

EXECUTIVE CHAMBERS

HONOLULU

July 11, 2005

STATEMENT OF OBJECTIONS TO HOUSE BILL NO. 1317

Honorable Members
Twenty-Third Legislature
State of Hawaii

Pursuant to Section 16 of Article III of the Constitution of the State of Hawaii, I am returning herewith, without my approval, House Bill No. 1317, entitled "A Bill for an Act Relating to Medicaid."

The purpose of this bill is to prohibit the Department of Human Services from taking action to remove pharmaceutical benefits management from managed care plans that provide health care coverage for Hawaii Medicaid beneficiaries and to require the Department of Human Services to report to the 2006 Legislature on the impact of carving out pharmaceutical benefits management from managed care plans.

This bill is objectionable because it will deny recipients who are enrolled in the Medicaid Fee-for-Service Aged, Blind and Disabled program from access to the same pharmaceutical drugs that they currently have access to, when these recipients move into managed care organizations under the State's planned expansion of its Medicaid QUEST Program. Managed care organizations participating in the Medicaid QUEST Program have fewer "preferred" (unrestricted access) medications in comparison to the Medicaid Fee-for-Service Program.

Further, this bill will prevent the State's Medicaid agency from continuing to receive pharmaceutical rebates through its preferred drug list (PDL) program after the implementation of its new Medicaid QUEST Program.

The State's Medicaid program has recently implemented a

Preferred Drug List (PDL) which is used for its fee-for-service population. A PDL is a list of drugs for which the Medicaid agency assures coverage without the need of obtaining its prior authorization. Pharmaceutical companies issue rebates for the placement of their drugs on a PDL. The State has started to receive these rebates from pharmaceutical manufacturers. The substantial income and savings projected by the State as a result of its PDL program will not be realized if this bill is allowed to become law. Instead, the Medicaid managed care organizations will receive increased income, the amount of which they have not disclosed to the State, through their own programs similar to the State's PDL. There is no reason to allow the diversion of such income from the State.

Further, the Department of Human Services recently began participating in the National Multi-State Purchasing Pool Initiative (NMPI). NMPI is a pool of states that combine their purchasing power on prescription drugs by leveraging millions of clients to negotiate discounted prices, or "supplemental rebates" for prescription drugs. This measure would prevent the Department from participating in the NMPI for its Medicaid recipients in managed care plans. Substantial income and savings projected by the Department will not be realized if HB 1317 HD1, SD1, CD1 becomes law.

Further, this bill will require appropriations of new State funds in order to proceed with expanding the Medicaid QUEST Program, or force the State to delay the implementation of its expansion until other mechanisms of funding become available. Instead, the managed care organizations that provide health care coverage to Hawaii Medicaid beneficiaries will receive increased income through their own pharmaceutical benefits management programs similar to Hawaii's participation in the NMPI, while the

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State of Hawaii will be denied the opportunity to generate increased income and savings through the NMPI.

For the foregoing reasons, I am returning House Bill No. 1317 without my approval.

Respectfully,

LINDA LINGLE
Governor of Hawaii