

Honolulu, Hawaii

FEB 28 2020

RE: S.B. No. 2280
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirtieth State Legislature
Regular Session of 2020
State of Hawaii

Sir:

Your Committee on Judiciary, to which was referred S.B.
No. 2280, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO PHARMACY BENEFIT MANAGERS,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Prohibit certain contracts for managed care entered into after June 30, 2020, from containing a provision that authorizes a pharmacy benefit manager to reimburse a contracting pharmacy on a maximum allowable cost basis, and voiding any such provisions in existing managed care contracts;
- (2) Prohibit pharmacy benefit managers from:
 - (A) Engaging in self-serving business practices;
 - (B) Engaging in unfair methods of competition or unfair practices;
 - (C) Retaining any portion of spread pricing;
 - (D) Reimbursing a 340B pharmacy differently than any other network pharmacy;



- (E) Reimbursing an independent or rural pharmacy an amount less than the rural rate for each prescription drug, under certain circumstances; and
 - (F) Prohibiting a pharmacist or pharmacy to provide certain information to insureds regarding cost sharing or more affordable alternative drugs; and
- (3) Insert language that provides, in responding to the State's request, any information provided in response to a data call from the Insurance Commissioner or designee shall be treated confidential and privileged;
 - (4) Increase the pharmacy benefit managers' annual reporting requirements;
 - (5) Require the Insurance Commissioner to make annual reports to the Legislature;
 - (6) Increase pharmacy benefit manager registration and renewal fees; and
 - (7) Make certain violations of pharmacy benefit managers subject to the penalties provided in chapters 480 and 481, Hawaii Revised Statutes.

Your Committee received testimony in support of this measure from the Department of Commerce and Consumer Affairs, Insurance Division; Foodland Pharmacies; Hawaii Primary Care Association; KTA Super Stores; Waianae Coast Comprehensive Health Center; The Queen's Health Systems; Kokua Kalihi Valley; Waimānalo Health Center; and eleven individuals. Your Committee received testimony in opposition to this measure from the Hawaii Employer-Union Health Benefits Trust Fund. Your Committee received comments on this measure from the Department of the Attorney General, Department of Health, CVS Health, Hawaii Medical Service Association, Hawaii Association of Health Plans, and Kaiser Permanente.

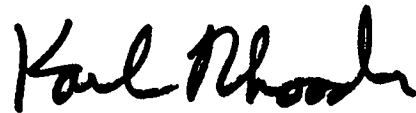
Your Committee finds that pharmacy benefit managers are companies that manage prescription drug benefits on behalf of health insurers and other payors by negotiating with drug manufacturers and pharmacies to control drug spending. Pharmacy



benefit managers have a significant impact in determining total drug costs for insurers and may have an incentive to favor high-priced drugs over drugs that are more cost-effective. This measure would increase transparency and fairness; and promote, preserve, and protect the public health, safety, and welfare by further regulating pharmacy benefit managers.

As affirmed by the record of votes of the members of your Committee on Judiciary that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2280, S.D. 1, and recommends that it pass Third Reading.

Respectfully submitted on
behalf of the members of the
Committee on Judiciary,

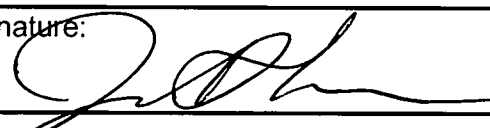


KARL RHOADS, Chair



The Senate
Thirtieth Legislature
State of Hawai'i

Record of Votes
Committee on Judiciary
JDC

Bill / Resolution No.:* <div style="font-size: 1.2em; font-family: cursive;">SB 2280 SDI</div>	Committee Referral: <div style="font-size: 1.2em; font-family: cursive;">CPH, JDC</div>	Date: <div style="font-size: 1.2em; font-family: cursive;">2/25/2020</div>		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <div style="display: flex; justify-content: space-between; align-items: flex-start;"> <div style="text-align: center;"> <input checked="" type="checkbox"/> Pass, unamended 2312 </div> <div style="text-align: center;"> <input type="checkbox"/> Pass, with amendments 2311 </div> <div style="text-align: center;"> <input type="checkbox"/> Hold 2310 </div> <div style="text-align: center;"> <input type="checkbox"/> Recommit 2313 </div> </div>				
Members	Aye	Aye (WR)	Nay	Excused
RHOADS, Karl (C)	/			
KEOHOKALOLE, Jarrett (VC)	/			
GABBARD, Mike				/
KIM, Donna Mercado	/			
FEVELLA, Kurt				/
TOTAL	3			2
Recommendation: <div style="display: flex; justify-content: space-around; margin-top: 5px;"> <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted </div>				
Chair's or Designee's Signature: <div style="font-size: 1.5em; font-family: cursive; margin-top: 10px; text-align: center;">  </div>				
Distribution: <div style="display: flex; justify-content: space-around; margin-top: 5px;"> <div style="text-align: center;">Original File with Committee Report</div> <div style="text-align: center;">Yellow Clerk's Office</div> <div style="text-align: center;">Pink Drafting Agency</div> <div style="text-align: center;">Goldenrod Committee File Copy</div> </div>				

*Only one measure per Record of Votes