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# A BILL FOR AN ACT

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RELATING TO CONSUMER PROTECTION.

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

1       SECTION 1. The legislature finds that the federal 340B  
2       drug pricing program is essential for providing Hawaii's  
3       low-income and uninsured populations with access to healthcare  
4       and medications. The federal program requires drug  
5       manufacturers to offer significant discounts on outpatient  
6       medications to eligible nonprofit hospitals and safety net  
7       providers, rural hospitals, community health centers, and Native  
8       Hawaiian health centers.

9       The legislature further finds that the 340B drug pricing  
10      program helps healthcare providers stretch limited resources,  
11      allowing hospitals to reinvest savings into essential community  
12      benefits. These benefits include financial assistance for  
13      low-income patients, free wellness visits, screenings,  
14      vaccinations, transportation to appointments, health education  
15      classes, and workforce development programs. In Hawaii, the  
16      drug pricing program also helps support unique services, like



1 the integration of Native Hawaiian health practices into patient  
2 care.

3 The legislature recognizes that, despite the importance of  
4 the drug pricing program, drug manufacturers have consistently  
5 tried to undermine its benefits. Since 2020, some drug  
6 manufacturers have limited the ability of 340B entities to  
7 prescribe drugs through contract pharmacies. This is an unfair  
8 practice that creates a barrier to health care, especially for  
9 patients in rural areas, where many hospitals do not have  
10 in-house pharmacies. More than eighty per cent of rural 340B  
11 hospitals nationwide rely on contract pharmacies to dispense  
12 medications to patients who might otherwise go without  
13 critically needed treatments.

14 The legislature notes that contract pharmacies are  
15 particularly crucial in Hawaii, where geographic isolation makes  
16 it difficult for many residents to access medications.  
17 Partnering with contract pharmacies in the State's rural  
18 communities allows hospitals, federally qualified health centers  
19 and federal Ryan White program participants to ensure that their  
20 patients receive their prescribed medications without needing to  
21 travel long distances. Additionally, the partnerships provide



1 Hawaii's patients access to some specialty drugs that are only  
2 available through specific pharmacy channels.

3 The legislature believes that the restrictions imposed by  
4 drug manufacturers on contract pharmacy partnerships not only  
5 limit patients' access to affordable medications but also  
6 jeopardize the financial status of critical healthcare  
7 providers. Hospitals, federally qualified health centers, and  
8 federal Ryan White program participants rely on the opportunity  
9 to reinvest in their operations the difference between the 340B  
10 discounted drug price and the amount reimbursed by insurance.  
11 Without access to contract pharmacies, hospitals face reduced  
12 savings, which could result in cutbacks to essential healthcare  
13 programs.

14 Accordingly, the purpose of this Act is to preserve the  
15 integrity of the 340B program and prevent unfair practices that  
16 are harmful to consumers by:

17 (1) Prohibiting covered entities in the State from  
18 entering into contracts with drug manufacturers that  
19 limit the covered entities' use of contract  
20 pharmacies;



- 1           (2) Voiding contract provisions that are based on the  
2                   maximum allowable cost payment model; and  
3           (3) Authorizing the attorney general to bring a civil  
4                   action for violations of this Act.

5           SECTION 2. Chapter 481B, Hawaii Revised Statutes, is  
6 amended by adding a new section to part I to be appropriately  
7 designated and to read as follows:

8           "§481B-       340B contract pharmacies; maximum allowable  
9 cost basis; prohibited.   (a) Beginning June 30, 2025:

- 10           (1) No 340B covered entity in the State shall enter into a  
11                   contract with a drug manufacturer, wholesale  
12                   distributor, or an agent or affiliate of a drug  
13                   manufacturer or wholesale distributor, if provisions  
14                   of the contract directly or indirectly restrict or  
15                   prohibit the acquisition of a 340B drug through a  
16                   contract pharmacy, unless the acquisition of that drug  
17                   through a contract pharmacy is prohibited by the  
18                   United States Department of Human Services; and  
19           (2) Any provision of a contract entered into for a drug  
20                   sold based on the maximum allowable cost payment



1           model, where the payment model was in effect on or  
2           before June 30, 2025, shall be void.

3           (b) In addition to any other remedy authorized by  
4           section 481B-25, the attorney general may bring a civil action  
5           on behalf of any person or persons whose rights under this  
6           section have been violated, against any person responsible for  
7           violating this section.

8           (c) For purposes of this section:

9           "340B covered entity" means an entity that participates in  
10          the 340B drug discount program authorized by 42 United States  
11          Code section 256b.

12          "340B drug" means a drug dispensed by a pharmacy and  
13          purchased by a 340B covered entity through the 340B drug  
14          discount program authorized by 42 United States Code section  
15          256b.

16          "Contract pharmacy" means a pharmacy that is not owned or  
17          operated by a covered entity but is contracted with to dispense  
18          prescription drugs to eligible patients.

19          "Manufacturer" has the same meaning as defined in  
20          section 328-112.



1       "Maximum allowable cost" is a payment model for generic  
2 drugs that specifies the maximum amount that a pharmacy can be  
3 reimbursed for a specific generic drug, regardless of a  
4 manufacturer's price.

5       "Pharmacy" has the same meaning as defined in  
6 section 461-1.

7       "Wholesale distributor" has the same meaning as defined  
8 in section 328-112."

9       SECTION 3. This Act does not affect rights and duties that  
10 matured, penalties that were incurred, and proceedings that were  
11 begun before its effective date.

12       SECTION 4. New statutory material is underscored.

13       SECTION 5. This Act shall take effect upon its approval.

14  
INTRODUCED BY: \_\_\_\_\_



JAN 17 2025



**Report Title:**

Consumer Protection; 340B Drug Discount Program; Maximum Allowable Cost

**Description:**

Prohibits covered entities in the State from entering into contracts with drug manufacturers that limit the covered entities' use of contract pharmacies. Voids contract provisions for certain drugs if the provisions are based on the maximum allowable cost payment model. Authorizes the attorney general to bring a civil action for violations.

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

