



STATE OF HAWAII
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WRITTEN TESTIMONY

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, HUMAN SERVICES, & HOMELESSNESS
ON HOUSE CONCURRENT RESOLUTION NO. 86

March 23, 2021
9:00 a.m.
Via Videoconference & Conference Room 329

REQUESTING THE AUDITOR, HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND, AND MED-QUEST DIVISION TO PROVIDE INFORMATION TO THE LEGISLATURE REGARDING THE COSTS AND BENEFITS OF RELYING ON A SINGLE PROVIDER TO FULFILL PRESCRIPTION MEDICATION.

Chair Yamane, Vice Chair Tam, and Members of the Committee:

The Hawaii Employer-Union Health Benefits Trust Fund (EUTF) Board of Trustees would like to raise concerns about this resolution.

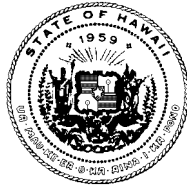
The EUTF contracts with a national pharmacy benefits manager (PBM), CVS, to provide administrative services such as claims processing, use of their network, utilization management programs, and formulary management. EUTF is not aware of any local PBMs nor has any proposed when RFPs have been issued. Additionally, HMSA as the largest medical insurer in the State also contracts similar services to CVS as their PBM.

The resolution claims that the EUTF contracts with CVS as the single pharmacy provider to fulfill pharmacy benefits for EUTF members. This is not the case. The CVS has a network that includes over 93% of pharmacies in Hawaii, excluding Kaiser and military pharmacies. The network includes large retail chains such as Longs, Costco, Walgreens, Walmart and Safeway and local chain pharmacies such as KTA and Times (Foodland). In addition, the CVS network also include local independent pharmacies in urban and rural areas such as Molokai Drugs, Rainbow Pharmacy (Lanai), Kamehameha Pharmacy (Kohala) Shiigi Drug (Hilo), Westside Pharmacy (Hanapepe), and Koolauloa Pharmacy (Kahuku). EUTF members can fill in-network at all these pharmacies and more. Over the past 12 months, approximately 99.95% of all claims have been filled at an in-network pharmacy. Lastly, the EUTF PBM's network is open to all pharmacies.

While the EUTF does not oppose a review by the Auditor, the initiation of an audit should be to address a problem. There does not appear to be a problem based on the high percentage of pharmacies in Hawaii in the CVS network and nearly 100% of EUTF member prescriptions being filled at in-network pharmacies.

Thank you for the opportunity to testify.

DAVID Y. IGE
GOVERNOR



CATHY BETTS
DIRECTOR

JOSEPH CAMPOS II
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES

P. O. Box 339
Honolulu, Hawaii 96809-0339

March 20, 2021

TO: The Honorable Representative Ryan I. Yamane, Chair
House Committee on Health, Human Services, & Homelessness

FROM: Cathy Betts, Director

SUBJECT: **HCR 86** – REQUESTING THE AUDITOR, HAWAII EMPLOYER-UNION
HEALTH BENEFITS TRUST FUND, AND MED-QUEST DIVISION TO PROVIDE
INFORMATION TO THE LEGISLATURE REGARDING THE COSTS AND
BENEFITS OF RELYING ON A SINGLE PROVIDER TO FULFILL
PRESCRIPTION MEDICATION.

Hearing: Tuesday, March 23, 2021, 9:00 a.m.
Via Videoconference, State Capitol

DEPARTMENT'S POSITION: The Department of Human Services (DHS) offers comments and suggested amendments only on the section of the resolution requesting pharmacies to submit data to DHS Med-QUEST Division (MQD), and for MQD to compile that data in a report for the legislature. DHS defers to the auditor and to the Employer-Union Trust Fund (EUTF) on all other sections of the resolution.

PURPOSE: The purpose of the resolution is to request that the auditor, EUTF and Med-QUEST compile data regarding prescription drug costs, use of a single provider for a pharmacy benefit and the impact on other pharmacy providers.

The resolution requests that all pharmacies submit to DHS Med-QUEST Division (MQD) the top fifteen generic medications dispensed for Med-QUEST beneficiaries, along with the numbers of units, the generic medication name, the National Drug Code (NDC), reimbursement per unit, total units dispensed, the total value and the plan names. Further it requests that

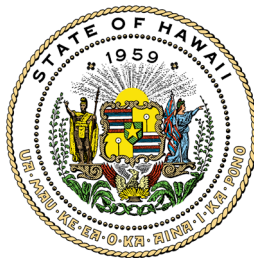
MQD compile the submitted data and submit it to the legislature prior to the convening of the regular 2022 legislative session.

MQD notes that when pharmacies bill for prescription medications dispensed for QUEST beneficiaries, these claims already have all the relevant data elements for MQD to be able to compile the data for the Legislature. To reduce any administrative burden on the pharmacies, MQD recommends the highlighted amendments to delete the references to pharmacies submitting data to MQD, at page 4, lines 13-18,

"BE IT FURTHER RESOLVED that ~~each pharmacy provider in the State is requested to submit~~ to the Med-QUEST Division of the Department of Human Services a listing of the top fifteen generic medications, by number of units, dispensed by ~~the each~~ pharmacy for Med-QUEST enrollees and the following data for each medication:..."

And at line 34, "~~submitted by the pharmacies~~ and submit the information to the..."

Thank you for the opportunity to provide testimony on this measure.



HOUSE COMMITTEE ON HEALTH, HUMAN SERVICES, & HOMELESSNESS

The Honorable Ryan I. Yamane, Chair
The Honorable Adrian K. Tam, Vice Chair

**H.C.R. NO. 86, REQUESTING THE AUDITOR, HAWAII EMPLOYER-UNION
HEALTH BENEFITS TRUST FUND, AND MED-QUEST DIVISION TO PROVIDE
INFORMATION TO THE LEGISLATURE REGARDING THE COSTS AND BENEFITS
OF RELYING ON A SINGLE PROVIDER TO FULFILL PRESCRIPTION
MEDICATION**

Hearing: Tuesday, March 23, 2021, 9:00 a.m.

The Office of the Auditor takes **no position** on H.C.R. No. 86 and offers the following comments.

The resolution requests the Auditor to conduct a study that analyzes the costs and benefits of the Hawai'i Employer-Union Health Benefits Trust Fund relying on a single provider to fulfill prescription drugs. The study would include an examination of the immediate cost savings of relying on a single provider to fulfill prescription drugs against the long-term cost of potentially losing independent community pharmacies, including: (1) The costs of losing pharmacies in rural communities that have accumulated generations of knowledge about the communities that they serve; and (2) Costs to Hawai'i Employer-Union Health Benefits Trust Fund members who live in locations that do not have convenient access to the single provider.

The Office of the Auditor was established to conduct audits of state departments, offices, and agencies. Our work primarily is performance audits, meaning we evaluate a department or program's operations against appropriate criteria, such as relevant statutes, administrative rules, policies, procedures, and best practices, to assist the Legislature and the departments with improving program performance, reducing costs, and facilitating greater efficiency in state government.

Our sister-agency, the Legislative Reference Bureau, among other things, conducts studies and impartial policy and legal research upon request by the Legislature. We respectfully suggest the study requested is better addressed by that agency.

Thank you for considering our testimony related to H.C.R. No. 86.