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# A BILL FOR AN ACT

RELATING TO PHARMACY BENEFIT MANAGERS.

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

1           SECTION 1. The legislature finds that pharmacy benefit  
2 managers are administrators of prescription drug programs and  
3 are responsible for developing and maintaining formularies and  
4 other clinical management programs, processing prescription drug  
5 claims for insurance companies or corporations, and negotiating  
6 contracts with pharmaceutical manufacturers. Pharmacy benefit  
7 managers also perform utilization reviews, manage clinical  
8 programs targeted to specific disease states, and operate  
9 pharmacies, including mail order and specialty pharmacies. Over  
10 the past decade, the role of pharmacy benefit managers in the  
11 delivery of health care has increased due to a variety of  
12 factors, including coverage expansions under the medicare Part D  
13 prescription drug benefit and the federal Affordable Care Act  
14 and an increase in prescription drug spending that has motivated  
15 commercial health plans and self-insured employers to outsource  
16 the management of their spending on outpatient prescription  
17 drugs.





1 of chapter 432, or health maintenance organization  
2 regulated under chapter 432D;

3 (2) A health program administered by the State in the  
4 capacity of a provider of health coverage; or

5 (3) An employer, labor union, or other group of persons  
6 organized in the State that provides health coverage  
7 to covered persons employed or residing in the State.

8 "Covered entity" shall not include any plans issued for coverage  
9 for federal employees or specified disease or limited benefit  
10 health insurance as provided by section 431:10A-102.5.

11 "Covered person" means a member, policyholder, subscriber,  
12 enrollee, beneficiary, dependent, or other individual  
13 participating in a prescription drug benefit plan.

14 "Person" means an individual, partnership, corporation,  
15 organization, or other business entity.

16 "Pharmacy benefit management" means:

17 (1) Any of the following services provided with regard to  
18 the administration of pharmacy benefits:

19 (A) Mail service pharmacy;



1 (B) Claims processing, retail network management, and  
2 payment of claims to pharmacies for prescription  
3 drugs dispensed to covered persons;

4 (C) Clinical formulary development and management  
5 services;

6 (D) Rebate contracting and administration;

7 (E) Certain patient compliance, therapeutic  
8 intervention, and generic substitution programs;  
9 or

10 (F) Disease management programs involving  
11 prescription drug utilization;

12 (2) The procurement of prescription drugs by a pharmacy  
13 benefit manager at a negotiated rate for dispensation  
14 to covered persons in the State; or

15 (3) The administration or management of prescription drug  
16 benefits provided by a covered entity for the benefit  
17 of covered persons.

18 "Pharmacy benefit manager" means any person that performs  
19 pharmacy benefit management, including but not limited to a  
20 person or entity in a contractual or employment relationship



1 with a pharmacy benefit manager to perform pharmacy benefit  
2 management for a covered entity.

3 "Prescription drug benefit plan" means a health insurance  
4 plan offered by a covered entity that includes coverage for  
5 prescription drugs.

6 § -B **Applicability.** This chapter shall apply to any  
7 pharmacy benefit manager that provides claims processing  
8 services, other prescription drug or device services, or both,  
9 to covered persons who are residents of the State.

10 § -C **Registration required.** (a) Notwithstanding any  
11 law to the contrary, no person shall act or operate as a  
12 pharmacy benefit manager without first obtaining a valid  
13 registration issued by the commissioner pursuant to this  
14 chapter.

15 (b) Each person seeking to register as a pharmacy benefit  
16 manager shall file with the commissioner an application on a  
17 form prescribed by the commissioner. The application shall  
18 include:

19 (1) The name, address, official position, and professional  
20 qualifications of each individual who is responsible  
21 for the conduct of the affairs of the pharmacy benefit



1 manager, including all members of the board of  
2 directors; board of trustees; executive commission;  
3 other governing board or committee; principal  
4 officers, as applicable; partners or members, as  
5 applicable; and any other person who exercises control  
6 or influence over the affairs of the pharmacy benefit  
7 manager;

8 (2) The name and address of the applicant's agent for  
9 service of process in the State; and

10 (3) A nonrefundable application fee of \$140.

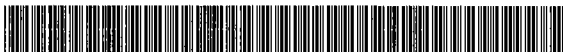
11 § -D **Annual renewal requirement.** (a) Each pharmacy  
12 benefit manager shall renew its registration by March 31 each  
13 year.

14 (b) When renewing its registration, a pharmacy benefit  
15 manager shall submit to the commissioner the following:

16 (1) An application for renewal on a form prescribed by the  
17 director; and

18 (2) A renewal fee of \$140.

19 (c) Failure on the part of a pharmacy benefit manager to  
20 renew its registration as provided in this section shall result  
21 in a penalty of \$140 and may cause the registration to be



1 revoked or suspended by the commissioner until the requirements  
2 for renewal have been met.

3 § **-E Penalty.** Any person who acts as a pharmacy benefit  
4 manager in this State without first being registered pursuant to  
5 this chapter shall be subject to a fine of \$500 for each  
6 violation.

7 § **-F Rules.** The commissioner shall adopt, amend, or  
8 repeal rules pursuant to chapter 91 to carry out the purposes of  
9 this chapter."

10 SECTION 3. In codifying the new sections added by section  
11 2 of this Act, the revisor of statutes shall substitute  
12 appropriate section numbers for the letters used in designating  
13 the new sections in this Act.

14 SECTION 4. This Act shall take effect on July 1, 2017.

15



**Report Title:**

Pharmacy Benefit Managers; Pharmacy Benefit Management;  
Registration; Insurance Commissioner

**Description:**

Requires pharmacy benefit managers to register with the  
insurance commissioner. (SD1)

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

