

Hawaii State Legislature
House Committee on Labor and Public Employment
Hawaii State Capitol
415 South Beretania Street
Honolulu, HI 96813

January 27, 2014

Filed via electronic testimony submission system

RE: HB 1960, Workers' Compensation; Drug Pricing - NAMIC's Written Testimony for Committee Hearing

Dear Representative Mark M. Nakashima, Chair; Representative Kyle T. Yamashita, Vice Chair; and members of the House Committee on Labor and Public Employment:

Thank you for providing the National Association of Mutual Insurance Companies (NAMIC) an opportunity to submit written testimony to your committee for the January 28, 2014, public hearing. Unfortunately, I will not be able to attend the public hearing, because of a previously scheduled professional obligation.

NAMIC is the largest property/casualty insurance trade association in the country, serving regional and local mutual insurance companies on main streets across America as well as many of the country's largest national insurers.

The 1,400 NAMIC member companies serve more than 135 million auto, home and business policyholders and write more than \$196 billion in annual premiums, accounting for 50 percent of the automobile/homeowners market and 31 percent of the business insurance market. NAMIC has 69 members who write property/casualty and workers' compensation insurance in the State of Hawaii, which represents 30% of the insurance marketplace.

Through our advocacy programs we promote public policy solutions that benefit NAMIC companies and the consumers we serve. Our educational programs enable us to become better leaders in our companies and the insurance industry for the benefit of our policyholders.

NAMIC's workers' compensation and auto insurance members support HB 1960 as a reasonable and balanced pro-insurance consumer and pro-consumer protection legislative proposal. Specifically, NAMIC supports HB 1960, because it will facilitate the creation of thoughtful and appropriate pharmaceutical cost-containment controls that are necessary to prevent the ever-increasing cost of medications from adversely impacting the affordability of workers'

compensation insurance for small businesses and their employees, and the cost of state mandated automobile insurance coverage for consumers.

NAMIC believes that the proposed legislation fairly balances the needs of all stakeholders, by allowing for reasonable retail price markups (a cap of 140% of the average wholesale price set by the manufacturer), provides for the use of a reasonable and reliable objective pricing standard (Red Book: Pharmacy's Fundamental Reference as of the date of medication dispensing), and sets forth clear guidelines for how to address pricing caps for repackaged/re-labeled drugs (average wholesale price for the original manufacturer's national drug code number) and compound drugs (average wholesale price by gram weight of each underlying prescription drug contained in the compound medication).

HB 1960 is also necessary and appropriate from a consumer fraud-prevention standpoint, because it will make it less profitable for those who want to "game the system" and reap unconscionable profits by relabeling, repackaging, and/or compounding drugs so that they can circumvent standard medical pricing of medications that are in place to protect consumers from medication pricing fraud.

In closing, NAMIC respectfully requests that the House Committee on Labor and Public Employment "**vote yes**" on HB 1960, because it is a reasonable and appropriate pro-insurance consumer, pro-injured worker, and pro-medication pricing fraud prevention measure.

Thank you for your time and consideration. Please feel free to contact me at 303.907.0587 or at crataj@namic.org, if you would like to discuss NAMIC's written testimony.

Respectfully,



Christian John Rataj, Esq.
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