmacists Association that this measure requires stronger provisions regulating pharmacy benefit managers to ensure lower drug prices for both pharmacies and patients.

Accordingly, your Committees have amended this measure by:

- (1) Clarifying that the confidentiality protections provided by this measure shall not relieve a health care insurer, pharmacy benefit manager, or plan sponsor of any obligation to provide rebate information to the Insurance Commissioner;
- (2) Inserting a definition of "pharmacy benefit manager" to mean 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;

- (3) Inserting a definition of "pharmacy benefit management service" to mean:
 - (A) The negotiation of the price of prescription drugs, including the negotiation and contracting of direct or indirect rebates, payment differentials, or other price concessions;
 - (B) The management of any aspect of a prescription drug benefit of a health care insurer; and
 - (C) The performance of any administrative, managerial, clinical, pricing, financial, reimbursement, data administration or reporting, or billing service related to a prescription drug benefit of a health care insurer;
- (4) Inserting language requiring that a pharmacy benefit manager shall ensure that the final reimbursement paid to a pharmacy shall not be in an amount less than the national average drug acquisition costs for the prescription drug when it is dispensed, plus a professional dispensing fee as provided in the Hawaii Medicaid State Plan approved by the Centers for Medicare and Medicaid Services;
- (5) Inserting language specifying that if the national drug acquisition cost is not available at the time a drug is administered or dispensed, a pharmacy benefit manager shall not reimburse a pharmacy an amount that is less than the dispensing fee provided in the most recent Hawaii Medicaid State Plan approved by the Centers for Medicare and Medicaid Services;
- (6) Inserting language requiring that a pharmacy benefit manager shall not offer 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;



- (7) Inserting an effective date of December 31, 2050, to encourage further discussion; and
- (8) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the records of votes of the members of your Committees on Health and Human Services and Commerce and Consumer Protection that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 1509, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 1509, S.D. 1, and be placed on the calendar for Third Reading.

Respectfully submitted on
behalf of the members of the
Committees on Health and Human
Services and Commerce and
Consumer Protection,



JARRETT KECHOKALOLE, Chair

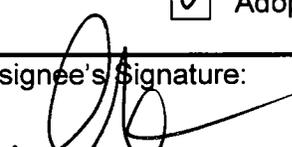


JOY A. SAN BUENAVENTURA, Chair



The Senate
Thirty-Third Legislature
State of Hawai'i

Record of Votes
Committee on Commerce and Consumer Protection
CPN

Bill / Resolution No.:* SB1509	Committee Referral: HHS/CPN	Date: 2/24/25		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
KEOHOKALOLE, Jarrett (C)	✓			
FUKUNAGA, Carol (VC)	✓			✓
MCKELVEY, Angus L.K.	✓			
RICHARDS, III, Herbert M. "Tim"	✓			✓
AWA, Brenton	✓			
TOTAL	3	0	0	2
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <div style="text-align:center; margin-top: 10px;">  </div>				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes