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STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
P. O. Box 339
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February 3, 2015

Memorandum

TO: The Honorable Dee Morikawa, Chair
House Committee on Human Services

FROM: Rachael Wong, DrPH, Director

SUBJECT: **H.B. 937 - RELATING TO MEDICAID MANAGED CARE**

Hearing: Thursday, February 5, 2015; 8:30 a.m.
Conference Room 329, State Capitol

PURPOSE: The purpose of the bill is to amend QUEST and QUEST Expanded Access (QExA) references in Hawaii Revised Statutes (HRS) to remove language that refers to the specific programs and replace it with “medicaid managed care” or "medicaid managed care program." This measure also authorizes all Medicaid managed care plans to subject class prescription drugs for conditions covered in section 346-352, HRS, to prior authorization procedures.

DEPARTMENT’S POSITION: The Department of Human Services (DHS) strongly supports this Administration measure. As of January 1, 2015, the QUEST and QExA programs were combined into one program called QUEST Integration. Essentially, all Medicaid recipients now receive services under a Medicaid managed care plan and therefore the measure proposes to amend statutory references to QUEST or QExA, and replace it with “medicaid managed care” or "medicaid managed care program." This change will ensure that any future program name

change will not require a change in statute, provided that the Medicaid services continue to be provided under a managed care delivery system.

After further review, it was determined that section 346-41.5, HRS, could be repealed as it is no longer necessary. Supplemental payments to qualified health centers are already being made through the capitation payments authorized through the Medicaid Program's 1115 waiver. The DHS recommends repeal of this section of the statute.

Section 346-53.64(a), HRS, replaces the term "health QUEST" with "medicaid managed care" and is a non-substantive change that will ensure that services eligible for prospective payment reimbursement to federally qualified health centers include services provided through any medicaid managed care program.

In section 346-59.4, HRS, the phrase "programs, including QUEST" is deleted and replaced with "program" which defines the full scope of federal medical assistance programs that an individual must be ineligible for in order to qualify for state-funded medical assistance. This change has no immediate impact since noncitizen children who would be eligible for state-funded assistance are currently eligible for federal medical assistance through the State Children's Health Insurance Program (SCHIP).

The proposed amendments to section 346-59.9, HRS, will ensure all medicaid managed care plans shall continue to not restrict or limit access to psychotropic medications, and clarifies all medicaid managed care plans are authorized to investigate fraud, abuse or misconduct.

The proposed amendment to section 346-352, HRS, replaces "QUEST' with "medicaid managed care." The current statute prohibits the imposition of a prior authorization requirement on prescription drugs for Medicaid recipients with human immunodeficiency virus, acquired immune deficiency syndrome, hepatitis C, or patients in need of transplant immunosuppressive medications and exempts only QUEST health plans from the prohibition.

In other words, non-Aged, Blind and Disabled recipients (previously QUEST) require a prior authorization process, but for the Aged, Blind or Disabled recipients (previously QExA), the subject prescription drugs described in section 346-352, HRS, were not subject to prior authorization.

With the implementation of QUEST Integration, the QUEST and QExA programs are no longer separate programs. The DHS is proposing this change to the Hawaii Revised Statutes that would extend the exemption, thus requiring a prior authorization process, to all medicaid managed care plans.

The DHS proposed amendment will assist DHS as it responds to the recent introduction of new drugs that, while effective, are quite costly. This change in statute will provide the DHS with the ability to better control the escalation of costs necessary through better utilization review. One example for the need to have a prior authorization or a utilization review process is in the case of the new drug Sovaldi. Sovaldi recently came on the market to treat individuals with Hepatitis C. The medication, which may cost $100,000 for one course of treatment, has raised concerns nationally for commercial health plans and especially Medicaid programs. The impact for Hawaii has been the submission in the Executive Budget for a total of $28 million in each year of the biennium budget, to fund the cost just for this one drug. The budget request is based upon the premise that prior authorization for the subject class drugs will be required by all medicaid managed care plans.

The DHS anticipates that new drugs will continue to become available in the near future that will be just as costly as Sovaldi. Guidelines to health plans have been issued related to prior authorization criteria for the subject prescription drugs for non-Aged Blind and Disabled population in QUEST Integration. The guidelines were developed after extensive review of other State policies and review of clinical data. Without this proposed amendment, the DHS will

not be able to effectively control these drug costs, which are likely to continue to increase. DHS is working with its actuaries to obtain an estimate for additional costs to cover Sovaldi treatment for the entire Medicaid managed care population with Hepatitis C for each year of the biennium. DHS will provide the cost estimate once it is available.

Lastly, the proposed amendment to section 461-10.5, HRS, replaces "QUEST" with "medicaid managed care" to allow remote dispensing pharmacies to provide medications to QUEST Integration recipients.

Thank you for the opportunity to testify on this bill.

kobayashi2-Lynda

LATE

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 05, 2015 5:47 AM
To: HUStestimony
Cc: wbkotter@gmail.com
Subject: Submitted testimony for HB937 on Feb 5, 2015 08:30AM
Attachments: Testimony aginst hb937.txt

Categories: Yellow Category

HB937
Submitted on: 2/5/2015
Testimony for HUS on Feb 5, 2015 08:30AM in Conference Room 329

Submitted By	Organization	Testifier Position	Present at Hearing
Brian Carter	Individual	Oppose	No

Comments: Please remove section 9 from this bill. Remote dispensing is dangerous and undermines the relationship between the patient and the pharmacist. The 5 mile exclusion is not large enough to prevent CVS from dropping kiosks into areas not so rural and competing (by mandating patients use their kiosk) with existing pharmacies. Remote dispensing is substandard care for patients in the most need for information and guidance about the medications they need. Aloha, Brian Carter RPh

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

February 4, 2015

TO: Chair Dee Morikawa and Members of the Committee on Human Services

FROM: Pharmaceutical Research and Manufacturers of America
(William Goo)

RE: **HB 937** - Medicaid Managed Care Program
Hearing Date: February 5, 2015
Time: 8:30 am

My name is William Goo. I represent the Pharmaceutical Research and Manufacturers of America (PhRMA).

PhRMA respectfully opposes passage of **HB 937** to the extent that it authorizes Medicaid managed care health plans to subject prescription drugs for conditions covered in Section 346-352 of the Hawaii Revised Statutes, to prior authorization procedures. Attached is PhRMA's testimony in opposition.

Thank you for considering this testimony.

STATEMENT

PhRMA
RESEARCH · PROGRESS · HOPE

In Opposition to Hawaii SB 1106/HB 937 which Subjects all Medicaid Managed Care Patients to Prior Authorization for Certain Medicines

February 5, 2015

Position: The Pharmaceutical Research and Manufacturers of America (PhRMA) respectfully opposes legislation in Hawaii that subjects all Medicaid Managed Care plans to prior authorization procedures for prescription drugs used to treat HIV/AIDS, Hepatitis C and patients in need of transplant immunosuppressives.

The classes of drugs used to treat patients with critical conditions, such as HIV/AIDS, Hepatitis C and transplant patients, should not have to go through prior authorization before patients can receive the drugs that they need. The patients and conditions being treated by the prescription drugs in these classes are among the most sensitive and fragile. Patients with serious diseases need improved access to medicines, not restrictions. Their illnesses are among the most debilitating conditions. By subjecting these patients who need these medications to now have to undergo the cumbersome and time consuming process of prior authorization could prevent vulnerable patients from accessing the treatment they need.

Patient health and well-being, not cost, should be the focal point for all decision-making regarding drug treatment regimens. Patients who do not get the right medicines may not only suffer medically, but may also require more costly treatment in the short- and long-term. Patients and their physicians need more options to fight illness, not restricted access as would be created by subjecting these medicines to prior authorization and removing them from the current protection that allows timely access to these drugs.

Research has already shown that restrictions around certain key drug classes lead to negative health outcomes. For example, a 2008 Health Affairs article titled, "Use Of Atypical Antipsychotic Drugs For Schizophrenia In Maine Medicaid Following A Policy Change," found that, "Patients initiating [atypical antipsychotics] during Maine's [PDL] policy experienced a 29 percent greater risk of treatment discontinuity than patients initiating [atypical antipsychotic]s before the policy took effect; no change occurred in a comparison state. [Atypical antipsychotic] spending was slightly lower in both states. Observed increases in treatment discontinuities without cost savings suggest that [atypical antipsychotic]s should be exempt from [prior authorization] for patients with severe mental illnesses.[1]" Mental health medicines have an immediate and direct effect on the survival and welfare of patients with those illnesses. Prior authorization serves only to make access to treatments more difficult. Any barrier, time for approval of a request, appeals process if denied, could have a negative health outcome on these groups of patients. In turn, any negative health outcome could add considerable cost to the Medicaid program and taxpayers.

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[1] *S. Soumerai et al., "Use of Atypical Antipsychotic Drugs for Schizophrenia In Maine Medicaid Following a Policy Change," Health Affairs, April 1, 2008*

About PhRMA: The Pharmaceutical Research and Manufacturers of America (PhRMA) represents the country's leading innovative biopharmaceutical research and biotechnology companies, which are devoted to discovering and developing medicines that enable patients to live longer, healthier, and more productive lives. Since 2000, PhRMA member companies have invested more than $550 billion in the search for new treatments and cures, including an estimated $51.1 billion in 2013 alone.

In the poorest and most vulnerable populations, convincing people to remain compliant on their medications can be challenging. Restrictive policies, like SB 1106/HB 937, can make it more difficult for these patients to obtain their medicines and to refill others. The non-compliance that can result from this type of proposal could increase long- term care admissions, emergency room visits, and increased hospitalizations because many existing conditions could go untreated for economic reasons.

Utilization management (UM) tools, such as Prior Authorization that constrain medication use, can lead to access restrictions and inadequate treatment for seriously ill patients. State Medicaid programs that imposed prior authorization requirements on atypical antipsychotics saw alarming reductions in treatment adherence among patients with schizophrenia and bipolar disorder and it likely would result in similar findings for patients with HIV/AIDS, Hepatitis or transplant patients.

For these reasons, PhRMA encourages Hawaii legislators to oppose SB 1106/HB 937.