A BILL FOR AN ACT

RELATING TO PHARMACY BENEFIT MANAGERS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 The legislature finds that pharmacy benefit SECTION 1. 2 managers are companies that are heavily involved in the pharmacy industry and the process by which prescription drug benefits are 3 4 offered by insurance companies, including deciding what 5 prescription drugs should be included in an insurer's formulary, 6 setting reimbursement rates, specifying the prior authorization 7 process, setting copayment amounts, and establishing pharmacy 8 networks, among other things.

9 The legislature further finds that the actions of pharmacy 10 benefit managers can have wide-ranging impacts on pharmacies and 11 consumers in Hawaii, particularly those consumers in rural areas 12 who may have limited access to pharmacies within a pharmacy 13 benefit manager's network. Despite these potential impacts, 14 pharmacy benefit managers are not currently required to be 15 registered.

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1	Acco	rdingly, the purpose of this Act is to require pharmacy	
2	benefit managers in Hawaii to register with the insurance		
3	commissioner.		
4	SECTION 2. The Hawaii Revised Statutes is amended by		
5	adding a new chapter to title 24 to be appropriately designated		
6	and to read as follows:		
7		"CHAPTER	
8		PHARMACY BENEFIT MANAGERS	
9	S	-A Definitions. As used in this chapter:	
10	"Commissioner" means the insurance commissioner.		
11	"Covered entity" means:		
12	(1)	A health benefits plan regulated under chapter 87A,	
13		health insurer regulated under article 10A of chapter	
14		431, mutual benefit society regulated under article 1	
15		of chapter 432, or health maintenance organization	
16		regulated under chapter 432D;	
17	(2)	A health program administered by the State in the	
18		capacity of a provider of health coverage; or	
19	(3)	An employer, labor union, or other group of persons	
20		organized in the State that provides health coverage	
21		to covered persons employed or residing in the State.	

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1	"Covered entity" shall not include any plans issued for coverage
2	for federal employees or specified disease or limited benefit
3	health insurance as provided by section 431:10A-102.5.
4	"Covered person" means a member, policyholder, subscriber,
5	enrollee, beneficiary, dependent, or other individual
6	participating in a prescription drug benefit plan.
7	"Person" means an individual, partnership, corporation,
8	organization, or other business entity.
9	"Pharmacy benefit management" means:
10	(1) Any of the following services provided with regard to
11	the administration of pharmacy benefits:
12	(A) Mail service pharmacy;
13	(B) Claims processing, retail network management, and
14	payment of claims to pharmacies for prescription
15	drugs dispensed to covered persons;
16	(C) Clinical formulary development and management
17	services;
18	(D) Rebate contracting and administration;
19	(E) Certain patient compliance, therapeutic
20	intervention, and generic substitution programs;
21	or

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1		(F) Disease management programs involving	
2		prescription drug utilization;	
3	(2)	The procurement of prescription drugs by a pharmacy	
4		benefit manager at a negotiated rate for dispensation	
5		to covered persons in the State; or	
6	(3)	The administration or management of prescription drug	
7		benefits provided by a covered entity for the benefit	
8		of covered persons.	
9	"Pha	macy benefit manager" means any person that performs	
10	pharmacy	enefit management, including but not limited to a	
11	person or	entity in a contractual or employment relationship	
12	with a pharmacy benefit manager to perform pharmacy benefit		
13	managemen	for a covered entity.	
14	"Pre	cription drug benefit plan" means a health insurance	
15	plan offe	red by a covered entity that includes coverage for	
16	prescript	on drugs.	
17	§	B Applicability. This chapter shall apply to any	
18	pharmacy	enefit manager that provides claims processing	
19	services,	other prescription drug or device services, or both,	
20	to covere	e persons who are residents of the State.	

§ -C Registration required. (a) No person shall act or
 operate as a pharmacy benefit manager without first obtaining a
 valid registration issued by the commissioner pursuant to this
 chapter.

5 (b) Each person seeking to register as a pharmacy benefit
6 manager shall file with the commissioner an application on a
7 form prescribed by the commissioner. The application shall
8 include:

9 The name, address, official position, and professional (1)10 qualifications of each individual who is responsible 11 for the conduct of the affairs of the pharmacy benefit 12 manager, including all members of the board of directors; board of trustees; executive commission; 13 14 other governing board or committee; principal 15 officers, as applicable; partners or members, as 16 applicable; and any other person who exercises control or influence over the affairs of the pharmacy benefit 17 18 manager; 19 The name and address of the applicant's agent for (2) 20 service of process in the State; and

21 (3) A nonrefundable application fee of \$140.

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1	§ -D Annual renewal requirement. (a) Each pharmacy
2	benefit manager shall renew its registration by March 31 each
3	year.
4	(b) When renewing its registration, a pharmacy benefit
5	manager shall submit to the commissioner the following:
6	(1) An application for renewal on a form prescribed by the
7	director; and
8	(2) A renewal fee of \$140.
9	(c) Failure on the part of a pharmacy benefit manager to
10	renew its registration as provided in this section shall result
11	in a penalty of \$140 and may cause the registration to be
12	revoked or suspended by the commissioner until the requirements
13	for renewal have been met.
14	§ -E Penalty. Any person who acts as a pharmacy benefit
15	manager in this State without first being registered pursuant to
16	this chapter shall be subject to a fine of \$500 for each
17	violation.
18	§ -F Rules. The commissioner shall adopt, amend, or
19	repeal rules pursuant to chapter 91 to carry out the purposes of

20 this chapter."

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SECTION 3. In codifying the new sections added by section
 2 of this Act, the revisor of statutes shall substitute
 appropriate section numbers for the letters used in designating
 the new sections in this Act.

5 SECTION 4. This Act shall take effect on July 1, 2017.

INTRODUCED BY:

JAN 2 5 2017



Report Title:

Pharmacy Benefit Managers; Pharmacy Benefit Management; Registration; Insurance Commissioner

Description:

Requires pharmacy benefit managers to register with the insurance commissioner.

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