

Honolulu, Hawaii

FEB 16 2017

RE: S.B. No. 1158

S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Twenty-Ninth State Legislature
Regular Session of 2017
State of Hawaii

Sir:

Your Committee on Commerce, Consumer Protection, and Health,
to which was referred S.B. No. 1158 entitled:

"A BILL FOR AN ACT RELATING TO PHARMACY BENEFIT MANAGERS,"

begs leave to report as follows:

The purpose and intent of this measure is to require pharmacy
benefit managers in Hawaii to register with the Insurance
Commissioner.

Your Committee received testimony in support of this measure
from the American Diabetes Association and three individuals.
Your Committee received comments on this measure from the
Department of Commerce and Consumer Affairs, Express Scripts, and
CVS Health.

Your Committee finds that pharmacy benefit managers are
administrators of prescription drug programs and are responsible
for developing and maintaining formularies and other clinical
management programs, processing prescription drug claims for
insurance companies or corporations, and negotiating contracts
with pharmaceutical manufacturers. Pharmacy benefit managers also
perform utilization reviews, manage clinical programs targeted to
specific disease states, and operate pharmacies, including mail
order and specialty pharmacies. Over the past decade, the role of
pharmacy benefit managers in the delivery of health care has
increased due to a variety of factors, including coverage
expansions under the Medicare Part D prescription drug benefit and
the federal Affordable Care Act and an increase in prescription



drug spending that has motivated commercial health plans and self-insured employers to outsource the management of their spending on outpatient prescription drugs.

Your Committee further finds that this measure proposes registration and oversight of pharmacy benefit managers, similar to what is required for health insurance companies or health plans. Your Committee notes that while pharmacy benefit managers may already register with the Business Registration Division, such registration does not provide sufficient regulation or oversight of this industry. Your Committee also notes that more than twenty states require some type of registration for pharmacy benefit managers; many of these states require pharmacy benefit managers to register with a state's department or division of insurance.

Your Committee additionally finds that prescription drugs are a major factor of the spiraling increase in health care costs, of which pharmacy benefit managers are a contributing factor. This measure gives clear authority to the Insurance Commissioner to regulate pharmacy benefit managers, is an important first step toward regulating this industry, and is necessary to provide transparency and ensure adequate consumer protection.

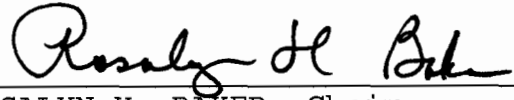
Your Committee has amended this measure by:

- (1) Updating the purpose section;
- (2) Specifying that notwithstanding any law to the contrary, pharmacy benefit managers must still register with the Insurance Commissioner; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Commerce, Consumer Protection, and Health that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1158, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1158, S.D. 1, and be referred to your Committee on Ways and Means.



Respectfully submitted on
behalf of the members of the
Committee on Commerce, Consumer
Protection, and Health,



ROSALYN H. BAKER, Chair



The Senate
Twenty-Ninth Legislature
State of Hawai'i

Record of Votes
Committee on Commerce, Consumer Protection, and Health
CPH

Bill / Resolution No.:*	Committee Referral:	Date:		
SB 115B	CPH, WAM	2/13/17		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input type="checkbox"/> Pass, unamended 2312	<input checked="" type="checkbox"/> Pass, with amendments 2311	<input type="checkbox"/> Hold 2310		
<input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
BAKER, Rosalyn H. (C)	/			
NISHIHARA, Clarence K. (VC)	/			
CHANG, Stanley	/			
ESPERO, Will	/			
IHARA, Jr., Les	/			
KIDANI, Michelle N.	/			
RUDERMAN, Russell E.				/
TOTAL	6			1
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
<i>Clarence K. Nishihara</i>				
Distribution:				
Original	Yellow	Pink	Goldenrod	
File with Committee Report	Clerk's Office	Drafting Agency	Committee File Copy	

*Only one measure per Record of Votes