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

February 4, 2026

To: The Honorable Brandon J.C. Elefante, Chair,
The Honorable Rachele Lamosao, Vice Chair, and
Members of the Senate Committee on Labor and Technology

The Honorable Joy A. San Buenaventura, Chair,
The Honorable Angus L.K. McKelvey, Vice Chair, and
Members of the Senate Committee on Health and Human Services

Date: Wednesday, February 4, 2026
Time: 1:00 p.m.
Place: Conference Room 225, State Capitol

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

Re: S.B. 2751 RELATING TO WORKERS' COMPENSATION

I. OVERVIEW OF PROPOSED LEGISLATION

The **DLIR strongly supports** this measure which provides a clear definition of compounded prescription drugs and helps prevent inflated pricing that burdens both injured workers and employers by amending §386-21.7(f).

SB2751 proposes amending Chapter 386, Hawaii Revised Statutes (HRS) by:

- Providing a definition of a "compounded prescription drug" that aligns state law with federal standards for pharmacy compounding.

II. CURRENT LAW

§386-21.7 Prescription drugs and pharmaceuticals:

- Subsection (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,
- Subsection (b) pertains to repacked and relabeled drugs,
- Subsection (c) provides that payment for compounded prescription drugs

shall be the sum of one hundred forty per cent of the average wholesale price by gram weight of each underlying prescription drug contained in the compounded prescription drug. For compounded prescription drugs, the average wholesale price shall be that set by the original manufacturer of the underlying prescription drug as identified by its National Drug Code and as published in the Red Book: Pharmacy's Fundamental Reference as of the date of compounding, except where the employer or carrier, or any entity acting on behalf of the employer or carrier, directly contracts with the provider or provider's assignee for a lower amount,

- Subsection (d) states that all pharmaceutical claims submitted for repackaged, relabeled, or compounded prescription drugs shall include the National Drug Code of the original manufacturer. If the original manufacturer of the underlying drug product used in repackaged, relabeled, or compounded prescription drugs is not provided or is unknown, then reimbursement shall be one hundred forty per cent of the average wholesale price for the original manufacturer's National Drug Code number as listed in the Red Book: Pharmacy's Fundamental Reference of the prescription drug that is most closely related to the underlying drug product,
- Subsection (e) states that notwithstanding any other provision in this section to the contrary, equivalent generic drug products shall be substituted for brand name pharmaceuticals unless the prescribing physician certifies that no substitution shall be prescribed because the injured employee's condition does not tolerate an equivalent generic drug product,
- Subsection (f) states that for the purposes of this section, “equivalent generic drug product” has the same meaning as provided in section 328-91.

§328-91 “Equivalent generic drug product” means 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 §328-16 or section 503(b) of the Federal Act; or (2) Any drug product compounded or prepared pursuant to a practitioner’s order.

The DLIR’s §12-15-55 Drugs, supplies and materials subsection (a) provides that charges for prescribed drugs, supplies, or materials for the use of the injured employee shall be separately listed and certified by the provider, or a duly authorized representative, that such charges for drugs, supplies, or materials were required and prescribed for the industrial injury.

III. COMMENTS ON THE SENATE BILL

The Department strongly supports this measure. The fundamental intent of Hawaii’s workers’ compensation law is to ensure that injured workers receive appropriate, individualized medical care that promotes recovery and 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 patient allergies, dosage requirements, or other clinical concerns.

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 law to provide care that is necessary and reasonable for the specific injury and patient.

The lack of clarity in Chapter 386, HRS, 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. As important is the professional oversight by licensed pharmacists and physicians.

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

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

JOSH GREEN, M. D.
GOVERNOR
KE KIA'ĀINA

SYLVIA LUKE
LT. GOVERNOR
KA HOPE KIA'ĀINA

LATE

BRENNA H. HASHIMOTO
DIRECTOR
KA LUNA HO'OKELE

BRIAN K. FURUTO
DEPUTY DIRECTOR
KA HOPE LUNA HO'OKELE

STATE OF HAWAI'I | KA MOKU'ĀINA O HAWAI'I
DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT
KA 'OIHANA HO'OMŌHALA LIMAHANA
235 S. BERETANIA STREET
HONOLULU, HAWAI'I 96813-2437

Statement of
BRENNA H. HASHIMOTO
Director, Department of Human Resources Development

Before the
SENATE COMMITTEE ON HEALTH AND HUMAN SERVICES
SENATE COMMITTEE ON LABOR AND TECHNOLOGY
Wednesday, February 4, 2026
1:00PM
State Capitol, Conference Room 225

In consideration of
SB2751, RELATING TO WORKERS' COMPENSATION

Chair San Buenaventura, Chair Elefante, and members of the Committee on Health and Human Services and Committee on Labor and Technology:

The Department of Human Resources Development (HRD) opposes SB2751.

The purpose of SB2751 is to align state law with federal standards for pharmacy compounding by codifying the federal definition of a "compounded drug".

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 be made to ensure all non-FDA approved compounds fall under existing cost controls:

> Replace the language in subsection (f) to read, ""Compounded prescription drug" means a drug product that **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, 503B or any other type of similar, FDA-approved, compounding facility.**"

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

To: Senator Brandon J.C. Elefante, Chair
Senator Rachele Lamosao, Vice Chair
Members of the Committee on Labor and Technology

Senator Joy A. San Buenaventura, Chair
Senator Angus L.K. McKelvey, Vice Chair
Members of the Committee on Health and Human Services

Date: Wednesday, February 4, 2026
Time: 1:00 p.m.
Place: Conference Room 225

TESTIMONY IN STRONG SUPPORT OF SB 2751 - Relating to Workers' Compensation – Compounded Prescription Drugs

Dear Committees of Labor and Technology and Health and Human Services,

My name is **Gary Okamura, MD.** I am an Orthopedic Surgeon who has treated injured workers in Hawaii for a few decades and I am the President of WIMAH – Work Injury Medical Association of Hawaii. I am submitting testimony in **strong support of SB 2751**.

SB 2751 is an important and necessary update to Hawaii's workers' compensation law. The bill adopts the federal definition of a "compounded prescription drug" under **21 U.S.C. §353 (Section 503A of the Federal Food, Drug, and Cosmetic Act)**. Aligning state law with these federal standards will bring clarity, consistency, and safety to how compounded medications are used and reimbursed in workers' compensation cases.

Why This Bill Is Needed

1. Hawaii's law is outdated and does not match current federal standards.

Our workers' compensation statute was written when compounding mainly meant traditional, patient-specific preparations made in a pharmacy or physician's office. Since then, federal law has clearly defined what qualifies as a 503A compounded drug, but Hawaii's statute has not been updated. This gap creates confusion for providers, pharmacies, insurers, and employers.

2. Newer compounded medications have created reimbursement confusion.

In recent years, some compounded medications have been produced at larger scale and assigned their own **National Drug Code (NDC)** and **Average Wholesale Price (AWP)**. These products differ from traditional 503A compounds, which do not have their own NDC or AWP.
Because of this, employers and payers often disagree on which NDC or AWP should be used for reimbursement, leading to delays and disputes that ultimately affect patient care.

3. DLIR already uses a clear and reasonable reimbursement approach—this bill simply codifies it.

The Department of Labor and Industrial Relations has 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 under the medical fee schedule.
Putting this practice into statute will create transparency, reduce disputes, and ensure consistent treatment for pharmacies, insurers, employers, and injured workers.

Suggested Amendment

I respectfully recommend placing the new definition of "compounded prescription drug" in **HRS §386-1**, which is the definitions section for the entire workers' compensation chapter. This is a more appropriate and logical location than HRS §386-21.7.

Conclusion

SB 2751 modernizes Hawaii's workers' compensation law, aligns it with federal standards, reduces confusion over reimbursement, and supports safe, appropriate use of compounded medications. These updates will help providers deliver timely care and ensure that injured workers receive the medications they need without unnecessary delays or disputes.
For these reasons, I respectfully urge the Committee to **pass SB 2751**.

Thank you for the opportunity to testify.

Gary Okamura, MD
President – WIMAH
Wimah808@gmail.com

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 HEALTH AND HUMAN SERVICES
Senator Joy A. San Buenaventura, Chair
Senator Angus L.K. McKelvey, Vice Chair

COMMITTEE ON LABOR AND TECHNOLOGY
Senator Brandon J.C. Elefante, Chair
Senator Rachele Lamosao, Vice Chair

Wednesday, February 4, 2026
1:00 p.m.

SB 2751

Chair San Buenaventura, Vice Chair McKelvey, and members of the Committee on Health and Human Services and Chair Elefante, Vice Chair Lamosao, and members of the Committee on Labor and Technology, 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 submits **comments** on this bill, and we ask that licensed physician be deleted from who is able to produce a compound. This would eliminate any potential conflict of interest if the physician is also writing the prescription for the same compound.

Thank you for the opportunity to testify.

841 Bishop Street, Suite 2250 | Honolulu, Hawaii 96813

Statement of

KRIS KADZIELAWA

LATE

Managing Director, Solera Integrated Medical Solutions

Before the

COMMITTEE ON HEALTH AND HUMAN SERVICES

Senator Joy A. San Buenaventura, Chair Senator Angus L.K. McKelvey, Vice Chair

COMMITTEE ON LABOR AND TECHNOLOGY

Senator Brandon J.C. Elefante, Chair Senator Rachele Lamosao, Vice Chair

Wednesday, February 4, 2026

1:00PM

State Capitol, Conference Room 225

In consideration of

SB2751 RELATING TO WORKERS' COMPENSATION

TESTIMONY IN OPPOSITION TO SB2751

Aloha Chairs San Buenaventura and Elefante, Vice Chairs McKelvey and Lamosao, and Members of the Committees:

My name is Kris Kadzielawa, and I am the Managing Director of Solera Integrated Medical Solutions, a medical payment integrity technology and services vendor dedicated to ensuring fair, efficient, and transparent processes within Hawaii's workers' compensation system for insurers, employers, government agencies, and healthcare providers. For over 30 years, we have partnered with employers, carriers, and claims teams to combat fraud and abuse, particularly from physician dispensing practices that inflate costs through

repackaged or compounded drugs, often at 10-100 times the price of standard pharmacy equivalents. These practices divert resources from injured workers' recovery and burden employers with unnecessary expenses. I appreciate the opportunity to testify in strong opposition to SB2751, while offering constructive amendments as a fallback to protect the system's integrity.

Hawaii's existing 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. SB2751 is unnecessary and risks undermining these protections by narrowing the definition of "compounded prescription drug" in a way that could exclude certain (non-FDA-approved) compounds, allowing them to bypass reimbursement limits.

Compounded drugs, whether produced under section 503A or 503B of the Federal Food, Drug, and Cosmetic Act (FD&C Act), are not FDA-approved. The FDA does not evaluate their safety and effectiveness.

History underscores this: In 2012, contaminated compounded drugs from a Massachusetts facility caused over 750 infections and more than 60 deaths across 20 states, prompting Congress to enact the Drug Quality and Security Act (DQSA) in 2013. The DQSA clarified section 503A for patient-specific compounding and created section 503B for outsourcing facilities, which must adhere to current good manufacturing practices (CGMP) and undergo risk-based FDA inspections.

I therefore advocate that the injured workers would be better served receiving FDA approved prescription and Over-The-Counter (OTC) drugs directly from a retail pharmacy.

SB2751's proposed definition of compounds notably excludes drugs compounded in 503B outsourcing facilities. While these facilities are FDA-registered, **their products remain not FDA approved** and should not evade HRS §386-21.7(c)'s reimbursement guidelines, which cap payments at 140% of the average wholesale price (AWP) based on gram weight of the underlying prescription drug. Excluding 503B facilities would create loopholes for high-cost, non-essential compounds, contradicting the legislature's intent to promote patient safety, regulatory consistency, and cost predictability.

The bill's sponsors appear motivated to carve out exemptions for certain entities, potentially legitimizing practices that drive up costs without adding value. We urge the committees to reject this bill outright, as the current statute already provides broad, effective coverage without need for change.

If the committees advance SB2751, we respectfully propose amendments to strengthen it and close potential gaps:

1. **Include 503A and 503B and any other potential future Compounding Facilities in the Definition**: Amend subsection (f) to read: "'Compounded prescription drug' means a drug product that is compounded in a 503A or 503B, or any other type of similar, FDA-approved, compounding facility.

This ensures all non-FDA-approved compounds fall under existing cost controls, preventing future schemes that might skirt definitions.

2. **Limit Physician Dispensing to 30 Days Post-Injury**: Add a new subsection (g): "Physician dispensing shall be allowed for 30 days following the industrial injury. Thereafter, all prescription drugs shall be obtained through the employer's Pharmacy Benefit Manager."

This curtails long-term abuse while allowing initial access, aligning with best practices to reduce inflated AWPs and promote PBM oversight. Physician dispensed drugs are the #1 cost driver in workers' compensation today. The State will save $3-5 million per year if physician dispensing is curbed as I propose. Doing so will also remove the Bill Dispute administration burden on the Department of Labor by more than 90% and slow the rise of future cost increases for all. If this bill passes (along with other current pro-physician dispensing measures), the State can expect to add an additional $3-5 million per year to its workers' compensation budget over the following 24 months. The Department of Labor will also need to be able to process 3-5X the amount of bill disputes.

3. **Require Preapproval for Non-FDA-Approved Drugs**: Add a new subsection (h): "Non-FDA-approved prescription drugs, 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 FDA-approved OTC or prescription drug of similar therapeutic effect. Failure to identify a compound on a treatment plan or when billed shall make it non-reimbursable." This adds a layer of accountability, ensuring compounds are truly necessary and not exploited for profit.

It is also important to note studies showing that topical pain compounds are not superior to over-the-counter FDA approved topicals. FDA-approved topical cremes sell for $24 per 3 ounces vs $2,400 per 3 ounces of a compound that is not FDA-approved.

In closing, in my 33 years in the medical bill audit and payment integrity business, I did not encounter a single issue of contention regarding prescription drug bills outside the practice of physician dispensing. On the other hand, physician dispensers have developed many

strategies to bypass the prescription drug cost controls present in the current statute. While missed by many payors, these attempts create disputes with employers and insurers who have the technology, reference tools, and expertise to identify the improper charges.

Mahalo for your consideration. I am available for questions and committed to working collaboratively toward solutions that benefit all stakeholders.

Respectfully submitted,

Kris Kadzielawa

Co-Founder, 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

Date: Wednesday, February 4, 2026
Time: 1:00 p.m.
Place: Conference Room 225

TESTIMONY IN SUPPORT OF SB 2751
Relating to Workers' Compensation – Compounded Prescription Drugs

Dear Chairs, Vice Chairs, and Members of the Committees on Labor and Technology and Health and Human Services,

My name is Malia Keolanui, ARPN. I am one of the few medical providers on the Big Island who treats injured workers. In our rural and underserved communities, timely access to appropriate care is already a challenge. For many of my patients, compounded topical medications are essential—they offer effective pain relief while avoiding the systemic side effects commonly associated with oral medications. Having these 503b manufactured topical options readily available has helped many of my patients recover more quickly and return to work sooner. I am submitting testimony in strong support of SB 2751.

SB 2751 updates Hawai'i's workers' compensation law by adopting the federal definition of a "compounded prescription drug" under 21 U.S.C. §353 (Section 503A of the Federal Food, Drug, and Cosmetic Act). This clarification is not a technicality—it is a necessary correction that improves patient safety, ensures proper medication use, and brings consistency to reimbursement practices. Right now, the lack of clarity is causing avoidable disputes and delays that directly affect patient care, especially in neighbor-island communities where treatment options are already limited.

Why SB 2751 is important:

- **Hawai'i's statute is outdated.** Our workers' compensation law was written before modern federal compounding standards existed. Aligning with Section 503A brings our system up to date and ensures everyone—providers, pharmacies, insurers, and employers—is operating under the same definition.
- **Newer compounded medications have created confusion.** Some compounded drugs now carry their own NDC and AWP, while traditional 503A compounds do not. This has led to inconsistent interpretations and disagreements about which pricing standard applies.
- **DLIR already follows a clear reimbursement method.** When a compounded drug has its own NDC and AWP, DLIR reimburses based on that specific code, just as it would for any other medication. SB 2751 simply codifies this existing practice so that all parties follow the same rules and disputes are minimized.

To further strengthen the bill, I respectfully recommend placing the new definition of "compounded prescription drug" in **HRS §386-1**, the definitions section for the entire workers' compensation chapter. This ensures clarity and consistency throughout the statute.

For injured workers on the Big Island, delays in medication access can mean prolonged pain, delayed recovery, and unnecessary travel to other islands for care. SB 2751 provides clarity, reduces administrative disputes, and helps ensure that patients receive the medications they need without interruption.

For these reasons, I strongly urge the Committees to pass SB 2751.

Thank you for the opportunity to testify.

SB-2751
Submitted on: 2/1/2026 9:09:33 PM
Testimony for LBT on 2/4/2026 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Kyle Cabison	Individual	Support	Written Testimony Only

Comments:

Dear Chairs, Vice Chairs, and Members of the Committees on Labor and Technology and Health and Human Services,

My name is Kyle Cabison M.D., and I am one of the few medical providers on the Big Island who treats injured workers. In our rural and underserved communities, timely access to appropriate care is already a challenge. For many of my patients, compounded topical medications are essential—they offer effective pain relief while avoiding the systemic side effects commonly associated with oral medications. Having these 503b manufactured topical options readily available has helped many of my patients recover more quickly and return to work sooner. I am submitting testimony in strong support of SB 2751.

SB 2751 updates Hawai‘i’s workers’ compensation law by adopting the federal definition of a “compounded prescription drug” under 21 U.S.C. §353 (Section 503A of the Federal Food, Drug, and Cosmetic Act). This clarification is not a technicality—it is a necessary correction that improves patient safety, ensures proper medication use, and brings consistency to reimbursement practices. Right now, the lack of clarity is causing avoidable disputes and delays that directly affect patient care, especially in neighbor-island communities where treatment options are already limited.

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For these reasons, I strongly urge the Committees to pass SB 2751.

Thank you for the opportunity to testify,

Kyle Cabison, M.D.

SB-2751
Submitted on: 2/2/2026 12:51:37 PM
Testimony for LBT on 2/4/2026 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Carol Ann Orr MD	Testifying for Carol A Orr MD LLC	Support	Written Testimony Only

Comments:

TESTIMONY IN SUPPORT OF SB 2751
Relating to Workers' Compensation – Compounded Prescription Drugs

Dear Chairs, Vice Chairs, and Members of the Committees on Labor and Technology and Health and Human Services,

My name is _____Carol A Orr MD_____, and I am one of the few medical providers on the Big Island who treats injured workers. In our rural and underserved communities, timely access to appropriate care is already a challenge. For many of my patients, compounded topical medications are essential—they offer effective pain relief while avoiding the systemic side effects commonly associated with oral medications. Having these 503b manufactured topical options readily available has helped many of my patients recover more quickly and return to work sooner. I am submitting testimony in strong support of SB 2751.

SB 2751 updates Hawai‘i's workers' compensation law by adopting the federal definition of a "compounded prescription drug" under 21 U.S.C. §353 (Section 503A of the Federal Food, Drug, and Cosmetic Act). This clarification is not a technicality—it is a necessary correction that improves patient safety, ensures proper medication use, and brings consistency to reimbursement practices. Right now, the lack of clarity is causing avoidable disputes and delays that directly affect patient care, especially in neighbor-island communities where treatment options are already limited.

Why SB 2751 is important:

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- **DLIR already follows a clear reimbursement method.** When a compounded drug has its own NDC and AWP, DLIR reimburses based on that specific code, just as it would for

any other medication. SB 2751 simply codifies this existing practice so that all parties follow the same rules and disputes are minimized.

To further strengthen the bill, I respectfully recommend placing the new definition of "compounded prescription drug" in **HRS §386-1**, the definitions section for the entire workers' compensation chapter. This ensures clarity and consistency throughout the statute.

For injured workers on the Big Island, delays in medication access can mean prolonged pain, delayed recovery, and unnecessary travel to other islands for care. SB 2751 provides clarity, reduces administrative disputes, and helps ensure that patients receive the medications they need without interruption.

For these reasons, I strongly urge the Committees to pass SB 2751.

Thank you for the opportunity to testify.

TESTIMONY IN SUPPORT OF SB 2751

Relating to Workers' Compensation – Compounded Prescription Drugs

Dear Chairs, Vice Chairs, and Members of the Committees on Labor and Technology and Health and Human Services,

My name is Ka`ohimanu Dang Akiona MD, and I am one of the few medical providers on the Big Island who treats injured workers. In our rural and underserved communities, timely access to appropriate care is already a challenge. For many of my patients, compounded topical medications are essential—they offer effective pain relief while avoiding the systemic side effects commonly associated with oral medications. Having these 503b manufactured topical options readily available has helped many of my patients recover more quickly and return to work sooner. I am submitting testimony in strong support of SB 2751.

SB 2751 updates Hawai'i's workers' compensation law by adopting the federal definition of a "compounded prescription drug" under 21 U.S.C. §353 (Section 503A of the Federal Food, Drug, and Cosmetic Act). This clarification is not a technicality—it is a necessary correction that improves patient safety, ensures proper medication use, and brings consistency to reimbursement practices. Right now, the lack of clarity is causing avoidable disputes and delays that directly affect patient care, especially in neighbor-island communities where treatment options are already limited.

Why SB 2751 is important:

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- **DLIR already follows a clear reimbursement method.** When a compounded drug has its own NDC and AWP, DLIR reimburses based on that specific code, just as it would for any other medication. SB 2751 simply codifies this existing practice so that all parties follow the same rules and disputes are minimized.

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For injured workers on the Big Island, delays in medication access can mean prolonged pain, delayed recovery, and unnecessary travel to other islands for care. SB 2751 provides clarity, reduces administrative disputes, and helps ensure that patients receive the medications they need without interruption.

For these reasons, I strongly urge the Committees to pass SB 2751.

Thank you for the opportunity to testify.

Date: Wednesday, February 4, 2026
Time: 1:00 p.m.
Place: Conference Room 225

TESTIMONY IN STRONG SUPPORT OF SB 2751 – Relating to Workers' Compensation – Compounded Prescription Drugs

Dear Chairs, Vice Chairs, and Committee Members of Labor and Technology and Health and Human Services,

My name is Aillen Bachiller, and I am a workers' compensation billing specialist who has handled pharmacy billing in Hawaii for over 25 years, including extensive experience with compounded medications dispensed under both 503A and 503B sections of the Federal Food, Drug, and Cosmetic Act. I am submitting testimony in **strong support of SB 2751**.

Why this bill matters from a billing and operations perspective

Every day, I bill workers' compensation pharmacy claims that include medications manufactured by FDA-registered 503B outsourcing facilities as well as traditional 503A patient-specific compounds. In theory, the distinction between 503A and 503B is clear under federal law; in practice, some bill review entities routinely blur that line to delay or avoid proper payment—even after the Department of Labor and Industrial Relations (DLIR) has ruled against them in formal disputes and made their clients responsible for reimbursement.

SB 2751 helps fix this by:

- Adopting the federal definition of "compounded prescription drug" in 21 U.S.C. §353 (Section 503A), so state law clearly matches the federal framework already used by FDA, providers, and pharmacies.
- Reducing the current "gray area" that allows bill review companies to argue, claim by claim, over whether a medication is really a compound and how it should be priced, despite DLIR decisions to the contrary.

This clarification will give DLIR a cleaner statutory basis to resolve many of the recurring disputes we see now, and it will help prevent the same bad-faith arguments from being raised over and over.

503A vs. 503B – why clarity is critical

Traditional 503A pharmacy compounds are patient-specific, do not have their own National Drug Code (NDC), and are not assigned an independent Average Wholesale Price (AWP). In contrast, certain 503B outsourcing-facility products are manufactured at scale, have their own NDC, and have a published AWP, and they are treated like other drugs under the medical fee schedule.

In Hawaii workers' compensation, this difference is not academic:

- When a 503B product has its own NDC and AWP, DLIR has already applied the straightforward rule that reimbursement should be based on that NDC and AWP, just like any other drug.
- Some bill review companies, however, knowingly ignore this and instead attempt to "re-price" these medications as if they were traditional 503A compounds, or deny them outright as "non-reimbursable compounds," even after DLIR has ruled their position incorrect in specific disputes.

That behavior translates into months or years of unpaid claims, repeated disputes, and real financial strain on pharmacies and providers who are supplying necessary medications to injured workers in good faith.

Codifying the federal definition and DLIR's reimbursement approach in statute will:

- Remove the incentive to play these games with definitions and pricing.
- Reduce unnecessary disputes and appeals.
- Provide consistent expectations for employers, insurers, pharmacies, and providers.

Alignment with DLIR practice and the formulary

SB 2751 does not invent a new reimbursement philosophy; it simply codifies the clear, reasonable approach DLIR is already using—namely, that when a compounded medication has its own NDC and AWP, reimbursement is based on that NDC and AWP under the medical fee schedule, and when it does not, appropriate compounding reimbursement methods apply. This is consistent with how medications are listed and treated in the workers' compensation formulary and brings statutory language in line with actual operational practice.

By clarifying definitions and aligning the law with current DLIR guidance and formulary use, SB 2751 will reduce confusion, shorten dispute cycles, and allow DLIR to more efficiently elevate and resolve contested claims involving compounded drugs.

Suggested placement in the statute

I respectfully support the suggestion that the new definition of "compounded prescription drug" be placed in **HRS §386-1**, the definitions section for the entire workers' compensation chapter, rather than in HRS §386-21.7. This is a logical and durable location that will help all stakeholders apply the definition consistently across the chapter.

Conclusion

From the front lines of billing and reimbursement, I see how definitional ambiguity around compounded medications is exploited to delay or deny payment—even after DLIR decisions have clarified responsibility. SB 2751 modernizes Hawaii's workers' compensation law, aligns it with federal standards, supports DLIR's existing interpretation, and gives pharmacies and providers a fair, predictable basis for reimbursement. Most importantly, it helps ensure that injured workers receive the compounded medications they need without unnecessary administrative battles.

For these reasons, I respectfully urge the Committees to **pass SB 2751**.

Thank you for the opportunity to testify.

Respectfully submitted,

Aileen Bachiller
WC Medical & Pharmacy Billing Specialist

TESTIMONY IN SUPPORT OF SB 2751

Submitted by: Kathy Plack, Workers' Compensation Billing Specialist

Chair Members of the Committees on Labor and Technology and Health and Human Services,

My name is **Kathy Plack**, and I provide billing services for physicians, physical therapists, and other healthcare professionals who treat injured workers throughout Hawai'i. Because I work directly with the administrative side of workers' compensation claims, I see the challenges that arise when laws are unclear or outdated—especially when it comes to compounded prescription drugs. I am submitting testimony in **strong support** of SB 2751.

Why This Bill Is Necessary From a Billing Perspective

The lack of a clear statutory definition for compounded prescription drugs has created ongoing disputes between providers and bill review companies. One of the most frequent issues involves **503B FDA-registered outsourcing facility medications**, which are manufactured under strict federal quality standards and assigned their own NDC and AWP.

Despite this, bill review companies—particularly **IMS/Solera**—often deny these medications or classify them incorrectly, even when the **Department of Labor and Industrial Relations (DLIR)** has already ruled that reimbursement is required. These repeated denials force providers to file disputes, delay payment, and create unnecessary administrative work for everyone involved.

How SB 2751 Helps

SB 2751 updates Hawai'i's workers' compensation law by adopting the federal definition of a compounded prescription drug under **21 U.S.C. §353 (Section 503A)**. This clarification:

- Eliminates ambiguity that bill review companies currently exploit
- Aligns state law with federal standards already used nationwide
- Supports consistent reimbursement for medications with their own NDC and AWP
- Reduces the number of disputes filed with DLIR
- Ensures injured workers receive their medications without delay

This bill does not change how providers prescribe medications—it simply ensures that the billing and reimbursement process reflects modern federal definitions.

Real-World Impact

Because I work with many different specialties, I can say with certainty that these issues are not isolated to one type of provider. Physicians, physical therapists, and other treating professionals all face the same challenges when compounded medications are denied without valid reason.

When reimbursement is delayed or denied:

- Providers must spend hours gathering documentation and filing disputes
- Clinics experience financial strain, especially on neighbor islands
- Injured workers wait longer for effective, non-opioid treatment options

SB 2751 will significantly reduce these avoidable barriers.

Recommended Placement

For clarity and consistency, I support placing the updated definition in **HRS §386-1**, the definitions section for the entire workers' compensation chapter.

Conclusion

SB 2751 is a straightforward and necessary update that will modernize Hawai‘i's workers' compensation law, reduce administrative disputes, and ensure fair and consistent reimbursement for compounded medications. These improvements will help providers continue caring for injured workers without unnecessary delays or financial risk.

I respectfully urge the Committees to **pass SB 2751**.

Thank you for your time and consideration,

Kathy Plack
Workers' Compensation Billing Specialist

SB-2751
Submitted on: 2/3/2026 8:37:22 AM
Testimony for LBT on 2/4/2026 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Megan Tabarango	Individual	Support	Written Testimony Only

Comments:

SB 2751 – Support Testimony
Submitted by: Megan Tabarango, Pharmacy Billing Manager
Relating to Workers' Compensation – Compounded Prescription Drugs

Chair Elefante, Vice Chair Lamosao, and Members of the Committees on Labor and Technology and Health and Human Services,

My name is **Megan Tabarango**, and I manage pharmacy billing for workers' compensation claims in Hawai‘i. I work daily with prescriptions dispensed under both **503A traditional compounding** and **503B FDA-registered outsourcing facilities**, and I am submitting testimony in **strong support of SB 2751**.

Why This Bill Is Necessary

The distinction between 503A and 503B medications is well-defined under federal law, yet in Hawai‘i's workers' compensation system, that clarity is often ignored. The result is a constant cycle of denials, disputes, and delayed payments—despite DLIR rulings that already confirm how these medications should be reimbursed.

In my role, I see the same pattern repeatedly:

- **IMS/Solera denies 503B medications** by treating them as if they were 503A compounds
- **DLIR rules in favor of the provider**, confirming reimbursement is required
- **IMS/Solera continues to deny future claims**, using the same arguments DLIR already rejected

This creates unnecessary disputes and forces providers to wait months or years for payment on medications that were dispensed correctly and in good faith.

How SB 2751 Helps Resolve These Problems

SB 2751 updates Hawai‘i's workers' compensation law by adopting the federal definition of a "compounded prescription drug" under **21 U.S.C. §353 (Section 503A)**. This update is essential because it:

- Removes the ambiguity that bill review companies currently exploit
- Aligns state law with the federal framework already used by FDA, pharmacies, and providers
- Supports DLIR's existing interpretation and reimbursement decisions
- Reduces the number of disputes filed simply because the statute has not kept pace with federal standards

This bill does not change how medications are prescribed or dispensed. It simply ensures that the **billing and reimbursement process reflects modern definitions** and prevents repeated misuse of outdated language.

Why Clarity Matters for 503A vs. 503B

The operational differences between these two categories are significant:

- **503A compounds** are patient-specific and do not have their own NDC or AWP
- **503B outsourcing-facility medications** are manufactured under strict FDA oversight, have their own NDC, and are assigned an AWP

DLIR has already determined that when a 503B medication has its own NDC and AWP, it should be reimbursed under the medical fee schedule like any other drug.
SB 2751 simply codifies this clear and reasonable approach.

Impact on Providers and Injured Workers

When bill review companies deny 503B medications incorrectly:

- Pharmacies experience long delays in reimbursement
- Providers must file repeated disputes for the same issue
- Injured workers face delays in receiving effective, non-opioid treatment options
- DLIR is burdened with avoidable disputes that could be resolved through statutory clarity

SB 2751 will significantly reduce these administrative burdens and help ensure that injured workers receive timely access to the medications they need.

Placement in Statute

I support placing the updated definition in **HRS §386-1**, the definitions section for the entire workers' compensation chapter, to ensure consistent application across all provisions.

Conclusion

As someone who manages pharmacy billing every day, I see firsthand how outdated statutory language is used to deny proper reimbursement—even after DLIR has ruled otherwise. SB 2751 brings Hawai‘i's law in line with federal standards, supports DLIR's existing decisions, and prevents unnecessary disputes that delay care and payment.

For these reasons, I respectfully urge the Committees to **pass SB 2751**.

Thank you for the opportunity to provide testimony,

Megan Tabarango
Pharmacy Billing Manager