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## HOUSE RESOLUTION

REQUESTING THE DEPARTMENT OF HUMAN SERVICES TO ESTABLISH AN INTERIM TASK FORCE TO REVIEW THE STATE MAXIMUM ALLOWABLE COST PROGRAM'S REIMBURSEMENT POLICY AND ITS IMPACT ON SMALL, INDEPENDENT, COMMUNITY PHARMACIES.

1           WHEREAS, pharmacology is a transitional field between  
2 health sciences and chemical sciences and a profession charged  
3 with ensuring the safe use of medication; and  
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5           WHEREAS, traditionally, pharmacists have compounded and  
6 dispensed medications on the orders of physicians, but more  
7 recently, the role of the pharmacist has evolved to include  
8 other services related to patient care, including clinical  
9 practice, medication review, and drug information; and  
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11           WHEREAS, pharmacists are highly-trained and skilled  
12 healthcare professionals who perform various roles to ensure  
13 optimal health outcomes for their patients; and  
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15           WHEREAS, many pharmacists are also small-business owners,  
16 owning the pharmacy in which they practice; and  
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18           WHEREAS, for each prescription that a pharmacy fills under  
19 the Medicaid Program, Medicaid pays the pharmacy an amount meant  
20 to cover both the cost of acquiring the drug from the  
21 manufacturer and the cost of distributing and dispensing it; and  
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23           WHEREAS, with the rising cost of healthcare taking a  
24 significant toll on federal and state budgets, federal  
25 regulations were implemented in 1987 to limit the amount which  
26 Medicaid could reimburse for certain generic drugs under the  
27 Federal Upper Limit (FUL) Program; and



1 WHEREAS, the concept of the FUL Program is to achieve  
2 savings by taking advantage of current market prices; and

3  
4 WHEREAS, states also limit Medicaid drug reimbursement  
5 under the Maximum Allowable Cost (MAC) Program, which generally  
6 lists more drugs than the FUL Program and features lower  
7 pricing; and

8  
9 WHEREAS, presently, MAC prices in Hawaii are set to remain  
10 below FUL prices to adhere to federal regulations and ensure  
11 maximum federal reimbursement for Medicaid expenditures; and

12  
13 WHEREAS, following federal guidelines, states typically  
14 reimburse pharmacies for a prescription on the basis of an  
15 estimated acquisition cost (EAC) plus a dispensing fee--both of  
16 which vary among the states; and

17  
18 WHEREAS, Hawaii's EAC is equal to the average wholesale  
19 price minus 10.5 percent; and

20  
21 WHEREAS, the state Department of Human Services (DHS) has  
22 posted on its website "unofficial" rules, which state that for a  
23 multi-source drug product, the MAC is determined by averaging  
24 the EAC of the three least expensive generic versions available  
25 with at least one of the three generic products provided by a  
26 manufacturer who participates in the Federal Drug Rebate  
27 Program; and

28  
29 WHEREAS, under Hawaii's MAC Program, reimbursement for  
30 prescription drugs is as follows:

- 31  
32 (1) Single-source drugs are reimbursed at the lowest of  
33 either the:  
34  
35 (A) Billed charge;  
36  
37 (B) Provider's usual and customary charge to the  
38 general public; or  
39  
40 (C) The EAC for a drug product plus a reasonable  
41 dispensing fee; and  
42  
43 (2) Multiple source drug reimbursements shall not exceed  
44 the lowest of either the:



- 1 (A) Billed charge;
- 2
- 3 (B) Provider's usual and customary charge to the
- 4 general public;
- 5
- 6 (C) EAC for a drug product plus a reasonable
- 7 dispensing fee;
- 8
- 9 (D) FUL price plus a reasonable dispensing fee; or
- 10
- 11 (E) If no FUL exists, the MAC plus a reasonable
- 12 dispensing fee, currently set at \$4.67;
- 13

14 and

15  
16 WHEREAS, according to a recent study by the Government  
17 Accountability Office (GAO), proposed Medicaid pharmacy  
18 reimbursement cuts will force pharmacists to accept Medicaid  
19 drug reimbursement that is, on average, 36 percent below their  
20 acquisition cost; and

21  
22 WHEREAS, 86 percent of independent community pharmacists  
23 say proposed regulations, as evaluated by the GAO, will  
24 influence their decision to continue participating in the  
25 Medicaid program; and

26  
27 WHEREAS, it will be our state's poor, in particular women  
28 and children who make up the majority of Medicaid recipients,  
29 who will suffer when they can no longer access community  
30 pharmacies for the medications they need; and

31  
32 WHEREAS, more information needs to be collected to better  
33 understand how MAC prices are set and how to ensure a reasonable  
34 reimbursement to small pharmacies within state spending limits  
35 and of federal Medicaid restrictions; now, therefore,

36  
37 BE IT RESOLVED by the House of Representatives of the  
38 Twenty-fourth Legislature of the State of Hawaii, Regular  
39 Session of 2007, that DHS is requested to establish an interim  
40 State Maximum Allowable Cost Program Evaluation Task Force (Task  
41 Force) to review the state MAC Program's reimbursement policy  
42 and its impact on small, independent, community pharmacies; and

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1 BE IT FURTHER RESOLVED that the Task Force be composed of  
2 nine members to include the following:

- 3 (1) One member appointed by the Governor;
- 4 (2) One member appointed by the President of the Senate;
- 5 (3) One member appointed by the Speaker of the House of
- 6 Representatives;
- 7 (4) The Director of Human Services, or a designee;
- 8 (5) The Director of Commerce and Consumer Affairs, or a
- 9 designee;
- 10 (6) The Executive Officer of the Hawaii State Board of
- 11 Pharmacy, or a designee; and
- 12 (7) A representative of the National Community Pharmacists
- 13 Association; and
- 14 (8) Two practicing pharmacists from small, independent,
- 15 community pharmacies;

16 and

17 BE IT FURTHER RESOLVED that the Task Force is requested to  
18 submit a report of its discussions, and any findings and  
19 recommendations, including any proposed legislation, to the  
20 Governor and the Legislature no later than 20 days prior to the  
21 convening of the Regular Session of 2008; and

22 BE IT FURTHER RESOLVED that certified copies of this  
23 Resolution be transmitted to the Governor, Director of Human  
24 Services, Director of Commerce and Consumer Affairs, Executive  
25 Officer of the Hawaii State Board of Pharmacy, and President of  
26 the National Community Pharmacists Association.

27 OFFERED BY:

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