JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LIEUTENANT GOVERNOR

JADE T. BUTAY
DIRECTOR

WILLIAM G. KUNSTMAN
DEPUTY DIRECTOR

STATE OF HAWAIʻI
KA MOKUʻĀINA O HAWAIʻI
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS
KA ʻOIHANA PONO LIMAHANA

March 3, 2026

To: The Honorable Scot Z. Matayoshi, Chair,
The Honorable Tina Nakada Grandinetti, Vice Chair, and
Members of the House Committee on Consumer Protection & Commerce

Date: Tuesday, March 3, 2026
Time: 2:00 p.m.
Place: Conference Room 329, State Capitol

From: Jade T. Butay, Director
Department of Labor and Industrial Relations (DLIR)

Re: H.B. 2164 H.D.1 RELATING TO WORKERS' COMPENSATION

I. OVERVIEW OF PROPOSED LEGISLATION

The **DLIR strongly supports** this measure that provides a clear definition of compounded prescription drugs, reinforcing patient specific prescribing requirements and helping prevent inflated or inappropriate pricing.

HB2164 HD1 proposes to amend §386-21.7(f) by:

- Providing a definition of a "compounded prescription drug" that aligns state law with federal standards for pharmacy compounding, under title 21 United States Code section 353a.

II. CURRENT LAW

§386-21.7 (a) provides that notwithstanding any other provision to the contrary, immediately after a work injury is sustained by an employee and so long as reasonably needed, the employer shall furnish to the employee all prescription drugs as the nature of the injury requires.

§386-21.7 (c) states that payment for compounded prescription drugs shall be the sum of one hundred forty percent of the average wholesale price by gram weight of each underlying prescription drug contained in the compounded prescription drug.

Subsection (c) furthermore provides that for compounded prescription drugs, the average wholesale price is defined as the price set by the original manufacturer of each underlying prescription drug, as identified by its National Drug Code (NDC) and as published in the *Red Book* on the date the compounding occurs. This pricing

applies unless the employer, carrier, or an entity acting on their behalf has a direct contract with the provider or the provider's assignee for a lower amount.

§386-21.7 (d) states that all pharmaceutical claims submitted for repackaged, relabeled, or compounded prescription drugs must include the National Drug Code of the original manufacturer. If the original manufacturer of the underlying drug product used in a repackaged, relabeled, or compounded prescription drug is not provided or is unknown, reimbursement shall be set at one hundred forty percent of the average wholesale price for the original manufacturer's National Drug Code, as listed in the *Red Book* for the prescription drug most closely related to the underlying drug product.

§386-21.7(e) sets forth that, notwithstanding any other provision in this section, equivalent generic drug products must be substituted for brand-name pharmaceuticals unless the prescribing physician certifies that no substitution should be made because the injured employee's condition does not tolerate an equivalent generic drug product.

§386-21.7(f) provides that for the purposes of this section, "equivalent generic drug product" has the same meaning as provided in §328-91.

HAR §12-15-55 *Drugs, supplies and materials* subsection (a) provides that charges for prescribed drugs, supplies, or materials furnished to an injured employee must be separately listed and certified by the provider, or a duly authorized representative, confirming that the items were required and prescribed for the industrial injury.

§328-91 "Equivalent generic drug product" is defined as a drug product approved by the director as substitutable by pharmacists and included in the Hawaii list of equivalent generic drug products and interchangeable biological products.

§328-1 "Prescription drug" means: (1) Any drug required by federal or state statutes, regulations, or rules to be dispensed only upon a prescription, including finished dosage forms and active ingredients subject to section 328-16 or section 503(b) of the Federal Act; or (2) Any drug product compounded or prepared pursuant to a practitioner's order.

III. COMMENTS ON THE HOUSE BILL

The Department strongly supports this measure. The fundamental intent of Hawai'i's workers' compensation law is to ensure that injured workers receive appropriate, individualized medical care that promotes recovery and a safe return to work. Prescription drugs are a critical component of this care, and in certain cases, compounded prescription drugs are essential when FDA-approved medications are not suitable due to allergies, dosage requirements, or other clinical considerations.

This measure reinforces the federal patient-specific prescribing requirements established under Title 21 United States Code section 353a. Under section 503A, compounded prescription drugs must be prepared for an identified individual patient

pursuant to a valid prescription. Incorporating this definition into state law ensures that compounded medications are used appropriately, tailored to the unique needs of each injured worker.

Patient-specific compounding ensures that medications are tailored to the unique needs of each injured worker, supporting both patient safety and effective treatment outcomes. This individualized approach reflects the original purpose of the Workers' Compensation Law, to provide care that is necessary and reasonable for the specific injury and patient.

The lack of clarity in existing statute has led to inconsistent interpretations and inflated billing practices, undermining the law's intent. By adopting the federal definition under section 503A, this bill ensures compounded drugs are prepared only for an identified individual patient based on a valid prescription, with professional oversight by licensed pharmacists and physicians.

This measure strengthens Hawai'i's workers' compensation system by reaffirming its core purpose to provide individualized, patient-centered care that supports the injured workers' recovery and safety.

For these reasons, the Department is in **strong support** of this measure.

JOSH GREEN, M. D.
GOVERNOR
KE KIAʻĀINA

SYLVIA LUKE
LT. GOVERNOR
KA HOPE KIAʻĀINA

BRENNA H. HASHIMOTO
DIRECTOR
KA LUNA HOʻOKELE

BRIAN K. FURUTO
DEPUTY DIRECTOR
KA HOPE LUNA HOʻOKELE

STATE OF HAWAIʻI | KA MOKUʻĀINA O HAWAIʻI
DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT
KA ʻOIHANA HOʻOMŌHALA LIMAHANA
235 S. BERETANIA STREET
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Statement of
BRENNA H. HASHIMOTO
Director, Department of Human Resources Development

Before the
HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE
Tuesday, March 3, 2026
2:00PM
State Capitol, Conference Room 329

In consideration of
HB2164 HD1, RELATING TO WORKERS' COMPENSATION

Chair Matayoshi, Vice Chair Grandinetti, and members of the committee:

The Department of Human Resources Development (HRD) opposes HB2164 HD1.

The purpose of HB2164 HD1 is to define compounded prescription drugs for the purposes of workers' compensation law.

HRD opposes the measure for the following reasons:

- The U.S. Food and Drug Administration (FDA) does not approve compounded drugs. As a result, the FDA does not review compounded drugs for safety, effectiveness, or quality before marketing.

  The FDA describes drug compounding as a practice in which a licensed pharmacist, a licensed physician, or, in the case of an outsourcing facility, a person under the supervision of a licensed pharmacist, combines, mixes, or alters ingredients of a drug to create a medication tailored to the needs of an individual patient.

- HRD has a fiduciary duty to administer the State of Hawaii's Executive Branch's self-insured workers' compensation program using public funds. As currently written, the bill narrows the definition of "compounded prescription drug", allowing certain non-FDA-approved compounds to be dispensed by physicians. Because

there are no definitive regulations in the Hawaii Workers' Compensation Medical Fee Schedule that address the specific costs of compounds, current ethical and safety protections that help ensure proper costs may be compromised. This could expose employers to higher expenses that bypass reasonable reimbursement limits.

- HRS §386-21.7 already provides an effective framework that balances the needs of injured workers while maintaining cost controls for employers. The existing statutory language broadly covers prescription drugs, including compounds, making the measure unnecessary.

- SB2751's proposed definition excludes drugs compounded in outsourcing facilities such as 503A and 503B. While these facilities are FDA-registered, their products are not FDA-approved and are subjected to the reimbursement guidelines referenced in HRS §386-21.7(c), which caps payments at 140% of the average wholesale price (AWP) based on gram weight of the underlying prescription drug. Excluding outsourcing facilities go against the law's intent to promote patient safety, regulatory consistency, and cost predictability, creating loopholes for higher costs.

Should this bill move forward, HRD respectfully requests the following amendments to the current draft.

On page 2, line 12, revise the definition of compound prescription drug in subsection (f) as follows:

"(f) Compounded prescription drug" means a drug product that <u>combines, mixes or alters ingredients of a drug to create a medication tailored to the needs of an individual patient, compounded by a licensed pharmacist, licensed physician, or in a 503A and503B, or any other type of similar, FDA-approved, compounding facility as defined by the Food, Drug, and Cosmetic Act (21 U.S.C. 353a and 353b, respectively).</u>"

On page 2, add new sections (g) and (h) to read as follows:

<u>"(g) Physician dispensing of prescription drugs shall be allowed for thirty days following the industrial injury. Thereafter, all prescription drugs shall be obtained through the employer's pharmacy benefit manager.</u>

<u>(h) Prescription drugs not approved by the Food and Drug Administration, such as compounds, shall be identified as compounds when listed on the treatment plan and when billed, and be supported by a statement of medical necessity documenting the case of medical need for a compound drug over an over the counter or prescription drug of similar therapeutic effect approved by the Food and Drug Administration. Failure to identify a compound on a treatment plan or when billed shall make the payment for the drug non-reimbursable."</u>

We are available to answer any questions or provide further information as needed.

To: Rep. Scot Z. Matayoshi, Chair
Rep. Tina Nakada Grandinetti, Vice Chair
Members of the Committee on Consumer Protection & Commerce

Date: Tuesday, March 3, 2026
Time: 2 p.m.
Place: Conference Room 329

Support for HB2164 HD1

My name is Cathy Wilson, and I have supported injured workers in Hawaii for over 15 years. I strongly support HB2164 HD1, which defines "compounded prescription drug" by incorporating federal standards for pharmacy compounding under 21 U.S.C. section 353 (section 503A of the FD&C Act) and related federal guidance. By aligning state law with these federal definitions, the bill clarifies what counts as a compounded prescription drug in workers' compensation, supports safe and appropriate use of compounded medications, and confirms how such drugs should be reimbursed under DLIR's workers' compensation framework.

This bill is needed for the following reasons:

1. **State law background and gap**
   Hawaii's workers' compensation law was drafted when pharmacy compounding was understood mainly as traditional, patient-specific compounding in a pharmacy or physician's office under older federal language. Since then, federal law has clarified standards for compounded drugs under section 503A of the Federal Food, Drug, and Cosmetic Act, but Hawaii's workers' compensation statute has not yet been updated to fully align with those definitions.
2. **Newer compounded medications and reimbursement confusion**
   In the last decade, additional types of compounded medications have become available, some produced at larger scale and assigned their own National Drug Code (NDC) and Average Wholesale Price (AWP). These products differ from traditional 503A-type compounds that are custom-prepared for a specific patient and typically do not carry their own NDC and AWP, which has led to confusion among employers and payers about which NDC and AWP to use for reimbursement.
3. **DLIR practice and need for clarity**
   DLIR has determined that when a compounded medication has its own NDC and AWP, reimbursement in workers' compensation should be based on that specific NDC and AWP, consistent with how other drug products are treated under the medical fee schedule. Codifying this approach in statute will improve transparency and consistency for employers, insurers, pharmacies, and injured workers.

I would suggest, however, that these Committees amend this bill by adding the definition of "compounded prescription drug" in HRS 386-1 (and not HRS 386-21.7), which contains the definitions for Chapter 386. That is a more appropriate section to include this new definition.

More importantly, however, please do not allow opponents of this bill to add "poison pill" amendments that would dilute, undermine, or fundamentally alter the intent of this bill. This bill was crafted to address a clear policy need – the clarification of the statutory definition of a "compounded prescription drug" for workers' compensation purposes. Amendments designed not to improve the bill, but to quietly vitiate it, run counter to the main goal of the workers' compensation system, which is to help injured workers recover and return to work. In particular, opponents have proposed the following amendments:

1. **Limiting the dispensing of prescription drugs by physicians to thirty days following the industrial injury and requiring all prescription drugs to be obtained through the employer's pharmacy benefit manager (PBM) thereafter**

This would be a fatal blow to physician dispensing and weaken a physician's ability to monitor a patient's compliance with medical advice and ultimately to treat the patient. In addition, you would simply enhance the profits of a PBM, which is the subject of a recent Hawaii Attorney General lawsuit against the three dominant PBMs, alleging price inflation, rebate manipulation, and anti-competitive practices in the prescription drug market. Under Hawaii law, the employer has a legal obligation to furnish to the employee all prescription drugs as the nature of the injury requires. The treating physician is far more qualified than a PBM to decide what prescription drugs are required to treat the patient. Further, this is certainly not the proper vehicle to address physician dispensing vs. PBMs.

2. **Requiring non-FDA-approved prescription drugs, such as compounds, to be identified as compounds when listed on the treatment plan and when billed, and be supported by a statement of medical necessity documenting the case of medical need for a compound drug over an FDA-approved over-the-counter or prescription drug of similar therapeutic effect**
   This is another ill-fated attempt to weaken a physician's authority to treat a patient, founded in an uninformed belief that a physician's medical opinion regarding a non-FDA-approved prescription drug should be second-guessed. Whenever a physician prescribes a medication, compound or not, they have made a diagnosis, and made the determination of medical necessity. We should not allow a PBM or claims adjuster to make that decision for the physician. Existing law permits a physician to prescribe a non-FDA-approved prescription drug without this added layer of scrutiny or bureaucracy. Adding this layer will only interfere with and potentially delay the injured worker's timely recovery and disincentivize physicians to treat injured workers.

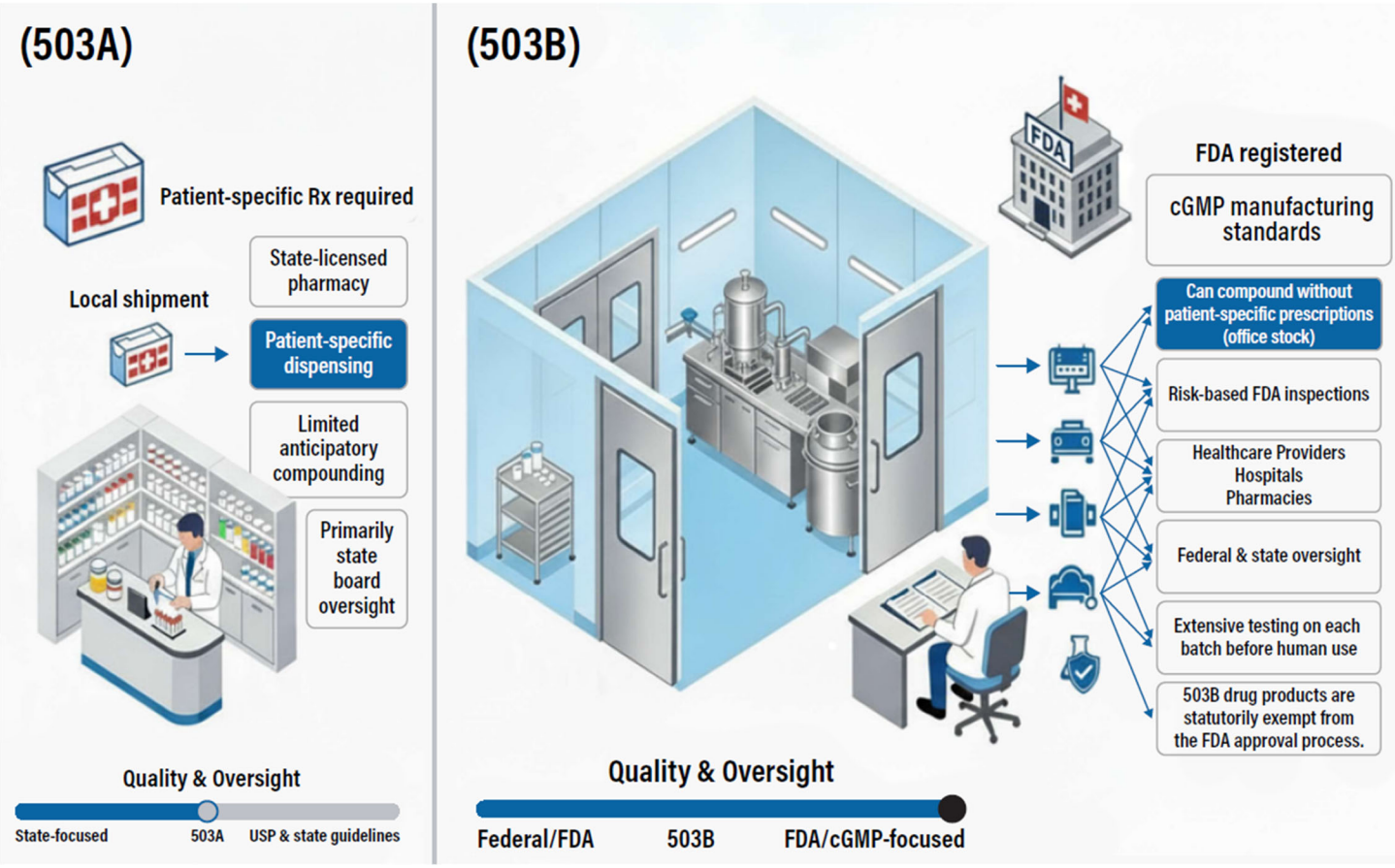
3. **Changing the definition of "compound prescription drug" to be "a drug product that is compounded in a compounding facility in compliance with section 503A of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 353a) or any other type of similar compounding facility approved by the Federal Drug Administration";**
   This revised definition of a "compound prescription drug" overly broadens the definition to include "any other type of similar compounding facility approved by the Federal Drug Administration," which would destroy the intent of the bill to align state law with federal law. This amendment would include drugs manufactured in a 503B Outsourcing Facility, which are manufactured under strict FDA oversight, have their own NDC, and (unlike 503A drugs) are assigned an AWP. This defeats the precise need for this bill – that unscrupulous bill review companies are exploiting an ambiguity in current law and treating dedicated physicians as outlaws and villains who are exploiting physician dispensing for profit rather than caring for their patient. In theory, the distinction between 503A and 503B drugs is clear under federal law. In practice, some bill reviewers routinely blur that line to delay or avoid proper payment—even after DLIR has definitively ruled against them in formal disputes. Please put an end to this ambiguity and bring needed clarity to state law. I have ***attached*** a summary of the difference between a 503A and 503B drug.

Thank you for your consideration.

Cathy Wilson

HAWAII RePACK

*Differences between 503A pharmacy and 503B manufacturing:



Testimony of Gary Okamura, MD
President, Work Injury Medical Association of Hawai‘i (WIMAH)
Support for HB2164 HD1

House Committee on Consumer Protection & Commerce
Tuesday, March 3, 2026 • 2:00 p.m. • Conference Room 329
Chair Matayoshi, Vice Chair Nakada Grandinetti, and Members of the Committee:

My name is **Dr. Gary Okamura**, President of the **Work Injury Medical Association of Hawai‘i (WIMAH)**. Our organization represents treating physicians across the state who care for Hawai‘i’s injured workers every day. Since its inception, WIMAH and its members have worked collaboratively and reasonably with local employers, insurers, and payors to ensure injured workers receive timely, appropriate care and return to work safely.

WIMAH **strongly supports HB2164 HD1**, which updates Hawai‘i’s workers’ compensation law by defining “compounded prescription drug” using the federal standards established under **21 U.S.C. §353 (Section 503A of the FD&C Act)**. This clarification is overdue and essential for restoring consistency, fairness, and transparency in medication reimbursement for injured workers.

Why HB2164 HD1 Is Necessary:

1. Hawai‘i law has not kept pace with federal standards.
Our workers’ compensation statute was drafted before federal law clearly distinguished **503A traditional compounding** from **503B FDA-regulated outsourcing-facility manufacturing**. This gap has allowed confusion—and in some cases, intentional misclassification—to persist in the system.

2. Newer compounded medications have created reimbursement ambiguity.
Some compounded medications now carry their own **National Drug Code (NDC)** and **Average Wholesale Price (AWP)**. These differ significantly from traditional 503A compounds, which are custom-prepared for a specific patient and typically do not have an NDC or AWP. ***The lack of statutory clarity has led to inconsistent reimbursement practices and unnecessary disputes.***

3. DLIR already applies the correct standard—but it must be codified.
DLIR has repeatedly determined that when a compounded medication has its own NDC and AWP, reimbursement should be based on that specific NDC and AWP—just like any other drug. Codifying this practice will bring stability and predictability to all parties.

Clarifying What WIMAH Physicians Do—and Do Not Do:

Opponents of this bill have attempted to conflate legitimate 503B medications with **over-priced, mass-marketed OTC topicals** that have disrupted workers' compensation systems in other states.

Let me be clear:

- **WIMAH members do not participate in the dispensing of over-priced OTC topicals.**
- **WIMAH members do not support abusive billing practices.**
- **WIMAH members do prescribe legitimate 503B medications when medically appropriate**, which are FDA-regulated, have their own NDC and AWP, and are fundamentally different from OTC topicals.

The opposition's attempt to blur these distinctions is misleading and undermines the integrity of the debate. HB2164 HD1 brings clarity—not confusion—to this issue.

Recommended Technical Amendment:

We respectfully recommend placing the definition of "compounded prescription drug" in **HRS §386-1**, which houses the general definitions for the entire chapter. This is the appropriate and logical location for a definition that applies system-wide.

Opposition Amendments Would Harm Injured Workers:

Several proposed amendments would fundamentally alter the bill and damage Hawai'i's workers' compensation system. WIMAH urges the Committee to reject them.

1. Limiting physician dispensing to 30 days and forcing all prescriptions through PBMs
This would severely impair a physician's ability to monitor treatment, ensure compliance, and adjust medications promptly. It would also shift control—and revenue—to PBMs, which are currently the subject of a Hawai'i Attorney General lawsuit for alleged anti-competitive practices. This proposal has nothing to do with clarifying compounded drug definitions and does not belong in this bill.

2. Imposing new documentation burdens specifically for compounded medications
Every prescription already requires a diagnosis and medical necessity. Creating compound-specific hurdles second-guesses the treating physician and delays care. These

delays harm injured workers and discourage physicians from participating in the workers' compensation system.

3. Broadening the definition of "compounded prescription drug" to include 503B products

This amendment would destroy the purpose of the bill.
503B medications are **not** compounded prescription drugs under federal law. They are FDA-regulated manufactured products with their own NDC and AWP. Including them in the definition would reintroduce the very ambiguity HB2164 HD1 is designed to eliminate—and would reward bill reviewers who have exploited this ambiguity to deny or delay proper payment, even after DLIR rulings.

Conclusion:

HB2164 HD1 is a focused, necessary update that aligns Hawai'i law with federal standards, reduces unnecessary disputes, and supports timely, appropriate care for injured workers. WIMAH urges the Committee to pass this bill **without amendments that weaken or distort its intent**.

Thank you for the opportunity to testify and for your commitment to Hawai'i's injured workers.

Gary Okamura, MD
Orthopedic Surgeon
President, Work Injury Medical Association of Hawai'i (WIMAH)

841 Bishop Street, Suite 2250 | Honolulu, Hawaii 96813

Statement of

KRIS KADZIELAWA

Managing Director, Solera Integrated Medical Solutions

Before the

HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE

Rep. Scot Z. Matayoshi, Chair

Rep. Tina Nakada Grandinetti, Vice Chair

Tuesday, March 3, 2026

2:00 PM

State Capitol, Conference Room 329

In consideration of

H.B. 2164, H.D. 1 RELATING TO WORKERS' COMPENSATION

TESTIMONY IN SUPPORT OF H.B. 2164, H.D. 1 WITH RECOMMENDED AMENDMENTS

Aloha Chair Matayoshi, Vice Chair Grandinetti, and Members of the Committee:

My name is Kris Kadzielawa, Managing Director of Solera Integrated Medical Solutions. For 33 years we have audited Hawaii workers' compensation claims for carriers, self-insured employers, and the State, fighting the fraud, waste, and abuse that drives up costs and diverts dollars from injured workers' recovery.

We support the intent of H.B. 2164, H.D. 1 to define "compounded prescription drugs" by aligning state law with federal standards under section 503A of the Federal Food, Drug, and Cosmetic Act. As noted in the committee report (HSCR 634-26), this promotes patient safety, regulatory consistency, and access to individualized medications when FDA-approved drugs are unsuitable. The Department of Labor and Industrial Relations (DLIR) provided testimony in support, underscoring the need for clear standards in a system that must remain predictable for employers while ensuring appropriate care.

However, to fully realize this intent and avoid creating new loopholes that conflict with federal law, undermine patient safety, and perpetuate the very cost inflation the bill seeks to address, we respectfully recommend two targeted amendments. These build directly on the companion measure S.B. 2751, S.D. 1 (SSCR 2217), which already incorporates our recommended reforms.

First: Include 503B Outsourcing Facilities in the Definition of "Compounded Prescription Drug"

The current definition in H.D. 1 is limited to 503A patient-specific compounding. This creates an immediate and foreseeable conflict with federal law. Under the Food, Drug, and Cosmetic Act, as amended by the Drug Quality and Security Act of 2013, **both 503A and 503B facilities produce compounded drugs**. Federal regulations explicitly recognize this:

- 21 CFR §207.1 defines an "outsourcing facility" as "a **compounder** that has elected to register with FDA under section 503B…"
- 21 CFR §216.24 prohibits certain substances from being "compounded under the exemptions provided by section 503A(a) **or section 503B(a)**."

Excluding 503B products would allow bulk-produced compounds — which are not strictly patient-specific — to fall outside the bill's safeguards and Hawaii's reimbursement limits under HRS §386-21.7(c). These bulk products already account for a substantial portion of the physician-dispensing problem (approximately 40% in our audits). They are often repackaged or reformulated at enormous markups and funneled through physician offices, creating the very cost escalation and safety risks the Legislature is trying to prevent.

Ethically, this is unacceptable. 503B facilities, while subject to cGMP standards, produce drugs that remain unapproved by the FDA. Recent FDA warning letters to 503B operations highlight serious deficiencies in aseptic processing and environmental controls — risks that echo the 2012 New England Compounding Center tragedy (over 750 infections and 60 deaths). Injured workers deserve protection from unapproved bulk compounds masquerading as "compounded prescriptions."

Legally, omitting 503B creates a direct conflict between state and federal definitions, inviting challenges and inconsistent application.

Financially, it perpetuates the loophole that has plagued the system for 20 years. Hawaii's existing statute is fair, broad, and works flawlessly for everyone **except** those who continually invent novel products to skirt controls. Including 503B closes that door cleanly.

We therefore recommend amending the definition in Section 2 to read: "'Compounded prescription drug' means a drug product that is compounded in a compounding facility in compliance with section 503A **or 503B** of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 353a or 353b)..."

In EXHIBIT A attached to my testimony, please see a product label from one such bulk manufactured 503B compound labeled by the manufacturer in compliance with FDA requirements as a "COMPOUND," referencing a "COMPOUND DATE," and identifying the name of the company that it was "COMPOUNDED BY." If 503B facility compounds are not included in the definition of compounds, then how are they to be treated under Hawaii Law? Currently these bulk manufactured compounds (as all other compounds) must be deconstructed and reimbursed per §386-21.7(c), based on the underlying prescription ingredient with which it was compounded. This is clear in the current statute.

Second: Add the 30-Day Limitation on Physician Dispensing

Hawaii's workers' compensation framework under HRS §386-21.7 is reasonable, fair, and effective in balancing the needs of injured workers with cost controls for employers. It broadly covers prescription drugs — including compounds — and has worked very well for **all** stakeholders **except** those seeking to circumvent its safeguards through novel products and aggressive billing tactics.

The 30-day limit on physician dispensing is the single most powerful reform we can make. It allows immediate access during the acute phase of injury while ensuring long-term prescriptions flow through professional Pharmacy Benefit Managers (PBMs) — exactly as they do under every other insurance plan.

Financial reality of real Hawaii claims. In one audited claim from a **single office visit**, medications costing **$951** at retail/PBM were billed at **$7,416** when physician-dispensed — a **7.8× multiple**. The physician kept ~$4,450; the dispensing company kept ~$2,966 less the (relatively minor) cost of the dispensed medications. Products like LidoRX (billed at $520 for 2 oz of what is actually OTC) and SpeedGel RX (billed at $734 for 2 oz with unrelated ingredients) are not anomalies — they are the business model.

Ethically, this removes the dangerous financial incentive for physicians to dispense rather than prescribe. Injured workers deserve safe, FDA-approved drugs from retail pharmacies, not inflated compounds chosen for profit.

Legally and practically, this aligns perfectly with the intent of HRS §386-21 and §386-21.7. It will:

• Save the State **$3–5 million annually**;

• Deliver **$8–10 million** in broader system savings; and

• Reduce Department of Labor bill disputes by **more than 90%**.

In my 33 years auditing medical bills in Hawaii, I have **never** seen a legitimate dispute over prescription drugs that did not involve physician dispensing. The current statute works perfectly — except for those who keep inventing ways around it.

We urge the Committee to adopt both amendments. They are modest, evidence-based, and will make H.B. 2164, H.D. 1 a landmark reform that protects injured workers, controls costs, and restores fairness to Hawaii's workers' compensation system.

Mahalo for your leadership and consideration. I am available for questions and remain committed to working collaboratively with the Committee, DLIR, and all stakeholders.

Respectfully submitted,

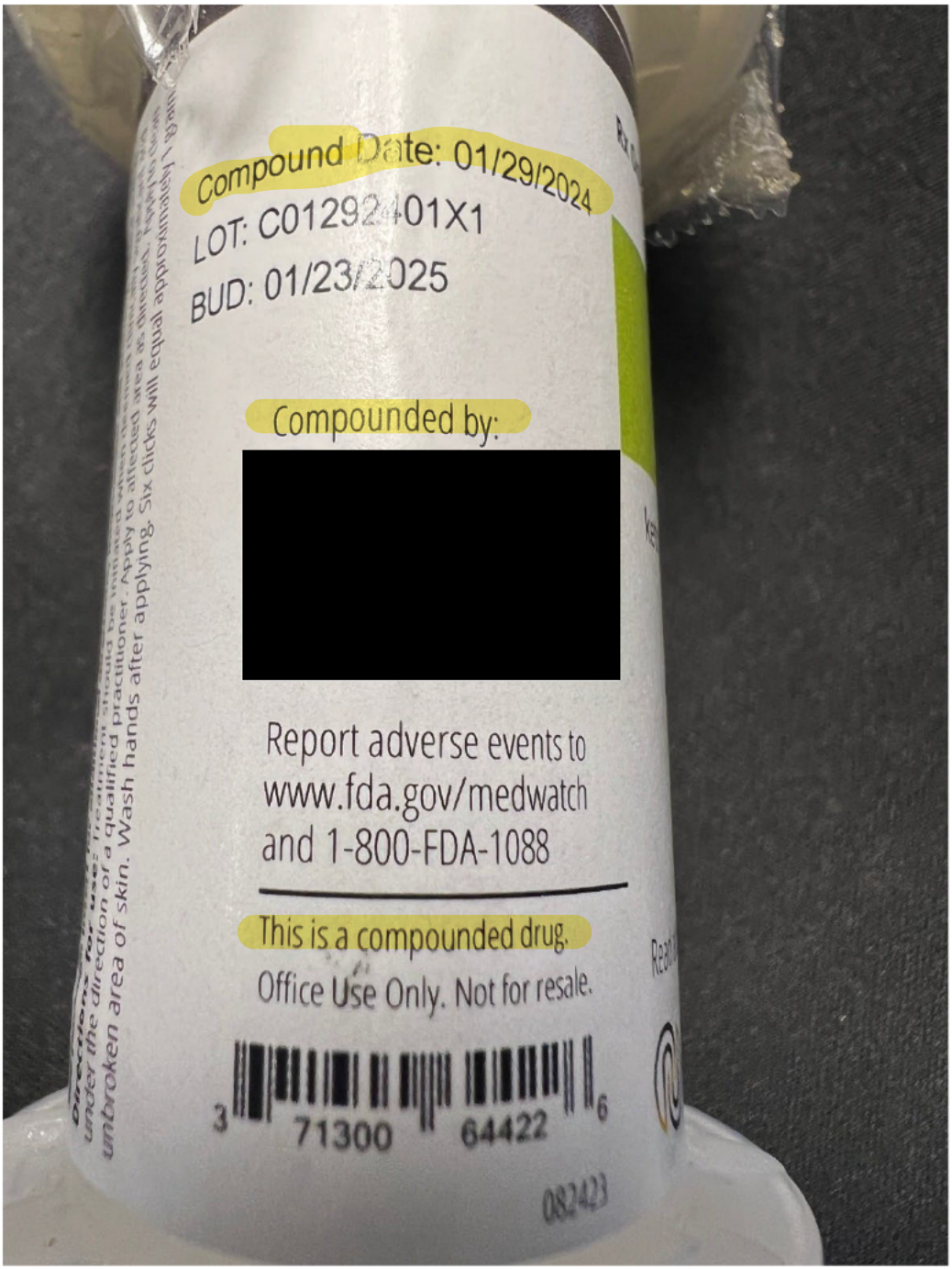
Kris Kadzielawa

Managing Director | Solera IMS | MediHawaii.com

O: +1 808 531 2273 ext. 25 kris.kadzielawa@solera.com

Solera IMS | 841 Bishop Street, Suite 2250 | Honolulu, Hawaii 96813

EXHIBIT A – 503B Manufactured Compound Product Label identifying it as a Compound Medication.



HAWAII INSURERS COUNCIL
A trade association of property and casualty insurance companies

P. O. Box 893315
Mililani, Hawaii 96789
Telephone (808) 997-5876

Alison H. Ueoka
President

TESTIMONY OF MILIA LEONG

COMMITTEE ON CONSUMER PROTECTION & COMMERCE
Representative Scot Z. Matayoshi, Chair
Representative Tina Nakada Grandinetti, Vice Chair

Tuesday, March 3, 2026
2:00 p.m.

HB 2164, HD1

Chair Matayoshi, Vice Chair Grandinetti, and members of the Committee on Consumer Protection & Commerce, my name is Milia Leong, Executive Claims Administrator for HEMIC Insurance Managers, Inc., and Chair of the Workers' Compensation Policy Committee for Hawaii Insurers Council. The Hawaii Insurers Council is a non-profit trade association of property and casualty insurance companies licensed to do business in Hawaii. Member companies underwrite approximately forty percent of all property and casualty insurance premiums in the state.

Hawaii Insurers Council **supports** the intent of the bill which is to place some guardrails around compounded prescription drugs. This bill has been amended in the Senate, and we believe the language in SB 2751, SD1 with minor amendments is the language we prefer. We ask that this committee amend this bill so that it will read as follows,

"Sec. 286-21.7 (f) Physician dispensing of prescription drugs shall be allowed for thirty days following the industrial injury. Thereafter, all prescription drugs shall be obtained through the employer's pharmacy benefit manager.

(g) Prescription drugs not approved by the Food and Drug Administration, such as compounded prescription drugs, shall be identified as compounded prescription drugs when listed on the treatment plan and when billed, and be supported by a statement of medical necessity documenting the case of medical need for a compounded prescription drug over an over-the-counter or prescription drug of similar therapeutic effect approved

by the Food and Drug Administration. Failure to identify a compounded prescription drug on a treatment plan or when billed shall make the payment for the compounded prescription drug non-reimbursable.

[~~(f)~~] (h) For purposes of this section [~~, "equivalent~~]: "Compounded prescription drug" means a drug product that is compounded in a compounding facility in compliance with 503A of the Food, Drug, and Cosmetic Act (21 U.S.C. 353a), or any other type of similar compounding facility approved by the Food and drug Administration.

"Equivalent generic drug product" has the same meaning as provided in section 328-91."

Thank you for the opportunity to testify.