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

JOSH GREEN, M.D.
GOVERNOR OF HAWAIʻI
KE KIAʻĀINA O KA MOKUʻĀINA ʻO HAWAIʻI

KENNETH S. FINK, MD, MGA, MPH
DIRECTOR OF HEALTH
KA LUNA HOʻOKELE

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

March 16, 2025

To: HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE
Representative Scot Z. Matayoshi, Chair
Representative Cory M. Chun, Vice Chair and
Honorable Members

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

Regarding: **SB1509, SD1, HD1 – Relating to Prescription Drugs**

Hearing: Wednesday, March 19, 2025 @ 2:00 pm; Conference Room 329

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.

SB1509 SD1 HD1 replaces the original bill with a Legislative Reference Bureau study. While SHPDA believes there is enough evidence of consumer benefit to warrant moving the original bill forward, we will offer insights to the LRB study if that direction is preferred.

Thank you for the opportunity to testify.

Charlotte A. Carter-Yamauchi
Director

Shawn K. Nakama
First Assistant

Research 808-587-0666
Revisor 808-587-0670
Fax 808-587-0681

LEGISLATIVE REFERENCE BUREAU
State of Hawaii
State Capitol, Room 446
415 S. Beretania Street
Honolulu, Hawaii 96813

Written Comments

S.B. 1509 HD1

RELATING TO PRESCRIPTION DRUGS

Charlotte A. Carter-Yamauchi, Director
Legislative Reference Bureau

Presented to the House Committee on Consumer Protection and Commerce

Wednesday, March 19, 2025, 2:00 p.m.
Room 329 & Videoconference

Chair Matayoshi and Members of the Committee:

Good afternoon, Chair Matayoshi and members of the Committee. My name is Charlotte Carter-Yamauchi, and I am the Director of the Legislative Reference Bureau (Bureau). Thank you for providing the opportunity to submit written **comments** on S.B. 1509 H.D.1, Relating to Prescription Drugs.

The purpose of this measure is to direct the Bureau to conduct a study on best practices for the regulation of pharmacy benefit managers and reduction in the cost of prescription drugs for health insurance plan beneficiaries. The measure further requires the Bureau to assess standards and regulations adopted by other states regarding pharmacy benefit managers and to review best practices that result in reduced prescription drug costs and improved transparency in the health insurance system.

The measure also would require the Bureau to submit a report of its findings and recommendations, including any proposed legislation, to the Legislature no later than twenty days prior to the convening of the Regular Session of 2026.

The Bureau takes no position on this measure but has some concerns about our ability to perform the study as requested. We submit the following comments for your consideration.

As a general matter, the Bureau notes that it lacks any of the subject matter expertise necessary to conduct the requested study. We do not presently have any staff with specific expertise or experience in matters relating to insurance, insurance regulation, prescription drug benefits, actuarial analysis, accounting, or economics that would allow us to comment with any authority on best practices in the regulation of pharmacy benefit managers or reducing the costs of prescription medications to health plan members.

Nationwide, pharmacy benefit managers manage prescription drug coverage for commercial health plans, self-insured employer plans, Medicare Part D plans, state government employee plans, and Medicaid managed care organization plans. It is estimated that 90 percent of all prescription drug claims are processed by pharmacy benefit managers. Further, it should be noted that, according to the National Conference of State Legislatures, all 50 states (as well as the District of Columbia and Puerto Rico) have adopted numerous regulatory provisions for pharmacy benefit managers. Given the variations among all states' insurance markets and the types of coverage offered by pharmacy benefit managers, it is doubtful that the Bureau would be able to identify any specific metric that may constitute a "best practice." Furthermore, given the many differences in health plan provisions in place across all states, the Bureau lacks the ability to analyze whether a particular practice has resulted in any cost savings.

If the Committee desires an analysis of best practices for regulating pharmacy benefit managers and reducing the costs of prescription drugs, the Bureau respectfully suggests that the measure be amended to assign sole responsibility for that analysis to an agency or entity with specific expertise in insurance regulation and oversight.

As an alternative, the Bureau believes it would be able to contract for the specialized services needed to perform the analysis required by this measure, if adequate funding is provided and the services of a competent contractor are available. However, given the scope of the project, and the time needed to contract for services, the Bureau also would respectfully request the measure be amended to allow two years to conduct the study and requiring a report to the Legislature prior to the 2027 Regular Session.

If the scope of the study is amended to provide adequate funding and a two-year time period to permit the Bureau to contract out the study, the Bureau believes that the services requested of the Bureau under the measure would be manageable, provided that the Bureau's interim workload is not adversely impacted by too many other studies or additional responsibilities, such as conducting studies, writing or finalizing other reports, drafting legislation, or any combination of these for the Legislature or for other state agencies, task forces, or working groups that may be requested or required under other legislative measures.

Thank you again for your consideration.

To: Chair Keohokalole, Vice Chair Fukunaga, and Members of Senate Committee on Commerce and Consumer Protection

From: Alliance for Transparent and Affordable Prescriptions (ATAP) Action Network

Date: March 19, 2025

Re: Support for Hawaii SB1509 – Prescription Drug Cost Sharing

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

SanHi
GOVERNMENT STRATEGIES
A LIMITED LIABILITY LAW PARTNERSHIP

DATE: March 18, 2025

TO: Representative Scot Matayoshi
Chair, Committee on Consumer Protection & Commerce

Representative Cory Chun
Vice Chair, Committee on Consumer Protection & Commerce

FROM: Tiffany Yajima

RE: **S.B. 1509, SD1, HD1 - Relating to Prescription Drugs**

Hearing Date: Wednesday, March 19, 2025 at 2:00 p.m.
Conference Room: 329

Dear Chair Matayoshi, Vice Chair Chun and Members of the Committee on Consumer Protection & Commerce:

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 **supports** S.B. 1509 S.D.1, H.D.1, which would require the Legislative Reference Bureau to conduct a study on best practices for the regulation of pharmacy benefit managers and reduction in prescription drug costs for health insurance plan beneficiaries.

Walgreens prefers the S.D.1 version of this bill which would set a reimbursement rate floor to ensure pharmacies are fairly reimbursed by pharmacy benefit managers for the medications they dispense.

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

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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.

The S.D.1 version of this bill 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 measure and also supports a study that assesses best practices for the regulation of pharmacy benefit managers and asks the committee to pass this measure.

Thank you for the opportunity to submit this testimony.

Testimony presented before the
House Committee on Consumer Protection
March 19, 2025

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

Honorable Chair Matayoshi, Vice Chair Chun, and Members of the Committee,

The Hawai'i Pharmacists Association (HPhA) is in strong support with suggested amendments of SB1509 that, in its current form, requires the legislative reference bureau to conduct a study on best practices for the regulation of pharmacy benefit managers and reduction in the cost of prescription drugs for health insurance plan beneficiaries. We appreciate the efforts of the Senate to adopt amendments that establish meaningful Pharmacy Benefit Manager (PBM) Reform and appreciate the efforts from the House Health Committee to implement these vital initiatives in a cost-effective manner.

For context, PBMs 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.

One of the largest issues addressed in the previous 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 the intent of the LRB study is certainly appreciated, **we recommend much stronger language to ensure the study has meaningful impact.** HPhA suggests the following amendments to make the most of the study and provide the data to work towards meaningful PBM Reform initiatives in the coming legislative session:

SECTION 1. (a) The legislative reference bureau shall conduct a study on best practices for the regulation of pharmacy benefit managers and reduction in the cost of prescription drugs for health insurance plan beneficiaries. The study shall:

~~(1) Assess standards and regulations adopted by other states regarding pharmacy benefit managers; and~~

~~(2) Review best practices that result in reduced prescription drug costs and improved transparency in the health insurance system.~~

(1) Review mandated medication reimbursement rate equation approaches across the country and the direct effect on medication costs, pharmacy reimbursements and healthcare premiums; and

(2) Evaluate how current PBM contracts and medication pricing practices directly affect employer costs across the country; and

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

Very Respectfully,

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

CSRO
Coalition of State Rheumatology Organizations

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March 18, 2025

House Committee on Consumer Protection & Commerce
State Capitol
415 South Beretania Street, Conference Room 329
Honolulu, HI 96813

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

Chair Matayoshi, Vice Chair Chun and members of the House Committee on Consumer Protection & Commerce:

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.

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.

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.

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.[i] 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, and it ultimately decreases competition and increases government costs.

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. Astoundingly, PBMs also retained 1,317% of these dollars towards their revenue.[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, patients rarely see the direct benefit of those "savings." In reality, list prices seem to be fictional for everyone *except* the patient, whose cost-sharing is often based on the full price. It's time for rebates and discounts to benefit the patient – not the PBMs, especially as many patients are enrolled in health insurance plans that utilize high deductibles 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. By reducing the patient's out-of-pocket cost, patients can continue to take their prescribed medications and improve adherence and health outcomes.

On behalf of practicing rheumatologists across Hawaii and the patients we serve, 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, FACR
President
Board of Directors

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

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[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.

LATE

MOLOKA'I DRUGS, INC.
EST. 1935

March 18, 2025

Testimony in SUPPORT for SB1509, SD1 HD1: Relating to Prescription Drugs

Dear Chair Matayoshi, Vice Chair Chun, and Members of the House Committee on Consumer Protection and Commerce:

As a rural healthcare provider, access to comprehensive, high-quality healthcare services is our mission at Molokai Drugs. On behalf of our employees and patients, I am testifying in favor of SB1509, SD1 HD1, in agreement with earlier testimony submitted by the Hawaii Pharmacists Association (HPhA). While parts of this measure are "good," the State of Hawaii needs stronger regulations surrounding the regulation of PBMs to meaningfully impact medication pricing for pharmacies and patients.

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 Molokai 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; Molokai Drugs is not able to do so.

HPhA submitted testimony which discussed in detail some of the steering away strategies used to switch our patients from a Hawaii-based pharmacy paying State of Hawaii taxes to a mainland-based mail order pharmacy. For Hawaii pharmacies to survive, we also need to stop the practice of "patient steering," especially with our *kupuna*. 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. She did not know she had agreed to send her prescriptions to the mainland. We were fortunate to work with this patient and have her return back to Molokai Drugs. This happens every week at our pharmacy. PBM profits over patient care and disrupts the long-time, priceless patient-pharmacist relationships. These aggressive practices affect our pharmacists' access to our patients.

With SB1509, SD1 HD1, we can attempt to control medication pricing by established a reimbursement model that ensures pharmacies are paid for the cost of medication dispensed and having PBMs share information with the State of Hawaii Insurance Commissioner upon request. Small businesses such as Molokai Drugs are required to submit annual reports with the State. Why are Fortune 100 companies such as these PBMs allowed to not register as well?

Thank you for hearing us and listening to our testimony.

Sincerely,

/s/ Kimberly Mikami Svetin

Kimberly Mikami Svetin
President
Molokai Drugs, Inc.
P.O. Box 558
Kaunakakai, HI 96748
Work 808-553-5790

LATE

Testimony in SUPPORT of SB1509: Creation of a reimbursement floor and prohibition of spread pricing
House Committee on Consumer Protection
Wednesday, March 19, 2025

To the Honorable Chair Matayoshi, Vice Chair Chun, and Members of the Consumer Protection Committee,

As a community member of 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 an industry advocate, I cannot overstate the detrimental effects of the unfair practices that PBMs have been imposing on our industry. PBMs just adds another financial layer - they do not manufacture the product, distribute the product or dispense the product. GREED – profits over what is best for our patients and the Health of our Community.

- PBMs have conflict of interest, controlling contracts, rebates & reimbursements
    - 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.
- It is very important that we have our independent community AND specialty pharmacies, especially those serving patients on neighbor islands and in remote areas.
    - Longer drive time to pharmacies, less touch points with the healthcare system, decreased medication adherence, less access to a trusted healthcare professional, etc.
    - Our Community pharmacies help care of our people, they take the time to know the patients, educate our patients and serve the community overall.
    - Just be Fair, pharmacies should NOT be losing money for dispensing products, they should be reimbursed fairly.
    - Pharmacist go through extensive training and our healthcare system depend on them for their expertise.

I urge the Consumer Protection 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
Sylvia K. Shim
Executive Diabetes Care Specialist
Novo Nordisk, Inc.
1613 A Kamehameha IV Road
Honolulu, HI 96819

SB-1509-HD-1
Submitted on: 3/15/2025 9:56:56 AM
Testimony for CPC on 3/19/2025 2:00:00 PM

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

Comments:

I am support of SB1509 SD1 HD1. Mahalo

SB-1509-HD-1
Submitted on: 3/17/2025 10:57:18 AM
Testimony for CPC on 3/19/2025 2:00:00 PM

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

Comments:

To the Honorable Chair Matayoshi, Vice Chair Chun, and Members of the Consumer Protection 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

SB-1509-HD-1
Submitted on: 3/17/2025 12:13:25 PM
Testimony for CPC on 3/19/2025 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Lara Gomez	Individual	Support	Written Testimony Only

Comments:

Testimony in SUPPORT of SB1509

House Committee on Consumer Protection

Wednesday March 19, 2025

To the Honorable Chair Matayoshi, Vice Chair Chun, and Members of the Consumer Protection Committee

I urge the Consumer Protection 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.

Lara Gomez, PharmD

Testimony in SUPPORT of SB1509: Creation of a reimbursement floor and prohibition of spread pricing
House Committee on Health
Monday, March 17, 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. **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,

Mia Tran-Cao

Mia Tran-Cao, Pharm.D.

Times Pharmacy

SB-1509-HD-1
Submitted on: 3/17/2025 4:46:49 PM
Testimony for CPC on 3/19/2025 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Wailua Brandman	Individual	Support	Written Testimony Only

Comments:

Support

Committee On Consumer Protection & Commerce
Honorable Scot Z. Matayoshi, Chair
Honorable Cory M. Chun, Vice Chair
Members of the House Committee On Consumer Protection & Commerce

Hearing Date: Wednesday, March 19, 2025

SB1509 Relating to Prescription Drugs: Strongly Support

Aloha Chair Matayoshi, Vice Chair Chun, and esteemed members of the Committee,

I am writing to express my strong support for Senate Bill 1509, which seeks to enhance the fairness and transparency of prescription drug pricing in Hawaii by establishing a reimbursement floor for pharmacies and prohibiting Pharmacy Benefit Managers (PBMs) from offering lower rates to non-affiliated pharmacies compared to their affiliated counterparts.

As a pharmacy advocate, I have witnessed the profound impact that inequitable reimbursement practices have on the sustainability of independent pharmacies, especially those serving our rural and underserved populations. Community pharmacies are essential to our healthcare system, providing vital access to medications and personalized care tailored to the unique needs of patients throughout our communities.

The provisions of SB1509 will address the ongoing challenges posed by PBM practices that often force pharmacies to operate at a loss. Currently, many independent pharmacies are reimbursed below the actual acquisition cost of medications, which not only threatens their viability but also jeopardizes patient access to essential healthcare services. By establishing a reimbursement floor, this bill will ensure that pharmacies are compensated fairly, allowing them to continue serving patients without the constant threat of closure due to unsustainable financial pressures.

The financial strain on independent pharmacies is dire, and recent trends underscore the urgency of this legislation. New research from the nonprofit American Economic Liberties Project (AELP) shows that in the past three months alone, the United States has seen another 326 pharmacies close. The report argues that the reason for those closures stems from Congress's abandonment of PBM reform. This alarming statistic highlights the critical need for legislative action to safeguard the future of community pharmacies, which serve as vital healthcare providers in our communities.

Additionally, a study conducted by experts from USC Schaeffer combined data from over a dozen sources to analyze the distribution of insulin from manufacturers to consumers. The findings revealed that between 2014 and 2018, the share of funds going to manufacturers decreased by 33%, while the share going to PBMs increased by an alarming 155%. This shift demonstrates the pressing need for reform in our pharmacy reimbursement system.

In conclusion, I urge you to support SB1509. This legislation is a critical step toward ensuring that community pharmacies can continue to thrive while delivering the high-quality care that our patients deserve. By prioritizing fairness and transparency in pharmacy reimbursement practices, we can protect access to essential medications for all residents of Hawaii.

Thank you for your consideration.

Sincerely,
Leia Nu
Pharmacy Advocate

SB-1509-HD-1
Submitted on: 3/18/2025 1:41:31 PM
Testimony for CPC on 3/19/2025 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Alyssa Pang	Individual	Support	Written Testimony Only

Comments:

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

House Committee on Consumer Protection

Wednesday, March 19, 2025

To the Honorable Chair Matayoshi, Vice Chair Chun, and Members of the Consumer Protection Committee,

As the Director of a chain of independent pharmacies 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 is today, this bill mandates the Legislative Reference Bureau to conduct a comprehensive study on best practices for regulating pharmacy benefit managers (PBMs) and strategies to reduce prescription drug costs for health insurance beneficiaries. This bill represents a crucial step toward enhancing transparency and affordability in Hawaii's healthcare system.

There have been multiple independent pharmacies in the past year that have closed locations that could no longer sustain their business due to unfair practices from PBM’s. The contracts are convoluted and unfair and we are either forced to participate or lose thousands of patients. Listed below are current practices by PBM’s to deceive patients and pharmacies:

1. Patients will have co-pays on certain medications at independent pharmacies, but not at box-chain locations (i.e. statins, certain brands, etc.)
2. Randomly adding drugs to a Maximum Allowable Cost (MAC) price list that is paid at a rate that is almost unachievable for independent pharmacies due to lack of buying power. Also, when the pharmacy is underpaid, you will need to contest your claim and **IF** the PBM agrees they underpaid you, they will increase the price for future fills, but

sometimes still not enough to cover cost. Our pharmacy can submit over 1500 claims per week of underpaid claims.

3. If you're lucky, you will get a dispensing fee of $0.25 per claim, but the PBM charges $0.32 per claim to process through their PBM, so off the bat, you are starting at -$0.07 to process a prescription.
4. PBM's will force the pharmacy to process through their processor, but auto bill to discount cards with fees ranging from $3 to $7.50 per claim at the cost of the patient and ultimately at the loss of the pharmacy.

I can provide additional data for any of the claims listed above.

Pharmacists do far more than dispense medication; they are front-line healthcare providers who serve as a critical checkpoint in preventing medication errors, adverse drug interactions, and potentially life-threatening complications. Every day, pharmacists intervene to identify incorrect dosages, dangerous drug interactions, and even prescribing errors that could harm patients.

I urge the Consumer Protection 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.

Alyssa-Marie Pang, Director of Pharmacy

808-853-7767

To the Honorable Chair Matayoshi, Vice Chair Chun, and Members of the Committee,

My name is Dillon Solliday and I am a final-year student in the Doctor of Pharmacy program at the University of Hawai`i at Hilo. I appreciate the opportunity to submit testimony in support of SB1509, which would task the legislative reference bureau with studying the best practices for the regulation of pharmacy benefit managers (PBMs).

PBMs have significant control over the pharmaceutical drug supply, but operate with a major lack of transparency for patients, healthcare providers, or regulatory bodies to understand their business practices. Pharmacies in Hawai`i, and across the country, are closing at alarming rates, decreasing patient access to healthcare. These pharmacies often cite financial viability as playing a primary role in their decision to close their doors. A legislative study on PBM regulation would provide the State of Hawai`i with valuable information to help ensure a fair marketplace that provides safe healthcare options to patients.

I respectfully urge the Committee to support SB1509 and thank you for the opportunity to testify on this bill.

Sincerely,

Dillon Solliday, MBA

Doctor of Pharmacy Candidate

University of Hawai`i at Hilo, Daniel K. Inouye College of Pharmacy