

HOUSE BILL REPORT

HB 1069

*As Reported By House Committee on:
Health Care*

Title: An act relating to prescription medicine insurance coverage.

Brief Description: Prohibiting insurance policies from limiting where prescription medicines may be purchased.

Sponsor(s): Representatives Braddock, Leonard, Prentice, Jones, Pruitt, Riley, Wineberry, Franklin, Jacobsen, Roland, H. Myers, Bowman, Inslee, Morris and Spanel.

Brief History:

Reported by House Committee on:
Health Care, February 20, 1991, DPS.

**HOUSE COMMITTEE ON
HEALTH CARE**

Majority Report: *That Substitute House Bill No. 1069 be substituted therefor, and the substitute bill do pass.* Signed by 9 members: Representatives Braddock, Chair; Day, Vice Chair; Moyer, Ranking Minority Member; Casada, Assistant Ranking Minority Member; Cantwell; Franklin; Morris; Paris; and Prentice.

Minority Report: *Do not pass.* Signed by 2 members: Representatives Edmondson and Sprenkle.

Staff: John Welsh (786-7133).

Background: Some insurance contracts expressly require the beneficiary to purchase drugs covered under the policy from designated pharmacies. These "preferred provider" arrangements are features of "managed care systems" that select and reimburse health care practitioners at contracted rates to provide health care services, including pharmacy services, to beneficiaries.

Summary of Substitute Bill: There is a legislative finding that many health insurance policies severely restrict the citizens' choice of available pharmacies, and that such restrictions infringe upon the citizens' rights to have their prescriptions filled by the pharmacist of their choice.

After January 1, 1992, disability and group disability insurance policies, health care service contracts, health plans offered to public employees, and health maintenance organizations that pay for, or reimburse the costs of prescription medicines, may not limit the purchase of these medicines to a designated pharmacy. Nor may these health insuring entities require a different copayment or contribution from the beneficiary dependent on where or from whom the purchase is made. However, they can limit the amount reimbursed to the cost of the identical drug available through a designated pharmacy.

These provisions do not apply to health maintenance organizations that provide pharmaceutical services directly through their employees.

Substitute Bill Compared to Original Bill: Health maintenance organizations are included within the prohibition against limiting a beneficiary's access to a pharmacy of choice, except for those that provide pharmacy services through their employees. Health insuring entities can limit the amount reimbursed to the cost of the identical drug available through a designated pharmacy.

Fiscal Note: Available.

Effective Date of Substitute Bill: Ninety days after adjournment of session in which bill is passed.

Testimony For: Consumers should have the right to choose the pharmacists of their choice, regardless of the health insurance plan they have, as long as their insurers are protected against any cost increases in exercising this "freedom of choice." The pharmacy designated by the insurance plan may not be as readily accessible and may not provide other conveniences to the consumer, such as language familiarity for minorities.

Testimony Against: Consumers already have a right to choose the health insurance plan that best suits their needs. Some want to choose a "managed care system" that results in a more appropriate use of medical services, practice patterns and pricing structures, and allows payers to negotiate lower rates with health providers. This bill interferes with the ability of "managed care systems" to negotiate lower rates with preferred providers who can offer discounts through volume purchasing, and therefore prevents these plans from containing health care costs.

Witnesses: Holly Whitcomb and Mike Hoaglund, Pharmacists of Washington (pro); Siegrid Seiffert (pro); Senator Murray (pro); Kinne Hawes, Pay 'n Save, Inc. (con); Sue Merk and

Rod Stauman, Group Health Cooperative (con); Mel Sorensen, Washington Physicians Service and Blue Cross of Washington/Alaska (Con); Basil Badley, Health Insurance Association of America (con); Joan Gaumer, MEDCO (con); Jim Halstrom, Health Care Purchasers Association (con); and Kristen West, Health Care Authority (con).