NEIL ABERCROMBIE
GOVERNOR

BARBARA A. KRIEG
DIRECTOR

LEILA A. KAGAWA
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT
235 S. BERETANIA STREET
HONOLULU, HAWAII 96813-2437

February 4, 2013

TESTIMONY TO THE
HOUSE COMMITTEE ON LABOR & PUBLIC EMPLOYMENT
AND COMMITTEE ON HEALTH

For Hearing on Wednesday, February 6, 2013
8:45 a.m., Conference Room 329

BY

BARBARA A. KRIEG
DIRECTOR

House Bill No. 1240
Relating to Workers' Compensation Drugs

TO CHAIRPERSON MARK NAKASHIMA, CHAIRPERSON DELLA AU BELATTI,
AND MEMBERS OF THE COMMITTEES:

The purpose of H.B. 1240 is to restrict reimbursement of repackaged prescription drugs and compound medications to amounts comparable to that of retail pharmacies under state law.

The Department of Human Resources Development (DHRD) has a fiduciary duty to administer the State's self-insured workers' compensation program and its expenditure of public funds.

DHRD strongly supports the general intent of this bill to restrict reimbursement of repackaged and compound medications for workers' compensation claims. However, DHRD respectfully recommends H.B. 1240 be **held** in favor of H.B. 891, which is also before your committees today and addresses the very same issue.

As we have testified in strong support of H.B. 891, the State of Hawaii Workers' Compensation Medical Fee Schedule (WCMFS), Section 12-15-55(c), HAR, allows pharmaceuticals to be charged to insurance carriers at up to 140% of the average

wholesale price (AWP) listed in the American Druggist Red Book. The AWP is pegged to the manufacturer's national drug code (NDC). Our research indicates that this is the highest rate in the nation for either brand or generic drugs. By comparison, the states with the second highest rates on brand name drugs are Alaska and Rhode Island at 120% of the AWP while California is the lowest at 83%. On generic drugs, Louisiana also allows a 140% rate while Alaska and Texas are at 125%, with Washington state allowing the lowest rate, at only 50% of AWP.

Unlike H.B. 891, which is also before your committees today, this measure distinguishes between brand and generic medications. While H.B. 1240 would impose a 140% cap on repackaged or compounded brand name medications, it also proposes a 160% of the AWP rate for generics. This higher rate would further distance Hawaii from other states and exacerbate the issues that H.B. 891 is intended to address.

We respectfully request that the committees hold this bill.

NEIL ABERCROMBIE
GOVERNOR

DWIGHT Y. TAKAMINE
DIRECTOR

AUDREY HIDANO
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS
830 PUNCHBOWL STREET, ROOM 321
HONOLULU, HAWAII 96813
http://labor.hawaii.gov

February 06, 2013

To: The Honorable Mark Nakashima, Chair,
The Honorable Mark Hashem, Vice Chair and
Members of the House Committee on Labor & Public Employment

The Honorable Della Au Belatti, Chair,
The Honorable Dee Morikawa, Vice Chair and
Members of the House Committee on Health

Date: Wednesday, February 06, 2013
Time: 8:45 A.M.
Place: Conference Room 329, State Capitol

From: Dwight Y. Takamine, Director
Department of Labor and Industrial Relations (DLIR)

Re: H.B. No. 1240 Relating to Medications

I. OVERVIEW OF PROPOSED LEGISLATION

HB1240 proposes to amend Section 386-21, Hawaii Revised Statutes, by:

- placing a price cap on brand name prescription drugs to not exceed the average wholesale price as listed in Red Book plus forty percent (40%) of the average wholesale price, except where the carrier and provider has contracted for a lower reimbursable amount;
- allowing a repackaged or relabeled drug price to be calculated by multiplying the number of units dispensed by the average wholesale price set by the original manufacturer, plus forty percent;
- allowing generic medication to be reimbursed at the average wholesale price as listed in Red Book plus sixty percent (60%) of the average wholesale price, except where the carrier and provider has contracted for a lower reimbursable amount; and
- determining reimbursements for compound medication;

This measure is similar to HB891 that also clarifies reimbursement rates for repackaged drugs, compound medications, and generic drugs; and authorizes reimbursement of a dispensing fee to physicians who dispense prescription medications directly to patients as well as a repackaging premium. The Department prefers HB891.

II. CURRENT LAW

Workers' Compensation Medical Fee Schedule (WCMFS) Administrative Rule, Section 12-15-55 Drugs, supplies and materials, allows for prescription drugs to be reimbursed at the average wholesale price as listed in Red Book plus forty percent when sold by a physician, hospital, pharmacy, or provider of service other than a physician. All billings for prescriptive drugs must include the national drug code listed in Red Book followed by the average wholesale price listed at time of purchase by the provider of service. In addition, approved generics shall be substituted for brand name pharmaceuticals unless the prescribing physician certifies no substitution is permitted because the injured employee's condition will not tolerate a generic preparation.

The current statute and rules do not address the reimbursement of repackaged or relabeled and compound medication.

III. COMMENTS ON THE HOUSE BILL

This measure supports the department's position of working towards insuring that Hawaii's injured workers receive continual quality medical care, services and supplies, and easy access to filling prescription medications, while insuring the providers of service who care for injured workers are fairly reimbursed.

The Department, however, believes that the reimbursement for generic and brand name prescription medication (average wholesale price plus 60%) should be the same as for the brand medications (average wholesale price plus 40%). Keeping the allowable markup consistent with the Medical Fee Schedule, regardless of whether the drugs are generic or brand name, will help control the spiraling costs to Workers' Compensation system.

This measure will clarify the reimbursement rates for repackaged or relabeled drugs and compound medications, which are currently not addressed in the workers' compensation law or regulations. This may ultimately reduce the amount of billing disputes involving the correct payments for prescription/generic drugs, repackaged drugs, and compound medications.

The Department notes that the number of disputes involving generic drugs, repackaged drugs, and compound medications has exploded and currently over 2,000 such disputes exist and must be addressed. The Disability Compensation Division, which administers the Workers' Compensation laws, has been severely impacted by recent budget decisions including a $400,000 reduction in the current biennium.

The Department is hopeful that this bill will result in fairer reimbursement of prescription medications and lower medical costs in Hawaii's workers' compensation

system, while not affecting injured workers' access to prescription medication.

This measure is similar to HB891 that also clarifies reimbursement rates for repackaged drugs, compound medications, and generic drugs; and authorizes reimbursement of a dispensing fee to physicians who dispense prescription medications directly to patients as well as a repackaging premium. The Department prefers HB891.

Property Casualty Insurers
Association of America
Advocacy. Leadership. Results.

To: The Honorable Mark M. Nakashima, Chair
House Committee on Labor & Public Employment

The Honorable Della Au Belatti, Chair
House Committee on Health

From: Mark Sektnan, Vice President

Re: **HB 1240 – Relating to Medications**
PCI Position: Concerns (Request for Amendments)

Date: Wednesday, February 6, 2013
8:45 a.m., Conference Room 329

Aloha Chairs Nakashima and Belatti and Members of the Committees:

The Property Casualty Insurers Association of America (PCI) has concerns regarding HB 1240 which addresses a major issue facing workers' compensation insurers – the abusive pricing practices of some compounders. These abusive practices also confront automobile insurers who are required to provide motor vehicle personal injury protection benefits (PIP). The negative impact in PIP is even greater since the benefits are limited.

A significant workers compensation pharmacy cost-driver has been the over-prescribing of compound drugs, which are customized mixtures of multiple drugs and other remedies intended to better meet the unique needs of the patient. While the original intent of these drug combinations is to provide better medical care to patients, they have become a "loophole" that is being exploited by a small number of physicians to generate additional revenue streams. A short overview of the process is listed below:

- Physician writes prescription for customized mixture of ingredients, not available at strengths or combinations in existing retail market
- Pharmacy prepares mixture to specifications, using bulk drugs (usually generic), packages, labels and dispenses
- May involve partnership between prescribing physician and compounding pharmacy
- Large number of compounds are topical preparations, often involving drugs for which oral formulations exist (e.g., topical tricyclic anti-depressants)
- Usually no evidence that compound medication is superior, equivalent to retail, or even effective for condition being treated
- Concentration of costs with a few pharmacies which seem to specialize in compounding.

PCI believes that reimbursement for compounded drugs should be based on the NDC codes of the original manufacturer of each active ingredient with no additional reimbursement for

ingredients with no NDC code. There should be only one dispensing fee and not a dispensing fee for each active ingredient.

Drug costs, especially repackaged and compound drugs, have been one of the biggest cost drivers in workers' compensation systems across the country. Self-insured entities (including the State of Hawaii and Hawaii's counties, as well as private businesses such as Marriott and Safeway) also pay for the costs of abusive/inflated repackaged drug pricing.

In recent testimony before the Senate Ways and Means Committee and House Finance Committee, the State Department of Budget & Finance Director Kalbert Young said that the Administration will be asking for an additional $3.5 million for each of the next two fiscal years to cover *non-discretionary cost increases* for risk management and workers compensation. A substantial portion of the cost increases the state is seeing are likely to have come from artificially inflated repackaged prescription drug/compound medication costs. The recent dispute between the City & County of Honolulu and Automated HealthCare Solutions ("AHCS"), a Florida-based "billing company" through which repackaged drugs and compound meds flow, is a good example of the problems caused for taxpayers and businesses by uncontrolled repackaged drug and compound medication costs.

PCI has several concerns regarding provisions of HB 1240. Why does HB 1240 provide for generics to be reimbursed at Average Wholesale Price (AWP) plus 60%? Pharmacies typically make more money on generics than they do on brand names so this provision seems unnecessary. HB 1240 doesn't state that each medication ingredient which makes up the compound drug be priced at the average wholesale price of the **original manufacturer**. HB 1240 also allows original AWP plus 60%, for repackaged drugs whereas HB 891 allows for AWP plus 40% of original manufacturer. HB 1240 should include original manufacturers in the compound drug language or compound drug reimbursements will still be a major cost driver.

At this time, we believe that HB 891 would do a better job of controlling runaway drugs costs. We are still reviewing the provisions of the bill and may seek additional amendments. In addition, to the recommended amendments above we would also like to request the bill be amended to make it clear the bill's provisions also apply to Motor Vehicle Personal Injury Protection benefits (PIP). Billing for medication at inflated prices leads to premature exhaustion of personal injury protection monies for those injured in motor vehicle accidents, yet provides no additional benefits for the injured party. Currently the Workers' Compensation Fee Schedule clearly applies to PIP benefits. It would be preferable for the Legislature to specifically clarify its intent that this measure applies to PIP.

PCI appreciates the Legislature's interest in this important issue. At this time, PCI requests the committee hold HB 1240 in committee.

HOUSE COMMITTEE ON
LABOR AND PUBLIC EMPLOYMENT

and

HOUSE COMMITTEE ON
HEALTH

February 6, 2013

House Bill 1240 Relating to Medications

Chair Nakashima, Chair Belatti, members of the House Committee on Labor and Public Employment, and members of the House Committee on Health, I am Rick Tsujimura, representing State Farm Mutual Automobile Insurance Company (State Farm).

State Farm is in support of House Bill 1240 Relating to Medications. This bill addresses concerns found in the current statute regarding the dispensing of medication by physicians. While we recognize it is beneficial for physicians to dispense medication to patients directly, especially to those located on the neighbor islands and in rural Hawaii, the current statute allows for repackaging companies to artificially inflate the cost of those medications throughout the islands, to the detriment of the policyholder.

This bill will benefit Hawaii's consumers by providing greater balance between ensuring neighbor island and rural consumers have adequate access to prescription dispensaries and avoiding premature exhaustion of their limited Personal Injury Protection (PIP) benefits due to excessive prescription costs. Hawaii law requires application of the state's Workers' Compensation Fee Schedule for medical expenses paid under PIP.

The following examples will demonstrate the difference in cost to the consumer for the medications dispensed by physicians and those purchased at a local pharmacy using the current statute.

Claim #	Medication	Physician's Dispensed Price	Pharmacy Price
51-06F3-132	Cyclobenzaprine	$334.96	$31.20
51-05z9-408	Lidoderm Patch	$661.28	$243.30
51-04w0-804	Ibuprofen	$45.71	$20.40
51-0656-599	Carisoprodol	$558.42	$18.00
51-05L8-478	Ranitidine (OTC)	$363.53 (60)	$15.90 (30)
51-0656-821	Vicodin 10/325	$329.42	$20.70
51-05q1-575	Meloxicam	$315.28	$29.70

51-05v6-705	Tramadol	$69.96	$34.20
51-0656-677	Naproxen	$105.64	$36.30
51-06f3-132	Morphine Sulfate	$395.64	$15.13

These examples clearly exemplify that while repackagers are operating within current laws, there are negative, unintended repercussions to the consumer and that a change in the statute is needed in order to protect the consumer so that a greater percentage of PIP benefits may be applied to necessary medical treatment and not for overpriced medication.

Thank you for the opportunity to present this testimony.

HAWAII INSURERS COUNCIL
A trade association of property and casualty insurance companies

Pauahi Tower, Suite 2010
1001 Bishop Street
Honolulu, Hawaii 96813
Telephone (808) 525-5877

Alison Powers
Executive Director

TESTIMONY OF JANICE FUKUDA

HOUSE COMMITTEE ON LABOR AND UNEMPLOYMENT
Representative Mark M. Nakashima, Chair
Representative Mark J. Hashem, Vice Chair

HOUSE COMMITTEE ON HEALTH
Representative Della Au Belatti, Chair
Representative Dee Morikawa, Vice Chair

Wednesday, February 06, 2013
8:45 a.m.

HB 1240

Chair Nakashima, Chair Au Belatti, Vice Chair Hashem, Vice Chair Morikawa and members of the Committees, my name is Janice Fukuda, Assistant Vice President, Workers' Compensation Claims at First Insurance, testifying on behalf of Hawaii Insurers Council. 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 40% of all property and casualty insurance premiums in the state.

Hawaii Insurers Council **opposes** subsection (e) of this bill. This section will increase the reimbursement for generic prescription medication from 40% to 60% of the average wholesale price as listed in the American Druggist Red Book. Although it also allows a lower amount where the carrier has so contracted, there is no justification for increasing the reimbursement amount for generic drugs when Hawaii's reimbursement rate is already the highest in the nation.

More importantly, this section separately allows repackaged drugs to be reimbursed at 60% of the average wholesale price set by the original manufacturer of the underlying

medication while having no provision to allow for a lower reimbursement rate if the carrier has contracted with a provider. We believe the specific language in HB 891 would better serve to help contain drug reimbursement costs.

Thank you for the opportunity to testify.

DENNIS W. S. CHANG
Attorney at Law, LLLC

WORKER'S RIGHTS - LABOR LAW
WORKER'S COMPENSATION
SOCIAL SECURITY DISABILITY
LABOR UNION REPRESENTATION
EMPLOYEES RETIREMENT SYSTEM
BODILY INJURIES

HOUSE OF REPRESENTATIVES

TWENTY-SEVENTH LEGISLATURE, 2013

STATE OF HAWAI'I

February 5, 2013

VIA ELECTRONIC MAIL

TO: Rep. Mark M. Nakashima, Chair
Rep. Mark J. Hashem, Vice Chair
and Members of the Committee on Labor & Public Employment

Rep. Della Au Belatti, Chair
Rep. Dee Morikawa, Vice Chair
and Members of the Committee on Health

DATE: Wednesday, February 6, 2013
TIME: 8:45 a.m.
PLACE: Conference Room 329, State Capitol
415 South Beretania Street

FROM: Dennis W. S. Chang
Labor and Workers' Compensation Attorney

Re: HB 891 & HB1240 Relating to Workers' Compensation Drugs
Strong Support

The time is ripe for the Legislature to address and reduce what many have proven to be a cost driver that only benefits a select few in the workers' compensation (WC) process. In the overall scheme, the benefit is substantial for them but is hidden as a major cost driver because only limited medical providers utilize repackaging or relabeling of medications, which include large amounts of opiods that should have little or no place in the WC process except for the most devastating injuries. Why should injured workers be taking as much as 80 mg of morphine sulfate twice a day and six (6) oxycodones (generic name for Percocet) daily as well as other medications for chronic low back pain or shoulder injuries?

Colleagues and professionals on both sides believe that some action is undeniably required to curb what has been coined as "legalized drug abuse" as a matter of public policy. Some, a very small amount, of injured workers clearly require such repackaged medications, but not for as prolonged treatment modalities, whether the injured workers are taking all of their medications which are regularly dispensed by their physicians in their offices as repackaged medications and become dependent on them. Or, they are, unfortunately, using this system to sell the medications on the streets to supplement their meager temporary total disability benefits (TTD) or what we lawyers in the WC field call wage replacement benefits.

For the foregoing reasons, I **fully and strongly support** the underlying intent of both repackaging bills. However our Legislature should be mindful that the two bills relating to repackaging are not identical. There are some minor substantive changes. Most important, to be fair, **HB 152** increasing the charges for medical providers across the board from 110% to 130%, which still falls short in correcting the inequities for most of the remaining group of medical providers in the WC process. It is more fair and more logical to serve as an incentive to retain medical providers and provide access to quality medical care for injured workers because HB 152 benefits <u>all</u> medical providers equally while the repackaging bills only benefit a select few. Catering to a select few in repackaging is absolutely wrong.

The question comes down to a simple one. Why do we allow a select few to make outrageous amounts of monies as pointed out in the administration's bill through repackaging or relabeling medications by dispensing them from their offices, at profits of 100% at a time? In one situation, there is a reference to profit margins of more than 1000% when compared to having the medications dispensed from your local pharmacy.

Repackaging is a scheme created for profit only. We also have another public policy consideration. Just as important, pharmacists, we can presume, are much more knowledgeable in the interaction of medications than doctors who are dispensing medications from their offices while other similarly dedicated medical providers continue with grave difficulty keeping their businesses going in serving injured workers. They remain in the WC process, carry out their Hippocratic oath and love what they practice despite the onerous administrative burdens and nonsense that they are required to face in the WC process. Session after session, they hope the legislature would provide relief in the form of a bill like HB 152. I would encourage you to review a few of the testimonies of individual doctors and other medical providers stressing the hardship they must confront in previous legislative sessions. I have also attached my previous testimony which was submitted on House Bill 152 for you to grasp the gravity of their situation. Understandably, a few doctors have adopted systems like repackaging even though they must be contained.

There is no doubt that repackaging or relabeling of medications does play a cogent role, in particular, for injured workers who initially visit their physicians immediately following an accident. As to what is a "fair amount," I submit that this

should have been left to the stakeholders in this complicated fight, the small group of physicians who rely on repackaging as an adjunct to supplement their income and the self-insured employers and insurance carriers, to hammer out what is a fair charge under these two bills. Since they have been unable to reach a resolution, you must act and make the determination on the fair amount to be charged for repackaging.

A common sense approach is required in addressing this provocative development that is increasing in our great State and, in fact, has already been published on the internet nationwide for others to see what we will be doing to address this highly profitable loophole.

DWSC:ty

Attachment: Testimony re HB 152

DENNIS W. S. CHANG
Attorney at Law, LLLC

WORKER'S RIGHTS - LABOR LAW
WORKER'S COMPENSATION
SOCIAL SECURITY DISABILITY
LABOR UNION REPRESENTATION
EMPLOYEES RETIREMENT SYSTEM
BODILY INJURIES

HOUSE OF REPRESENTATIVES

TWENTY-SEVENTH LEGISLATURE, 2013

STATE OF HAWAI'I

January 28, 2013

VIA ELECTRONIC MAIL

TO: Honorable Mark M. Nakashima, Chair
Honorable Mark J. Hashem, Vice Chair
Members of House Committee on Labor & Public Employment

DATE: January 29, 2013
TIME: 9:00 a.m.
PLACE: Conference Room 309, State Capitol

FROM: Dennis W. S. Chang
Labor and Workers' Compensation Attorney

Re: HB 152 Relating to Workers' Compensation
(Support for Passage of HB 152)

The Legislature Should Correct the Crisis

Throughout the early years of my professional career there was an ongoing dialogue over whether medical providers were the "drivers" in the cost of doing business in the workers' compensation process. By the passage of Act 234, which became effective June 29, 1995, in one sweeping stroke, the Legislature amended Section 386-21 and reduced charges for vital medical services by 54% of previously authorized routine charges. Medical charges were capped at not more than 110% of the Medicare Resource Based Relative Value Scale system.

No credence was given to the concern that many medical providers would be unable to maintain their businesses to treat injured workers. Some involuntarily but drastically reduced the number of injured workers in their practices. Others were forced to stop treating injured workers altogether. The passage of Act 234 as the genesis of the lack of access to critical quality medical care for injured workers is undeniable. Emboldened, the administrative process was used to aggravate the crisis by imposing stringent rules on both medical providers and injured workers. Medical providers were

also required to spend a disproportionate amount of their time completing undue administrative paperwork and bureaucratic delay before they could treat injured workers unlike patients without work injuries.

Today, medical providers are required to submit detailed treatment plans, send onerous medical reports and provide regular justification for disability. They are required to wait for approval before starting or resuming vital medical care. No compensation are allowed for all time spent performing these burdensome administrative tasks, which do not apply to non work related patients. Instead, they could be used as disincentives to the delivery of quality medical care to injured workers and to deny billings for such medical care. Moreover, they must be redone and resubmitted at the behest of employers and insurance carriers or their representatives. Time and time again these administrative burdens result in lost and billable charges. To comply, medical providers must carefully study and master the requirements contained in the Medical Fee Schedule.

As one physician recently informed me, it is absurd that his treatment plan was one day off for the proposed period of treatment and his plan was the denied. Under the Medical Fee Schedule a treatment plan is allowed for a period of 120 days. Unfortunately, he submitted a treatment plan for four months. This resulted in plan covering a period of treatment for 121 days. The treatment plan was denied for precisely this reason even though there was clear substantial compliance. He was forced to resubmit a treatment plan containing a period of treatment for exactly only 120 days. Worse, by starting treatment, the insurance carrier could also deny his charges for *bona fide* medical care because his medical care, however essential, occurred under a treatment plan which was not approved.

Similarly, charges of medical providers are routinely disputed. To collect, they are required to file a request for a fee dispute with the Department of Labor and Industrial Relations ("Department"). Then, they must attempt to negotiate an informal resolution. Failure to engage in negotiations could result in getting fined. During negotiations they are unlikely to be paid their full allowable charges. If negotiations fail, they must attend a hearing to address their disputed charges. Most medical providers must, as a practical matter, accept whatever is negotiated because proceeding to a hearing inevitably means more lost time than the charges for the delivery of true critical medical care.

These and other onerous administrative burdens imposed upon medical providers and associated delay in the workers' compensation process prevent injured workers from accessing quality medical care. When faced with the dilemma having to wait for approval or providing essential medical care, they oftentimes follow the Hippocratic oath. Later, they confront a myriad of insurmountable administrative burdens resulting in the loss of valuable time.

We need a game changer beginning with the passage of HB 152 by allowing a nominal increase in compensating current dedicated medical providers. At the

minimum, it will encourage their small group to continue in the workers' compensation process. Hopefully, others may decide to participate in our dysfunctional workers' compensation system. Without doubt, passage of HB 152 would also allow injured workers better access to quality medical care. A member of the committee merely needs to pickup the telephone book and to call a few medical providers to verify that most of them refuse to treat injured workers.

I respectfully submit that members of the legislature should fully endorse the passage of HB 152. There is ample justification. Consider the arbitrary slashing of 54% of routine charges by the passage of Act 234 in 1995. Consider the fact that approximately 67% of premiums were reduced in recent years as confirmed by the Director in his testimony during the 2012 Legislative session based on data assembled by his Department. Consider the fact that the Medicare based system has failed to keep pace with medical costs.

As I previously testified last session, there is the total disconnect in the current workers' compensation system. Medical providers and injured workers should not be shouldering the costs of doing business as eloquently articulated in a long line of unwavering cases issued by the Hawai'i Supreme Court. Consistent with the underlying humanitarian purpose of the workers' compensation statute, the Court stated that the "costs of doing business" are unequivocally and rightfully imposed on employers in our great State.

Passage of HB 152 will not cure the woes of the remaining current medical providers and inequitable nightmares of injured workers who are in dire need of accessing quality medical care. Increasing charges a nominal amount from 110% to 130% is most proper, necessary and a small step in the right direction. I wholeheartedly respectfully request that all of you fully endorse the passage of HB 152 without any reservations.

DWSC:ty

[redacted]

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 05, 2013 1:09 PM
To: LABtestimony
Cc: manny@drsmedical.com
Subject: *Submitted testimony for HB1240 on Feb 6, 2013 08:45AM*

HB1240
Submitted on: 2/5/2013
Testimony for LAB/HLT on Feb 6, 2013 08:45AM in Conference Room 329

Submitted By	Organization	Testifier Position	Present at Hearing
Manny Bojorquez	Doctors Medical/RxDevelopment, Inc	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing , improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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LATE TESTIMONY

DEPARTMENT OF HUMAN RESOURCES
CITY AND COUNTY OF HONOLULU
650 SOUTH KING STREET, 10TH FLOOR • HONOLULU, HAWAII 96813
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KIRK CALDWELL
MAYOR

CAROLEE C. KUBO
DIRECTOR DESIGNATE

NOEL T. ONO
ASSISTANT DIRECTOR

February 6, 2013

The Honorable Mark Nakashima, Chair
and Members of the Committee on Labor and Public Employment
The Honorable Della Au Belatti, Chair
and Members of the Committee on Health
The House of Representatives
Hawaii State Capitol
415 South King St.
Honolulu, Hawaii 96813

Dear Chair Nakashima, Chair Au Belatti and Members of the Committees:

Subject: House Bill No. 1240 Relating to Medications

The City and County of Honolulu supports the intent of House Bill No. 1240, which amends Section 386-21, Hawaii Revised Statutes (HRS), by restricting markups of repackaged prescription drugs and compound medications to what is currently authorized for retail pharmacies under State law. However, the City prefers House Bill No. 891 over House Bill 1240 for the reasons given below.

The City has testified in support of House Bill No. 891 which allows pharmaceuticals to be charged to insurance carriers at up to average wholesale price (AWP) as listed in the American Druggist Red Book plus 40%. Hawaii's AWP plus 40% rate is currently the highest in the nation and its closest comparison is Alaska at AWP plus 20%.

While House Bill No. 1240 would impose a similar AWP plus 40% cap on repackaged or compounded brand name medications, it also proposes AWP plus 60% rate for generic medication. This higher rate for generic medications would only widen the gap that exists between Hawaii and other states.

We urge your committee to hold House Bill No. 1240 in favor of House Bill No. 891. Thank you for the opportunity to present testimony.

Sincerely,

Carolee C. Kubo
Director Designate