

**TWENTY EIGHTH DAY**

**NOON SESSION**

Senate Chamber, Olympia, Thursday, June 25, 2015

The Senate was called to order at 12:00 o'clock p.m. by President Owen. The Secretary called the roll and announced to the President that all Senators were present with the exceptions of Senators Conway, Liias, Mullet, Ranker and Rolfes.

The Sergeant at Arms Color Guard consisting of Miss Bri Jones and Miss Bailey Glenn, guests of Senator Ericksen, presented the Colors. Mr. Adam Cooper, Legislative Assistant to Senator Kohl-Welles, offered the prayer.

**MOTION**

On motion of Senator Fain the reading of the Journal of the previous day was dispensed with and it was approved.

**MOTION**

There being no objection, the Senate advanced to the first order of business.

**REPORTS OF STANDING COMMITTEES**

June 25, 2015

SHB 1037 Prime Sponsor, Committee on Judiciary: Implementing changes to child support based on the child support schedule work group report. Reported by Committee on Law & Justice

MAJORITY recommendation: Do pass. Signed by Senators Padden, Chair; O'Ban, Vice Chair; Pedersen, Ranking Minority Member; Kohl-Welles; Pearson and Roach.

Passed to Committee on Rules for second reading.

**MOTION**

On motion of Senator Fain, the measure listed on the Standing Committee report was referred to the committee as designated.

**MOTION**

On motion of Senator Fain, the Senate advanced to the fourth order of business.

**MESSAGE FROM THE HOUSE**

June 24, 2015

MR. PRESIDENT:

The House has passed:

- SUBSTITUTE HOUSE BILL NO. 1067,
- SUBSTITUTE HOUSE BILL NO. 1274,
- SECOND SUBSTITUTE HOUSE BILL NO. 1391,
- HOUSE BILL NO. 2195,
- ENGROSSED HOUSE BILL NO. 2212,
- HOUSE BILL NO. 2217

and the same are herewith transmitted.

BARBARA BAKER, Chief Clerk

**MESSAGE FROM THE HOUSE**

June 24, 2015

MR. PRESIDENT:

The House has passed:

SECOND ENGROSSED HOUSE BILL NO. 2151,  
and the same is herewith transmitted.

BARBARA BAKER, Chief Clerk

**MOTION**

On motion of Senator Fain, the Senate advanced to the fifth order of business.

**INTRODUCTION AND FIRST READING**

SB 6138 by Senator Hill

AN ACT Relating to increasing state revenue through improved compliance methods and eliminating tax preferences for royalties and certain manufacturing equipment; amending RCW 18.27.110, 18.27.200, 82.04.2907, 82.04.066, and 82.04.067; reenacting and amending RCW 82.08.02565, 82.12.02565, and 82.63.010; creating new sections; providing effective dates; and declaring an emergency.

Referred to Committee on Ways & Means.

**MOTION**

On motion of Senator Fain, the measure listed on the Introduction and First Reading report was referred to the committee as designated.

**MOTION**

On motion of Senator Fain, the Senate advanced to the eighth order of business.

**MOTION**

Senator Baumgartner moved adoption of the following resolution:

**SENATE RESOLUTION**

8685

By Senators Baumgartner, Schoesler, Honeyford, Bailey, Kohl-Welles, Dansel, Hargrove, Pearson, Parlette, Nelson, Fraser, Litzow, Dammeier, Frockt, Brown, Hewitt, Angel, Benton, Warnick, Braun, McCoy, Hasegawa, Padden, Miloscia, Roach, Chase, King, Hatfield, Liias, Rolfes, Keiser, Jayapal, McAuliffe, Hobbs, Darneille, Mullet, Cleveland, Pedersen, Ranker, Billig, O'Ban, Fain, Ericksen, Rivers, Becker, Hill, Sheldon, and Habib

WHEREAS, Dr. Elson S. Floyd became the 10th president of Washington State University in 2007, after 29 years in higher education and presidencies at two other universities; and

WHEREAS, President Floyd epitomized the belief of his hardworking parents, particularly his mother, that education is the ticket to a better life, with his academic performance leading to scholarships at the University of North Carolina at Chapel Hill, in his home state; and

WHEREAS, President Floyd earned a bachelor of arts degree in political science, a master of education degree in adult education, and a doctorate in higher and adult education at the University of North Carolina before embarking on a career that included leadership posts at Eastern Washington University and the Washington State Higher Education Coordinating Board; and

WHEREAS, President Floyd was highly sought after for leadership positions at higher education institutions around the nation until he and his wife, Carmento, finally came back "home" to Washington eight years ago for what he called "the best job in the country"—that of leading Washington State University; and

WHEREAS, In Pullman, the man who became known affectionately as President "E Flo" recognized and acknowledged that there is something special about Washington State University and something even more special about being a Cougar, a quality that endeared himself to students and staff; and

WHEREAS, As an administrator, President Floyd expertly steered Washington State University through some of the most difficult financial times ever faced by the university, all while strengthening its academic programs, enhancing its reputation, and resolving to meet new levels of excellence; and

WHEREAS, President Floyd worked to eliminate boundaries to higher education, even when the barrier was a mountain range, expanding Washington State University's footprint beyond Pullman to reach every corner of the state—from Spokane and the Tri-Cities, to Vancouver and Everett—and increasing enrollment to record highs, including a record high number of students from diverse backgrounds; and

WHEREAS, President Floyd's tenure included many substantial accomplishments that will serve as lasting legacies for Washington State University, including the installation of the Edward R. Murrow College of Communication, the completion of the Ste. Michelle Wine Estates Wine Science Center, the opening of the Paul G. Allen School for Global Animal Health, and increasing research funding by an astounding 57.5 percent; and

WHEREAS, President Floyd's final contribution to Washington State University would prove to be his tireless and successful advocacy in Olympia for a change in the law that limited Washington to one medical school; and

WHEREAS, President Floyd undertook this initiative out of the belief that his adopted state would be better if more students could stay in Washington to attend medical school and have opportunities to learn and practice east of the Cascades, benefiting smaller communities where medical professionals are scarce; and

WHEREAS, It is now apparent that in recent months President Floyd served his beloved Cougar nation tirelessly while battling the disease that claimed his life so unexpectedly on June 20, 2015, just over two weeks after he took medical leave; and

WHEREAS, There would be no more fitting tribute to President Floyd, his unwavering vision for Washington State University, and his exceptional leadership than to name the future Washington State University medical school the "Elson S. Floyd Medical Center"; and

WHEREAS, Even more importantly, President Floyd's devotion to his cherished wife Carmento, his children, his

parents, and even his brothers will serve as his lasting personal legacy; and

WHEREAS, Great accomplishments aside, all who knew President Floyd knew him to be a genuine and kind man of strong faith who spoke his mind and treated those around him with the same respect and care, regardless of whether they were students, university staff, elected officials, or influential business leaders;

NOW, THEREFORE, BE IT RESOLVED, That with great sadness the Washington State Senate honor and remember the life and legacy of Dr. Elson S. Floyd, Washington State University president and dedicated public servant and leader, who will be missed by his family, friends, students, and colleagues more than words and a shout of "GO COUGS!" in his honor can convey; and

BE IT FURTHER RESOLVED, That copies of this resolution be immediately transmitted by the Secretary of the Senate to President Floyd's wife, Carmento Floyd; his two children, Jessica and Kenneth; and his mother, Dorothy.

Senators Baumgartner, Billig, Schoesler, Hargrove, Bailey, Dangel, Angel, Kohl-Welles, Parlette and Rivers spoke in favor of adoption of the resolution.

The President declared the question before the Senate to be the adoption of Senate Resolution No. 8685.

The motion by Senator Baumgartner carried and the resolution was adopted by voice vote.

#### INTRODUCTION OF SPECIAL GUEST

The President welcomed and introduced His Excellency, Governor Jay Inslee, who was seated at the rostrum, and thanked him for honoring Dr. Elson Floyd and the Floyd family with his attendance.

#### INTRODUCTION OF SPECIAL GUESTS

The President welcomed and introduced members of the WSU, Dr. Dan Bernardo, Interim President and Provost and Executive Vice President, Washington State University, who was present in the gallery and recognized by the senate.

His Excellency, Governor Jay Inslee retired from the chamber.

#### MOTION

On motion of Senator Fain, the Senate reverted to the sixth order of business.

#### MOTION

On motion of Senator Habib, Senators Conway, Mullet, Ranker and Rolfes were excused.

#### MOTION

On motion of Senator Cleveland, Senator Liias was excused.

#### SECOND READING

SECOND ENGROSSED SECOND SUBSTITUTE HOUSE BILL NO. 1272, by House Committee on General Government & Information Technology (originally sponsored by Representatives Buys, Orwall and Pollet)

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Creating the crime of wrongfully distributing intimate images. Revised for 2nd Substitute: Concerning the crime of disclosing intimate images.

The measure was read the second time.

#### MOTION

On motion of Senator Padden, the rules were suspended, Second Engrossed Second Substitute House Bill No. 1272 was advanced to third reading, the second reading considered the third and the bill was placed on final passage.

Senator Padden spoke in favor of passage of the bill.

The President declared the question before the Senate to be the final passage of Second Engrossed Second Substitute House Bill No. 1272.

#### ROLL CALL

The Secretary called the roll on the final passage of Second Engrossed Second Substitute House Bill No. 1272 and the bill passed the Senate by the following vote: Yeas, 44; Nays, 0; Absent, 0; Excused, 5.

Voting yea: Senators Angel, Bailey, Baumgartner, Becker, Benton, Billig, Braun, Brown, Chase, Cleveland, Dammeier, Dansel, Darneille, Ericksen, Fain, Fraser, Frockt, Habib, Hargrove, Hasegawa, Hatfield, Hewitt, Hill, Hobbs, Honeyford, Jayapal, Keiser, King, Kohl-Welles, Litzow, McAuliffe, McCoy, Miloscia, Nelson, O'Ban, Padden, Parlette, Pearson, Pedersen, Rivers, Roach, Schoesler, Sheldon and Warnick

Excused: Senators Conway, Liias, Mullet, Ranker and Rolfes  
SECOND ENGROSSED SECOND SUBSTITUTE HOUSE BILL NO. 1272, having received the constitutional majority, was declared passed. There being no objection, the title of the bill was ordered to stand as the title of the act.

#### SECOND READING

SECOND ENGROSSED SECOND SUBSTITUTE HOUSE BILL NO. 1276, by House Committee on General Government & Information Technology (originally sponsored by Representatives Klippert, Goodman, Hayes, Orwall, Moscoso, Pettigrew, Zeiger, Kilduff and Fey)

Concerning impaired driving.

The measure was read the second time.

#### MOTION

On motion of Senator Padden, the rules were suspended, Second Engrossed Second Substitute House Bill No. 1276 was advanced to third reading, the second reading considered the third and the bill was placed on final passage.

Senators Padden and Pedersen spoke in favor of passage of the bill.

Senator Hasegawa spoke against passage of the bill.

The President declared the question before the Senate to be the final passage of Second Engrossed Second Substitute House Bill No. 1276.

#### ROLL CALL

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The Secretary called the roll on the final passage of Second Engrossed Second Substitute House Bill No. 1276 and the bill passed the Senate by the following vote: Yeas, 38; Nays, 6; Absent, 0; Excused, 5.

Voting yea: Senators Angel, Bailey, Baumgartner, Becker, Benton, Billig, Braun, Brown, Cleveland, Dammeier, Darneille, Ericksen, Fain, Frockt, Habib, Hargrove, Hatfield, Hewitt, Hill, Hobbs, Honeyford, Jayapal, Keiser, King, Kohl-Welles, Litzow, Miloscia, Nelson, O'Ban, Padden, Parlette, Pearson, Pedersen, Rivers, Roach, Schoesler, Sheldon and Warnick

Voting nay: Senators Chase, Dansel, Fraser, Hasegawa, McAuliffe and McCoy

Excused: Senators Conway, Liias, Mullet, Ranker and Rolfes  
SECOND ENGROSSED SECOND SUBSTITUTE HOUSE BILL NO. 1276, having received the constitutional majority, was declared passed. There being no objection, the title of the bill was ordered to stand as the title of the act.

#### SECOND READING

ENGROSSED SUBSTITUTE HOUSE BILL NO. 2160, by House Committee on Judiciary (originally sponsored by Representatives Wylie, Orwall, Klippert and Buys)

Concerning the distribution of intimate images.

The measure was read the second time.

#### MOTION

On motion of Senator Padden, the rules were suspended, Engrossed Substitute House Bill No. 2160 was advanced to third reading, the second reading considered the third and the bill was placed on final passage.

Senator Padden spoke in favor of passage of the bill.

The President declared the question before the Senate to be the final passage of Engrossed Substitute House Bill No. 2160.

#### ROLL CALL

The Secretary called the roll on the final passage of Engrossed Substitute House Bill No. 2160 and the bill passed the Senate by the following vote: Yeas, 43; Nays, 0; Absent, 1; Excused, 5.

Voting yea: Senators Angel, Bailey, Baumgartner, Becker, Benton, Billig, Braun, Brown, Chase, Cleveland, Dammeier, Dansel, Darneille, Ericksen, Fain, Fraser, Frockt, Habib, Hargrove, Hasegawa, Hatfield, Hewitt, Hill, Hobbs, Honeyford, Jayapal, Keiser, King, Kohl-Welles, Litzow, McAuliffe, McCoy, Miloscia, Nelson, O'Ban, Padden, Parlette, Pearson, Pedersen, Rivers, Roach, Schoesler and Sheldon

Absent: Senator Warnick

Excused: Senators Conway, Liias, Mullet, Ranker and Rolfes  
ENGROSSED SUBSTITUTE HOUSE BILL NO. 2160, having received the constitutional majority, was declared passed. There being no objection, the title of the bill was ordered to stand as the title of the act.

#### MOTION

On motion of Senator Rivers, Senator Warnick was excused.

#### SECOND READING

ENGROSSED HOUSE BILL NO. 2122, by Representatives McBride, Nealey, Peterson, Fey, Muri, Ryu, Walsh and Springer

Concerning real estate as it concerns the local government authority in the use of real estate excise tax revenues and regulating real estate transactions.

The measure was read the second time.

#### MOTION

On motion of Senator Angel, the rules were suspended, Engrossed House Bill No. 2122 was advanced to third reading, the second reading considered the third and the bill was placed on final passage.

Senators Angel, Fraser and Dansel spoke in favor of passage of the bill.

Senators Hasegawa and Roach spoke on final passage of the bill.

Senator Chase spoke against passage of the bill.

The President declared the question before the Senate to be the final passage of Engrossed House Bill No. 2122.

#### ROLL CALL

The Secretary called the roll on the final passage of Engrossed House Bill No. 2122 and the bill passed the Senate by the following vote: Yeas, 40; Nays, 4; Absent, 0; Excused, 5.

Voting yea: Senators Angel, Bailey, Baumgartner, Becker, Benton, Billig, Braun, Brown, Cleveland, Dammeier, Dansel, Darneille, Fain, Fraser, Frocht, Habib, Hargrove, Hatfield, Hewitt, Hill, Hobbs, Honeyford, Jayapal, Keiser, King, Kohl-Welles, Litzow, McAuliffe, McCoy, Miloscia, Nelson, O'Ban, Parlette, Pearson, Pedersen, Rivers, Roach, Schoesler, Sheldon and Warnick

Voting nay: Senators Chase, Ericksen, Hasegawa and Padden  
Excused: Senators Conway, Liias, Mullet, Ranker and Rolfes  
ENGROSSED HOUSE BILL NO. 2122, having received the constitutional majority, was declared passed. There being no objection, the title of the bill was ordered to stand as the title of the act.

#### SECOND READING

ENGROSSED HOUSE BILL NO. 2253, by Representatives Hudgins and Taylor

Amending statutory timelines governing the administration and organization of the joint administrative rules review committee that prescribe when member, alternate, chair, and vice chair appointments and final decisions regarding petitions for review must be made.

The measure was read the second time.

#### MOTION

On motion of Senator Padden, the rules were suspended, Engrossed House Bill No. 2253 was advanced to third reading, the second reading considered the third and the bill was placed on final passage.

Senators Padden and Hasegawa spoke in favor of passage of the bill.

The President declared the question before the Senate to be the final passage of Engrossed House Bill No. 2253.

#### ROLL CALL

The Secretary called the roll on the final passage of Engrossed House Bill No. 2253 and the bill passed the Senate by the following vote: Yeas, 44; Nays, 0; Absent, 0; Excused, 5.

Voting yea: Senators Angel, Bailey, Baumgartner, Becker, Benton, Billig, Braun, Brown, Chase, Cleveland, Dammeier, Dansel, Darneille, Ericksen, Fain, Fraser, Frocht, Habib, Hargrove, Hasegawa, Hatfield, Hewitt, Hill, Hobbs, Honeyford, Jayapal, Keiser, King, Kohl-Welles, Litzow, McAuliffe, McCoy, Miloscia, Nelson, O'Ban, Padden, Parlette, Pearson, Pedersen, Rivers, Roach, Schoesler, Sheldon and Warnick

Excused: Senators Conway, Liias, Mullet, Ranker and Rolfes  
ENGROSSED HOUSE BILL NO. 2253, having received the constitutional majority, was declared passed. There being no objection, the title of the bill was ordered to stand as the title of the act.

#### MOTION

On motion of Senator Fain, the Senate advanced to the seventh order of business.

#### THIRD READING

SECOND ENGROSSED SUBSTITUTE SENATE BILL NO. 5857, by Senate Committee on Ways & Means (originally sponsored by Senators Parlette, Conway, Becker and Pearson).

Addressing registration and regulation of pharmacy benefit managers.

The bill was read on Third Reading.

#### MOTION

On motion of Senator Parlette, the rules were suspended and Second Engrossed Substitute Senate Bill No. 5857 was returned to second reading for the purpose of amendment.

#### SECOND READING

SECOND ENGROSSED SUBSTITUTE SENATE BILL NO. 5857, by Senate Committee on Ways & Means (originally sponsored by Senators Parlette, Conway, Becker and Pearson)

Addressing registration and regulation of pharmacy benefit managers.

The measure was read the second time.

#### MOTION

Senator Parlette moved that the following striking amendment by Senators Parlette and Becker be adopted:

Strike everything after the enacting clause and insert the following:

"**Sec. 1.** RCW 19.340.030 and 2014 c 213 s 2 are each amended to read as follows:

(1) To conduct business in this state, a pharmacy benefit manager must register with the ~~((department of revenue's business licensing service))~~ office of the insurance commissioner and annually renew the registration.

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(2) To register under this section, a pharmacy benefit manager must:

- (a) Submit an application requiring the following information:
  - (i) The identity of the pharmacy benefit manager;
  - (ii) The name, business address, phone number, and contact person for the pharmacy benefit manager; and
  - (iii) Where applicable, the federal tax employer identification number for the entity; and

(b) Pay a registration fee ~~((of two hundred dollars))~~ established in rule by the commissioner. The registration fee must be set to allow the registration and oversight activities to be self-supporting.

(3) To renew a registration under this section, a pharmacy benefit manager must pay a renewal fee ~~((of two hundred dollars))~~ established in rule by the commissioner. The renewal fee must be set to allow the renewal and oversight activities to be self-supporting.

(4) All receipts from registrations and renewals collected by the ~~((department))~~ commissioner must be deposited into the ~~((business license account created in RCW 19.02.210))~~ insurance commissioner's regulatory account created in RCW 48.02.190.

NEW SECTION. Sec. 2. A new section is added to chapter 19.340 RCW to read as follows:

(1) The commissioner shall have enforcement authority over this chapter and shall have authority to render a binding decision in any dispute between a pharmacy benefit manager, or third-party administrator of prescription drug benefits, and a pharmacy arising out of an appeal regarding drug pricing and reimbursement.

(2) Any person, corporation, or third-party administrator of prescription drug benefits, pharmacy benefit manager, or business entity which violates any provision of this chapter shall be subject to a civil penalty in the amount of one thousand dollars for each act in violation of this chapter or, if the violation was knowing and willful, a civil penalty of five thousand dollars for each violation of this chapter.

**Sec. 3.** RCW 19.340.010 and 2014 c 213 s 1 are each amended to read as follows:

The definitions in this section apply throughout this chapter unless the context clearly requires otherwise.

(1) "Claim" means a request from a pharmacy or pharmacist to be reimbursed for the cost of filling or refilling a prescription for a drug or for providing a medical supply or service.

(2) "Commissioner" means the insurance commissioner established in chapter 48.02 RCW.

~~((3))~~ (3) "Insurer" has the same meaning as in RCW 48.01.050.

~~((4))~~ (4) "Pharmacist" has the same meaning as in RCW 18.64.011.

~~((4))~~ (5) "Pharmacy" has the same meaning as in RCW 18.64.011.

~~((5))~~ (6)(a) "Pharmacy benefit manager" means a person that contracts with pharmacies on behalf of an insurer, a third-party payor, or the prescription drug purchasing consortium established under RCW 70.14.060 to:

(i) Process claims for prescription drugs or medical supplies or provide retail network management for pharmacies or pharmacists;

(ii) Pay pharmacies or pharmacists for prescription drugs or medical supplies; or

(iii) Negotiate rebates with manufacturers for drugs paid for or procured as described in this subsection.

(b) "Pharmacy benefit manager" does not include a health care service contractor as defined in RCW 48.44.010.

~~((6))~~ (7) "Third-party payor" means a person licensed under RCW 48.39.005.

**Sec. 4.** RCW 19.340.100 and 2014 c 213 s 10 are each amended to read as follows:

(1) As used in this section:

(a) "List" means the list of drugs for which maximum allowable costs have been established.

(b) "Maximum allowable cost" means the maximum amount that a pharmacy benefit manager will reimburse a pharmacy for the cost of a drug.

(c) "Multiple source drug" means a therapeutically equivalent drug that is available from at least two manufacturers.

(d) "Network pharmacy" means a retail drug outlet licensed as a pharmacy under RCW 18.64.043 that contracts with a pharmacy benefit manager.

(e) "Therapeutically equivalent" has the same meaning as in RCW 69.41.110.

(2) A pharmacy benefit manager:

(a) May not place a drug on a list unless ~~((are is [there are]))~~ there are at least two therapeutically equivalent multiple source drugs, or at least one generic drug available from only one manufacturer, generally available for purchase by network pharmacies from national or regional wholesalers;

(b) Shall ensure that all drugs on a list are ~~((generally))~~ readily available for purchase by network pharmacies in this state from national or regional wholesalers that serve pharmacies in Washington;

(c) Shall ensure that all drugs on a list are not obsolete;

(d) Shall make available to each network pharmacy at the beginning of the term of a contract, and upon renewal of a contract, the sources utilized to determine the maximum allowable cost pricing of the pharmacy benefit manager;

(e) Shall make a list available to a network pharmacy upon request in a format that is readily accessible to and usable by the network pharmacy;

(f) Shall update each list maintained by the pharmacy benefit manager every seven business days and make the updated lists, including all changes in the price of drugs, available to network pharmacies in a readily accessible and usable format;

(g) Shall ensure that dispensing fees are not included in the calculation of maximum allowable cost.

(3) A pharmacy benefit manager must establish a process by which a network pharmacy may appeal its reimbursement for a drug subject to maximum allowable cost pricing. A network pharmacy may appeal a maximum allowable cost if the reimbursement for the drug is less than the net amount that the network pharmacy paid to the supplier of the drug. ~~((An appeal requested under this section must be completed within thirty calendar days of the pharmacy making the claim for which an appeal has been requested.))~~ An appeal requested under this section must be completed within thirty calendar days of the pharmacy submitting the appeal. If after thirty days the network pharmacy has not received the decision on the appeal from the pharmacy benefit manager, then the appeal is considered denied.

The pharmacy benefit manager shall uphold the appeal if the pharmacy or pharmacist can demonstrate that it is unable to purchase a therapeutically equivalent interchangeable product from its supplier at the pharmacy benefit manager's list price.

(4) A pharmacy benefit manager must provide as part of the appeals process established under subsection (3) of this section:

(a) A telephone number at which a network pharmacy may contact the pharmacy benefit manager and speak with an individual who is responsible for processing appeals; and

(b) ~~((A final response to an appeal of a maximum allowable cost within seven business days; and~~

~~((e)))~~ If the appeal is denied, the reason for the denial and the national drug code of a drug that ~~((may be))~~ has been purchased

by ~~(similarly situated)~~ other network pharmacies located in Washington at a price that is equal to or less than the maximum allowable cost.

(5)(a) If an appeal is upheld under this section, the pharmacy benefit manager shall ~~(make an adjustment)~~ reimburse the network pharmacy or pharmacist the amount that the network pharmacy or pharmacist paid to the supplier of the drug on a date no later than one day after the date of determination. ~~(The pharmacy benefit manager shall make the adjustment effective for all similarly situated pharmacies in this state that are within the network.)~~

(b) If the request for an adjustment has come from a critical access pharmacy, as defined by the state health care authority by rule for purposes related to the prescription drug purchasing consortium established under RCW 70.14.060, the adjustment approved under (a) of this subsection shall apply only to critical access pharmacies.

(6) If a network pharmacy appeal to the pharmacy benefit manager is denied, or if the network pharmacy is unsatisfied with the outcome of the appeal, the pharmacy or pharmacist may dispute the decision and request review by the commissioner within thirty calendar days of receiving the decision.

(a) All relevant information from the parties may be presented to the commissioner, and the commissioner may enter an order directing the pharmacy benefit manager to make an adjustment to the disputed claim, deny the pharmacy appeal, or take other actions deemed fair and equitable. An appeal requested under this section must be completed within thirty calendar days of the request.

(b) Upon resolution of the dispute, the commissioner shall provide a copy of the decision to both parties within seven calendar days.

(7) This section does not apply to the state medical assistance program.

**NEW SECTION. Sec. 5.** A new section is added to chapter 48.02 RCW to read as follows:

(1) The commissioner shall accept registration of pharmacy benefit managers as established in RCW 19.340.030 and receipts shall be deposited in the insurance commissioner's regulatory account.

(2) The commissioner shall have enforcement authority over chapter 19.340 RCW consistent with requirements established in section 2 of this act.

(3) The commissioner may write rules to implement chapter 19.340 RCW and to establish registration and renewal fees that ensure the registration, renewal, and oversight activities are self-supporting.

**NEW SECTION. Sec. 6.** The joint select committee on health care oversight must convene a stakeholder work group comprised of participants in the prescription drug delivery chain, including pharmacy benefit managers, drug manufacturers, wholesalers, pharmacy service administrative organizations, pharmacies, health plans, and other payors. The work group assignments may include, but are not limited to the following:

(1) Review the entire drug supply chain including plan and pharmacy benefit manager reimbursements to network pharmacies, wholesaler or pharmacy service administrative organization prices to network pharmacies, and drug manufacturer prices to network pharmacies;

(2) Discuss suggestions that recognize the unique nature of small pharmacies and possible options that support a viable business model that do not increase the cost of pharmacy products;

(3) Review the availability of all drugs on the list and list prices for pharmacies;

(4) Review the phone contacts and standards for response times and availability;

(5) Review the pharmacy acquisition cost from national or regional wholesalers that serve pharmacies in Washington, and consider when or whether to make an adjustment and under what standards. The review may assess the timing of pharmacy purchases of products and the relative risk of list price changes related to the timing of dispensing the products; and

(6) The work group must provide periodic updates to the joint select committee on health care oversight.

**NEW SECTION. Sec. 7.** The insurance commissioner, in collaboration with the department of health, must review the potential to use the independent review organizations, established in RCW 48.43.535, as an alternative to the appeal process for pharmacy and pharmacy benefit manager disputes. By December 1, 2015, the agencies must submit recommendations for use of the independent review organizations including detailed suggestions for modifications to the process, and the possible transition of the process from the department of health, established in RCW 43.70.235, to the office of the insurance commissioner.

**NEW SECTION. Sec. 8.** Section 1 of this act takes effect January 1, 2016."

The President declared the question before the Senate to be the adoption of the striking amendment by Senators Parlette and Becker to Second Engrossed Substitute Senate Bill No. 5857.

The motion by Senator Parlette carried and the striking amendment was adopted by voice vote.

#### MOTION

There being no objection, the following title amendment was adopted:

On page 1, line 2 of the title, after "managers;" strike the remainder of the title and insert "amending RCW 19.340.030, 19.340.010, and 19.340.100; adding a new section to chapter 19.340 RCW; adding a new section to chapter 48.02 RCW; creating new sections; prescribing penalties; and providing an effective date."

#### MOTION

On motion of Senator Parlette, the rules were suspended, Third Engrossed Substitute Senate Bill No. 5857 was advanced to third reading, the second reading considered the third and the bill was placed on final passage.

Senators Parlette, Keiser and Frockt spoke in favor of passage of the bill.

The President declared the question before the Senate to be the final passage of Third Engrossed Substitute Senate Bill No. 5857.

#### ROLL CALL

The Secretary called the roll on the final passage of Third Engrossed Substitute Senate Bill No. 5857 and the bill passed the Senate by the following vote: Yeas, 44; Nays, 0; Absent, 0; Excused, 5.

Voting yea: Senators Angel, Bailey, Baumgartner, Becker, Benton, Billig, Braun, Brown, Chase, Cleveland, Dammeier, Dassel, Darneille, Ericksen, Fain, Fraser, Frockt, Habib, Hargrove, Hasegawa, Hatfield, Hewitt, Hill, Hobbs, Honeyford, Jayapal, Keiser, King, Kohl-Welles, Litzow, McAuliffe, McCoy, Miloscia, Nelson, O'Ban, Padden, Parlette, Pearson, Pedersen, Rivers, Roach, Schoesler, Sheldon and Warnick

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Excused: Senators Conway, Lias, Mullet, Ranker and Rolfes

MOTION

THIRD ENGROSSED SUBSTITUTE SENATE BILL NO. 5857, having received the constitutional majority, was declared passed. There being no objection, the title of the bill was ordered to stand as the title of the act.

At 1:32 p.m., on motion of Senator Fain, the Senate adjourned until 12:00 o'clock noon, Friday, June 26, 2015.

BRAD OWEN, President of the Senate

Senator Fain announced hearings by the Committee on Energy, Environment & Telecommunications and the Committee on Ways & Means in the John A. Cherberg Building hearing rooms immediately upon adjournment of the day's session.

HUNTER G. GOODMAN, Secretary of the Senate



TWENTY EIGHTH DAY, JUNE 25, 2015

2015 2ND SPECIAL SESSION

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