DAVID Y. IGE
GOVERNOR

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Testimony of the Department of Commerce and Consumer Affairs

Before the
House Committee on Health
Tuesday, January 28, 2020
8:35 a.m.
State Capitol, Conference Room 329

On the following measure:
H.B. 1796, RELATING TO HEALTH

Chair Mizuno and Members of the Committee:

My name is Colin Hayashida, and I am the Insurance Commissioner of the Department of Commerce and Consumer Affairs' (Department) Insurance Division. The Department offers comments on this bill.

The purpose of this bill is to place a cap on the total amount that an insured is required to pay for a prescription insulin drug at $100 per thirty-day supply of that drug.

The Department appreciates the goal of making prescription medication less cost-prohibitive for consumers and recognizes the impact that insulin out-of-pocket costs have on so many of the State's households.

However, to the extent this bill places a cap on the cost of insulin to the insured, the Department notes that H.B. 1796 may be interpreted as establishing a new benefit mandate. The addition of new mandated coverage may trigger section 1311(d)(3) of the federal Patient Protection and Affordable Care Act (PPACA), which requires states to make payments to defray the costs of any benefits, in addition to the essential health benefits of the State's qualified health plan under the PPACA. 45 Code of Federal Regulations section 155.170(a)(2) also provides that "[a] benefit ***required by State action*** taking place on or after January 1, 2012, other than for purposes of compliance with Federal requirements, is considered in addition to the essential health benefits" (emphasis added).

Furthermore, any proposed mandate providing coverage for care requires the passage of a concurrent resolution requesting the State Auditor to prepare and submit a report assessing the social and financial impacts of the proposed mandate, pursuant to Hawaii Revised Statutes section 23-51.

Thank you for the opportunity to testify on this bill.

DAVID Y. IGE
GOVERNOR

STATE OF HAWAII
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TESTIMONY BY DEREK MIZUNO
ADMINISTRATOR, HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON HEALTH
ON HOUSE BILL NO. 1796

January 28, 2020
8:35 a.m.
Room 329

RELATING TO HEALTH

Chair Mizuno, Vice Chair Kobayashi, and Members of the Committee:

The Hawaii Employer-Union Health Benefits Trust Fund (EUTF) Board of Trustees has not been able to take a position on this bill. Their next meeting is scheduled for February 18, 2020. EUTF staff would like to provide information and comments.

This bill should have limited impact to the EUTF as copayments for a 30-day supply of insulin purchased from in-network providers range from $3 to $25 under the EUTF prescription drug plans. The EUTF plans currently cover all insulin products.

However, costs could be added to the EUTF plans if the insulin is purchased out-of-network or if the EUTF Board in the future decides to exclude certain types of insulin from coverage or implements step therapy programs due to the availability of lower cost alternatives. When drugs are excluded or become part of a step therapy program, the EUTF allows prior authorization or exception programs for medical necessity. To limit these additional costs the bill should be amended to limit the applicability of the $100 cost-share limit to insulin purchases in-network that are covered under the health benefit plan's formulary.

Thank you for the opportunity to testify.

HOUSE OF REPRESENTATIVES
Committee on Health
Tuesday, January 28, 2020
8:35 a.m.
Conference Room 329

RE: HB 1796 RELATING TO HEALTH

To: Representative John Mizuno, Chair

AARP is a membership organization of people age fifty and over, with nearly 145,000 members in Hawaii. AARP advocates and provides information on issues that matter to our kūpuna and their families, including affordable, accessible, quality healthcare, financial resiliency, and livable communities.

HB 1796 places a cap on the total amount that an insured is required to pay for a prescription insulin drug at $100 per thirty-day supply of that drug. This is intended to make insulin medications more affordable to consumers who are dependent on this life-saving drug.

AARP Hawaii **supports the intent of HB 1796**. AARP is widely aware that many Americans are struggling to afford necessary prescription drugs and appreciates the intent behind efforts to limit out-of-pockets costs. Hawaii has a high rate of diabetes and many diabetic residents need insulin to stay healthy and alive. But insulin is not the only medication that is costly. There is a wide range of prescription drug classes with high-priced, specialty tier drugs such as those related to multiple sclerosis, rheumatoid arthritis and other chronic diseases. Many people living with these medical conditions are also subject to the increasing out-of-pocket costs and would benefit from price caps on these medications. However, these efforts to cap drug prices could lead to higher health care premiums and cost sharing which could make health coverage unaffordable.

AARP believes that these cost-cutting measures would be more effective and equitable if such efforts are implemented in conjunction with policy changes that will help reduce prescription drug prices such as drug affordability review board, wholesale importation of medications from abroad, and bulk purchasing of medications. AARP fully supports these actions which will help lower the high cost of prescription to consumers.

Thank you for the opportunity to testify and support the intent of HB 1796.

Keali'i Lopez, State Director
AARP Hawaii

An Independent Licensee of the Blue Cross and Blue Shield Association

January 26, 2020

The Honorable John M. Mizuno, Chair
The Honorable Bertrand Kobayashi, Vice Chair
House Committee on Health

Re: HB 1796 – Relating to Health

Dear Chair Mizuno, Vice Chair Kobayashi, and Committee Members:

Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on HB 1796, which places a cap on the total amount that an insured is required to pay for a prescription insulin drug at $100 per thirty-day supply of that drug.

While HMSA appreciates the intent of HB 1796, which attempts to extend protections from the rising cost of prescription insulin drugs to those individuals diagnosed with diabetes, we do not support this bill. The measure does not address the root cause, which is unregulated rising drug costs for everyone, not just those suffering from diabetes. Capping the copayment for an insured individual may provide some relief at the point a prescription drug is purchased. However, it does not protect the insured individual and the employer from the potential rise in premium costs. Capping the individual's share of the drug cost only shifts the burden of any increase in drug costs to the individual's plan, which ultimately will be borne by the insurance premium payers.

HMSA believes that this measure is not necessary in the state of Hawaii as we have traditionally extended the lowest copayments (tier 1 and tier 2) in our commercial drug riders to prescription insulin drugs. Additionally, Hawaii has one of the lowest rates of uninsured individuals in the country, and with expanded Medicaid coverage, the Medicaid population has access to prescription insulin with no co-pay.

We ask that the committee defer the bill for the above reasons. Thank you for allowing us to testify on HB 1796. Your consideration of our comments is appreciated.

Sincerely,

Pono Chong
Vice President, Government Relations

LATE

HEALTH COMMITTEE
TESTIMONY IN SUPPORT OF HB 1796
RELATING TO PRESCRIPTION DRUGS
Tuesday, January 28, 2020, 8:35 a.m.

The Honorable John M. Mizuno, Chair,
Representative Bertrand Kobayashi, Vice Chair, and
Members of the House Committee on Health:

Aloha mai kakou:

I am Melodie Aduja, Chair of the Health Committee of the Democratic Party of Hawai`i. The Democratic Party is a major political not-for-profit organization in the State of Hawai`i; its membership is approximately 75,000 members strong. The Legislative body comprises of predominately democratic members with only one republican senator and five republican members of the House. As such, the will of this Legislative body should reflect the voice, Platform and Resolutions of the Democratic Party of Hawai`i. Mahalo for this opportunity to address you.

The Health Committee of the Democratic Party of Hawai`i strongly supports HB 1796. This Act would place a cap on the total amount that an insured is required to pay for a prescription insulin drug at $100 per thirty-day supply of that drug.

Insulin, a hormone produced by the body's pancreatic islets, is critical for cellular absorption of glucose. Because diabetics either do not produce enough insulin or are resistant to the amount their pancreas naturally generates, toxic levels of glucose – "blood sugar" can accumulate in their bodies, resulting in organ failure and eventually death.

According to America's Health Rankings in 2018, almost 1 out of every 10 persons in Hawaii have diabetes. In Hawaii, where locals are already spending to much on the high cost of living, diabetes is an expensive disease to manage where increases in both the economy and the pricing of insulin proves to be deadly for locals. Further, when diabetics ration their insulin intake because they cannot afford the co-pay, and they eventually end up in emergency rooms, this increases the overall cost of medical care for everyone.

Even those who do not need insulin or other prescription drugs are affected by skyrocketing prices as we not only pay at the pharmacy counter, but through higher insurance premiums, and through higher taxes to fund Medicare and Medicaid programs.

Today, about 40 manufacturers in 55 countries produce over 1,985 insulin products worldwide. However, while the U.S. market accounts for only 15 percent of the total insulin users, 50 percent of worldwide insulin revenues are made in America. The wholesale price of insulin has skyrocketed over the last decade, yet insulin is not a breakthrough drug as it was invented nearly a century ago, but modern formulations remain under patent which enables commonplace price gouging in the pharmaceutical market with minimal competition. As such, some patients turn to Canada, while other risk their lives by rationing or skipping doses.

For decades, Big Pharma has raised drug prices with impunity. In Hawaii, the average annual cost of brand name prescription drug treatment increased from 58% between 2012 and 2017, while the annual income for Hawaii residents increased by only 14.8%. The average drug price increase in the first six months of 2019 was 10.5%, five times the rate of inflation. Hawaii residents, like all Americans, already pay among the highest drug prices in the world. Prescription drugs do not work if patients cannot afford them. No Hawaii resident should have to be forced to choose between putting food on the table or buying lifesaving medications.

As noted in a 10TV article entitled, Washington bill would cap insulin costs at $100 per month, published, January 4, 2020, (please see, link below), several states such as Colorado and Illinois approved such a cap in May 2019, and November 2019, respectively. Currently, Washington State has a similar measure under consideration at its State Legislature. Under Washington State's measure, health plans issued or renewed on or after January 1, 2021, must cap insulin co-payments, deductibles and other forms of cost sharing at $100 per 30-day supply.

Similarly, under the instant bill, which affects Title 24 of the Hawaii Revised Statutes, insurance providers would be required to cap the price of insulin co-payments at no more than $100, regardless of the amount or type of insulin needed to fill the insured's prescription.

As nearly 7.5 million Americans contend with covering the skyrocketing costs of insulin to manage the disease, diabetics in Hawaii will have some relief if this new law, signed by Governor David Ige, goes into effect to cap co-payments of the lifesaving medication at $100 a month for insured patients regardless of the supply they require. Insurance companies will have to absorb the balance.

The price of the drug in the U.S. has increased exponentially in recent years. Between 2002 and 2013, it tripled, increasing from $231.48 to $736.09, according to a 2016 study published in the medical journal JAMA. It found the price of a milliliter of insulin rose form $4.34 in 2002 to $12.92 in 2013. In a March report from the Colorado House of Representatives found that "prices continued to climb, nearly doubling between 2012 and 2016."

Dramatic price hikes have left some people with Type 1 and Type 2 diabetes who use insulin to control their blood sugar levels in the unfortunate position of making dangerous compromises. They either forego the medication or they ration their prescribed dose to stretch it until they can afford the next prescription.

The Centers for Disease Control and Prevention (CDC) recently found that women and uninsured persons were likely to ration – underuse – their insulin and other diabetes medications as a cost-saving strategy. The America Diabetes Association Board found that "People with diabetes are financially harmed by high list prices and high out-of-pocket costs." This is especially problematic, because in the case of Type 2 diabetes, it disproportionately affects persons of lower socioeconomic status.

HB 1796 would cap the total amount that an insured is required to pay for a prescription insulin drug at $100 per thirty-day supply thereby saving diabetics from having to risk their lives through rationing or skipping doses because they cannot afford their medication based on pharmaceutical price-gauging and lack of industry competition. Such measure would follow the precedents set forth by the states of Colorado and Illinois in managing the cost of insulin.

Thank you very much for this opportunity to provide testimony in strong support of HB 1796.

Sincerely yours,

/s/ Melodie Aduja
Chair, Health Committee

1. https://www.10tv.com/article/washington-bill-would-cap-insulin-costs-100-month-2020-jan
2. https://www.npr.org/2019/05/24/726817332/colorado-caps-insulin-co-pays-at-100-for-insured-residents
3. https://www.civilbeat.org/2019/09/danny-de-gracia-one-option-for-bringing-down-insulin-prices-in-hawaii/
4. https://www.civilbeat.org/2019/09/hawaii-residents-need-relief-from-rx-greed/

LATE

LATE

Testimony of
Jonathan Ching
Government Relations Manager

Before:
House Committee on Health
The Honorable John H. Mizuno, Chair
The Honorable Bertrand Kobayashi, Vice Chair

January 28, 2020
8:30 a.m.
Conference Room 329

Re: HB1796 RELATING TO HEALTH.

Chair Mizuno, Vice-Chair Kobayashi, and committee members, thank you for this opportunity to provide testimony on HB1796, which Places a cap on the total amount that an insured is required to pay for a prescription insulin drug at $100 per thirty-day supply of that drug.

Kaiser Permanente Hawai'i offers the following COMMENTS.

Insulin is a vital, life-sustaining drug and a mainstay of treatment for many patients with diabetes. Nevertheless, manufacturers continue to raise prices to unaffordable levels. Kaiser Permanente is deeply concerned about the crippling burden high drug prices impose on our members and the impact they have on our ability to carry out our mission.

We do not think copay caps are the answer. Copay caps help members in the short-term, but ultimately contribute to the larger problem of high drug prices. Instead, copay caps would empower manufacturers to increase prices even more as they insulate manufacturers from criticism for ever-higher prices. High prices must still be absorbed by employers and individual premium-payers, and the rest of the health care system. It also translates into higher premiums or cost sharing associated with other benefits, such as primary care services, lab test and hospital services. As a result, manufacturers continue to increase profits at the expense of the rest of the health care system and ultimately patients.

Kaiser Permanente's evidence-based approach to insulin helps manage this problem. We have extensively studied and reviewed the performance of neutral protamine Hagedorn (NPH) insulins and found that for the vast majority of patients with type 2 diabetes, NPH insulins are just as safe and effective as newer insulin analogs, though the newer analogs can cost up to ten times more. As a result, NPH insulin has long been the standard of care within Kaiser Permanente for most patients with type 2 diabetes. Over 90 percent of our members with type 2 diabetes are started on NPH insulin, in contrast with the rest of the market, where approximately 90 percent of patients with type 2 diabetes use higher price insulin analogs. Where our members have a clinical need for an analog, they can still access them, in many cases, on the same cost-sharing tier.

Our unique approach to insulin appears to be slowing down spending growth in our system relative to the rest of the market. The Kaiser Family Foundation recently estimated that total spending on insulin under Medicare Part D increased 840 percent between 2007 and 2017. At Kaiser Permanente, our total spending on insulin in California increased by only about 300 percent over the same period. Thus, while climbing insulin prices are still a major burden on our system, our efforts to contain costs while preserving high-quality care have reduced the negative impact of insulin price increases on member access and systemwide costs. Across the board copay caps will undermine this clinically appropriate cost containment strategy.

Accordingly, we request the committee defer this bill. Thank you for the opportunity to provide testimony on this important measure.