HOUSE OF REPRESENTATIVES
THIRTIETH LEGISLATURE, 2020
STATE OF HAWAII

H.B. NO. 1805 H.D. 1 S.D. 1

A BILL FOR AN ACT

RELATING TO PRESCRIPTION DRUGS.

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

SECTION 1. The legislature finds that one of the greatest threats to the affordability of health care coverage is the pharmaceutical industry's pricing of new and existing medications. New drugs are being approved and marketed at higher prices than their predecessor treatments, often with no difference in effectiveness or safety. Because hospitals and health plans are already reporting pricing information, it is appropriate for pharmaceutical manufacturers to do the same when implementing major price increases.

The purpose of this Act is to:

(1) Require drug manufacturers to notify prescription drug benefit plans and pharmacy benefit managers if a proposed increase in the wholesale acquisition cost of certain drugs would result in a percentage increase of ten per cent or more than the percentage change in the Consumer Price Index over a two-year period;

(2) Require drug manufacturers to notify prescription drug benefit plans and pharmacy benefit managers if a planned rebate reduction will result in a percentage increase of the net cost of the prescription drug of ten per cent or more; and

(3) Require drug manufacturers to identify and report to the insurance commissioner information on certain drugs whose wholesale acquisition cost increases by a certain amount during a specified time frame.

SECTION 2. Chapter 431R, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

"**§431R- Mandatory notification of prescription drug price increases or rebate reductions.** (a) A manufacturer of a prescription drug with a wholesale acquisition cost of more than $50 for a course of therapy shall notify each prescription drug benefit plan and pharmacy benefit manager of any planned price increase if that increase will result in a percentage increase in the wholesale acquisition cost of the prescription drug of ten per cent or more than the percentage change in the United

States Department of Labor Consumer Price Index over any two-year period.

(b) A manufacturer of a prescription drug with a wholesale acquisition cost of more than $50 for a course of therapy shall notify each prescription drug benefit plan and pharmacy benefit manager of any planned reduction in rebates that will result in a percentage increase of the net cost of the prescription drug of ten per cent or more, even if there is no change to the wholesale acquisition cost.

(c) The notice required by this section shall:

(1) Be provided in writing at least sixty days prior to the planned effective date of the price increase or rebate reduction; and

(2) Include:

(A) The date the price increase or rebate reduction shall take effect;

(B) The current wholesale acquisition cost of the prescription drug, and rebate amount, if any;

(C) The dollar amount of the future price increase in the wholesale acquisition cost of the

prescription drug, and the amount of the future rebate, if any; and

(D) A statement regarding whether a change or improvement in the drug necessitates the price increase or rebate reduction, and if so, a description of the change or improvement.

(d) The insurance commissioner shall post on the website of the department of commerce and consumer affairs the names and addresses of the prescription drug benefit plans and pharmacy benefit managers required to receive notice pursuant to this section.

(e) A manufacturer of a prescription drug shall identify annually up to ten prescription drugs on which the State spends significant health care moneys and for which the wholesale acquisition cost increased by a total of fifty per cent or more during the prior two calendar years or by twenty per cent or more during the prior calendar year. The drugs identified shall represent different drug classes and shall include generic drugs.

(f) For each prescription drug identified pursuant to subsection (e), the insurance commissioner shall require the drug manufacturer to report the following information:

(1) A schedule of the drug's wholesale acquisition cost increases over the previous five calendar years;

(2) A written narrative description, suitable for public release, of the factors that have contributed to the drug's recent cost increase;

(3) The date and price of acquisition of the identified drug if it was not developed by the manufacturer and the drug's wholesale acquisition cost at the time of acquisition, if known; and

(4) The manufacturer's aggregate, company-level research and development and other relevant capital expenditures, such as facility construction, for the most recent year for which final audited data are available."

SECTION 3. Section 431R-1, Hawaii Revised Statutes, is amended by adding a new definition to be appropriately inserted and to read as follows:

""Course of therapy" means:

(1) The recommended daily dosage units of a prescription drug for thirty days, pursuant to its prescribing label as approved by the federal Food and Drug Administration; or

(2) The recommended daily dosage units of a prescription drug pursuant to its prescribing label for a normal course of treatment that is less than thirty days, as approved by the federal Food and Drug Administration."

SECTION 4. Section 431R-4, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) No later than March 31 of each calendar year, each prescription drug benefit plan, health benefits plan under chapter 87A, and pharmacy benefit manager shall file with the insurance commissioner, in [~~such~~] a form and detail as the insurance commissioner shall prescribe, a report for the preceding calendar year stating that the pharmacy benefit manager or prescription drug benefit plan is in compliance with this chapter. The report shall fully disclose the amount, terms, and conditions relating to copayments, reimbursement options, and other payments associated with a prescription drug benefit plan. Each report shall disclose an address that shall

be posted on a public website for purposes of receiving notifications pursuant to section 431R- ."

SECTION 5. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 6. This Act shall take effect on July 1, 2050.

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Report Title:
Department of Commerce and Consumer Affairs; Prescription Drugs; Prescription Drug Manufacturers; Price Increases; Rebates; Notification; Insurance Commissioner

Description:
Requires prescription drug manufacturers to notify prescription drug benefit plans and pharmacy benefit managers if a proposed increase in the wholesale acquisition cost of certain drugs would result in a percentage increase of ten per cent or more than the percentage change in the Consumer Price Index over a two-year period. Requires prescription drug manufacturers to notify prescription drug benefit plans and pharmacy benefit managers if a proposed reduction in rebates will result in a percentage increase of the net cost of the prescription drug of ten per cent or more, even if there is no change to the wholesale acquisition cost. Requires the drug manufacturer to identify and report to the insurance commissioner information on certain drugs whose wholesale acquisition cost increases by a certain amount during a specified time frame. Effective 7/1/2050. (SD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.