



February 23, 2025

[submitted electronically via: capitol.hawaii.gov]

The Honorable Joy A. San Buenaventura
Chair, Committee on Health and Human Services
Conference Room 225
415 South Beretania Street
Honolulu, HI 96813

The Honorable Jarrett Keohokalole
Chair, Committee on Commerce and Consumer
Protection
Conference Room 225
415 South Beretania Street
Honolulu, HI 96813

RE: SB 1509 Relating to Prescription Drugs – SUPPORT WITH AMENDMENTS

Dear Chair San Buenaventura, Chair Keohokalole, Vice Chair Aquino, Vice Chair Fukunaga, members of the Committee on Health and Human Services, and members of the Committee on Commerce and Consumer:

The American Pharmacists Association (APhA) appreciates the opportunity to provide comments on [Senate Bill \(SB\) 1509](#), which seeks to regulate pharmacy benefit managers (PBMs) and health insurers by ensuring that prescription drug rebates are shared with enrollees. While this legislation is a good start and APhA commends the intent of this legislation, we firmly believe that SB 1509 needs strengthened to protect patients and pharmacists from the harmful business practices of PBMs. Without additional amendments, PBMs will continue to manipulate drug pricing structures, restrict patient access to necessary medications, and exacerbate the financial struggles of community pharmacies, particularly those in underserved areas.

As a result of the predatory practices of PBMs, patients' access to medications from their local pharmacist across the country has declined¹, taxpayer dollars have been funneled into corporate profits², and generationally owned community pharmacies have been driven out of business.³ A study found that PBM tactics forced Oregon Medicaid to overpay \$1.9M on a single drug, where PBMs marked up the drug by 800 percent.⁴ Appropriate government oversight is necessary to address the misaligned incentives in the PBM industry that prioritize profits over patients.

Opportunities to strengthen SB 1509 to address these harmful PBM practices include:

¹ Rose J, Krishnamoorth R. Why your neighborhood community pharmacy may close. *The Hill*. Available at <https://thehill.com/blogs/congress-blog/healthcare/530477-why-your-neighborhood-community-pharmacy-may-close>

² 3 Axis Advisors. Analysis of PBM Spread Pricing in New York Medicaid Managed Care. Available at <http://www.ncpa.co/pdf/state-advoc/new-york-report.pdf>

³ Callahan C. Mom-and-pop pharmacies struggle to hang on. *Times Union*. Available at <https://www.timesunion.com/hudsonvalley/news/article/Mom-and-pop-pharmacies-struggle-to-hang-on-16187714.php>

⁴ <https://oregonpharmacy.org/2022/10/27/oregon-report/>

- The bill mandates that PBMs, and health insurers share rebates with enrollees but lacks robust enforcement mechanisms to ensure compliance. Without meaningful penalties or transparency requirements, PBMs may continue engaging in opaque pricing strategies that prioritize their profits over patient affordability for local Hawai'ians .
- SB 1509 does not address below-cost reimbursement rates imposed by PBMs, which have led to widespread pharmacy closures and pharmacy deserts removing the only health care providers that many underserved communities had access to and relied upon. Pharmacies must receive fair reimbursement that reflects the cost of acquiring and dispensing medications, especially for independent and rural providers that serve as lifelines for many patients.

Recommended Amendments:

- **Prohibit PBM Patient Steering Practices:** PBMs frequently engage in patient steering, where they direct patients to use PBM-affiliated or owned mail-order pharmacies, often at the expense of local community pharmacies. These practices limit patient choice, force patients into longer wait times, and disrupt existing pharmacist-patient relationships. To protect patient access and preserve the integrity of Hawai'i's pharmacy network, SB 1509 should explicitly prohibit PBMs from steering patients to specific pharmacies through coercive tactics, differential reimbursement rates, or restrictive network design.
- **Prohibit PBM Spread Pricing:** Spread pricing occurs when PBMs charge health plans and employers a significantly higher price for medications than they reimburse pharmacies for dispensing the same drug, keeping the difference as profit. This practice inflates health care costs, exploits patients and taxpayers, and destabilizes pharmacy operations. SB 1509 should ban PBMs from engaging in spread pricing and require full disclosure of drug pricing transactions between PBMs, health insurers, and pharmacies to ensure transparency and fair dealing.
- **Mandate Sustainable and Fair PBM Reimbursement Rates for Pharmacies:** Many PBMs reimburse pharmacies at rates that are below the actual cost of acquiring medications, particularly for independent and rural pharmacies, forcing closures and reducing patient access to essential health care services. SB 1509 should require PBMs to reimburse pharmacies at or above the actual cost of acquisition and include a reasonable dispensing fee that accounts for pharmacist services, overhead costs, and operational sustainability.

By incorporating these essential amendments, SB 1509 can achieve its intended goal of curbing PBM abuse while ensuring patients receive fair access to their medications and pharmacists are compensated equitably for dispensing medicines to keep their doors open for their local communities. Similar legislative efforts in other states have demonstrated that stronger PBM regulations can lead to significant cost savings, increased transparency, and improved patient outcomes.

For these reasons, APhA urges the committee to amend SB 1509 to fully address these concerns and ensure Hawai'i's patients and pharmacies receive the protection they deserve. If you have any questions or require additional information, please do not hesitate to contact E. Michael Murphy, PharmD, MBA, APhA Senior Advisor for State Government Affairs, by email at mmurphy@aphanet.org.

Sincerely,

Michael Baxter

Michael Baxter
Vice President, Government Affairs
American Pharmacists Association

cc: Senator Henry J.C. Aquino, Vice Chair
Senator Carol Fukunaga, Vice Chair
Senator Troy N. Hashimoto
Senator Kurt Fevella
Senator Angus L.K. McKelvey
Senator Herbert M. "Tim" Richards, III
Senator Brenton Awa

About APhA: APhA is the largest association of pharmacists in the United States advancing the entire pharmacy profession. APhA represents pharmacists in all practice settings, including community pharmacies, hospitals, long-term care facilities, specialty pharmacies, community health centers, physician offices, ambulatory clinics, managed care organizations, hospice settings, and government facilities. Our members strive to improve medication use, advance patient care and enhance public health. **In Hawai'i, with 900 licensed pharmacists and 1,470 pharmacy technicians, APhA represents the pharmacists and student pharmacists that practice in numerous settings and provide care to many of your constituents.** As the voice of pharmacy, APhA leads the profession and equips members for their role as the medication expert in team-based, patient-centered care. APhA inspires, innovates, and creates opportunities for members and pharmacists worldwide to optimize medication use and health for all.