SENATE BILL REPORT

SB 6119

As Reported By Senate Committee On:
Health & Long-Term Care, January 31, 1996
Ways & Means, February 6, 1996

Title: An act relating to insurance coverage for prescription medicine.

Brief Description: Regulating insurance coverage for prescription medicine.

Sponsors: Senator Quigley.

Brief History:
Committee Activity: Health & Long-Term Care: 1/16/96, 1/31/96 [DPS-WM, DNP].
Ways & Means: 2/5/96, 2/6/96 [DPS (HEA)].

SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

Majority Report: That Substitute Senate Bill No. 6119 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.
Signed by Senators Quigley, Chair; Wojahn, Vice Chair; Deccio, Fairley, Franklin, Thibaudeau and Wood.

Minority Report: Do not pass.
Signed by Senator Moyer.

Staff: Wendy Saunders (786-7439)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 6119 as recommended by Committee on Health & Long-Term Care be substituted therefor, and the substitute bill do pass.
Signed by Senators Rinehart, Chair; Loveland, Vice Chair; Bauer, Cantu, Drew, Fraser, Hargrove, Kohl, Quigley, Roach, Sheldon, Snyder, Spanel, Sutherland, West and Wojahn.

Minority Report: Do not pass.
Signed by Senator Moyer.

Staff: Tim Yowell (786-7435)

Background: Many health care insurance policies require patients to purchase their prescription medicines from designated pharmacies or else pay additional fees or deductibles to use an alternate pharmacy.

Concern exists that this practice reduces the quality of medical care by restricting patient choice of pharmacies, and limits access to pharmacy services by excluding some pharmacies.

There is concern that the practice of requiring that patients use only designated pharmacies deprives many community retail pharmacies of customers, and will cause them to go out of business.

It is suggested that preventing insurance companies from designating which pharmacies patients can use will impair the insurer's ability to select high quality, cost effective health care providers. Some studies have shown that this type of legislation can increase insurance costs through increased prescription drug costs.

Summary of Substitute Bill: The Legislature finds that many insurance companies restrict a patient's choice of available pharmacies. The Legislature further finds that the restrictions infringe on the patient's freedom to have a prescription filled at a pharmacy, and by the pharmacist, of his or her choice.

Any disability, group disability, health care service contract or health maintenance agreement that includes prescription drug coverage is prohibited from requiring patients to purchase their medications from a designated pharmacy. It also prohibits policies from requiring patients to pay additional fees or deductibles if they use a non-designated pharmacy.

Additionally, if requested, insurance policies must give designated status to any qualified provider of pharmacy services that meets all applicable terms and conditions of the policy contract. These terms must be uniform for all applicants.

All pharmacies must provide services under the same terms, including administrative, financial, and professional conditions as the designated pharmacy.

Staff-model HMOs are exempt from the provisions of this bill if they comply with the Health Care Authority's rules on for standards of patient care.

The Attorney General may impose a civil penalty of not less than $1000 or more than $50,000 for violations of this act.

Substitute Bill Compared to Original Bill: An exemption from the requirements of the bill is added for staff-model HMOs that comply with rules for standards of patient care.

Appropriation: None.

Fiscal Note: Available.

Effective Date: This legislation applies to policies issued or renewed after July 1, 1996.

Testimony For (Health & Long-Term Care): Local pharmacies are being driven out of business because customers are restricted from patronizing them. The bill ends the practice of discrimination against pharmacies by health plans that exclude them from contracts without reason. It increases quality of care and patient access to care. The bill also decreases costs by reducing aversive outcomes that can be prevented by pharmacists.

Testimony Against (Health & Long-Term Care): Exclusive contracts allow decrease administrative costs for health plans and allow them to negotiate a lower rate for pharmacy

services. The bill will prevent health plans from providing high quality, cost effective care to subscribers. The bill could result in a decrease in access to services because of a loss of benefits that result from increased costs.

Testified (Health & Long-Term Care): Charles Kahler, U&I Pharmacy (pro); Dave Morio, Fife United Drug (pro); Holly Whitcomb, View Ridge United Drug (pro); Dave Thomas, consumer (pro); Jim Cammack, Jim's Pharmacy (pro); Rod Shafer, WSPA (pro); Cynthia Adkins, Acting Director, Pharmacy Admin.,Group Health (con); Mel Sorensen, Blue Cross Blue Shield of Oregon (con); Scott DeNies, Pierce County Medical (con); Carol Monohon, AWB (con); Jim Halstrom, Health Care Purch. Assn. (con); Diane Stollenwerk, Sisters of Providence, Peace Health (con).

Testimony For (Ways & Means): Retail pharmacies are price takers, not price makers. The premise that open networks cost more than closed ones is not supported by the experience of the federal employees Blue Cross/Blue Shield plan and studies by the Maryland Pharmacists Association. Closed networks restrict patient choice.

Testimony Against (Ways & Means): The bill would further drive up health care costs, through increased administrative costs resulting from contracting with a larger number of pharmacies, and through the reduced ability to negotiate volume discounts. The bill would also reduce the ability to monitor quality of service delivery.

Testified (Ways & Means): C. J. Kahler, Washington Retail Pharmacy Council (pro); Rod Shafer, Washington State Pharmacists Association (pro); Ken Bertrand, Group Health Cooperative/ Group Health Northwest (con).