

TESTIMONY OF Chris Ellis  
BEFORE THE SENATE JUDICIARY COMMITTEE

Good afternoon, Chairman Jones, Vice Chair Shuitmaker and Members of the Senate Judiciary Committee.

My name is Chris Ellis and I am Co-Founder and Principal of Beacon Information Designs, LLC. I am submitting this testimony to provide technical expertise on the oversight of highly regulated medical marihuana programs. In particular the need for a comprehensive compliance framework and integrated data management protocols to ensure fair access and transparency in Michigan's Medical Marihuana Program.

My focus today will be on the critical need for a comprehensive real time compassionate drug monitoring program that will serve as a repository for each transaction from cultivation to sale within the Medical Marihuana Program. This system will provide the Michigan Department of Licensing and Regulatory Affairs (LARA) with a centralized database for registration of all industry participants ensuring a secure and streamlined application and reporting process. A properly implemented compassionate drug monitoring program will limit diversion, generate sophisticated reporting tools and improve inspection and audit functions.

I also serve as President and CEO of Environmental Pharmaceuticals LLC, a full service reverse distributor supporting pharmaceutical manufacturers, wholesalers, pharmacies, hospitals and government agencies nationwide, giving me expert knowledge of the requirements for transportation, handling and destruction of all levels of pharmaceuticals and narcotics. I hold licenses from the Drug Enforcement Administration as a reverse distributor and the Arizona State Board of Pharmacy as a full service wholesaler. Beacon Information Designs was created as a result of my experiences in controlled substances management and compliance to address the realization that similar levels of accountability and compliance do not exist in the medical marihuana industry.

### **The Need for Regulation**

When a physician writes a prescription for a Schedule 2 controlled substance, the DEA and others can tell from the time that drug is manufactured until the time it is dispensed or ultimately destroyed. There is no similar federal requirement when a licensed medical provider writes a recommendation for medical marihuana. The key is to find the balance between a system that provides the safeguards needed to ensure compliance and accountability, while not hindering access to this medicine for patients or caregivers. Additionally, the system needs to have the ability to track all commercial transactions to limit diversion and provide stakeholders with financial reporting -- a critical function in an all cash industry.

### **Key Components of a Compassionate Drug Monitoring Program (CDMP™)**

Currently, the MMMP requires a patient or caregiver obtain a registry ID card which may be used to confirm enrollment in the program. However, underlying transactions associated with the registry ID card are not recorded and monitored at the state level. Incorporating data

regarding eligibility and purchase history into one centralized system will allow dispensaries to instantly verify the validity of the identification and confirm a specific transaction does not exceed approved purchase limits. By requiring that each marihuana transaction be entered real time into a Compassion Drug Monitoring Program this information may be accessed by stakeholders including patients, physicians, cultivators, processors, dispensary management personnel and regulators. The system should also include appropriate HIPAA and privacy controls.

A CDMP will ease concerns that a patient or caregiver may have when growing, purchasing or possessing medical marihuana. At any given time industry participants would be able to confirm applicable registry card holder marihuana cultivation or purchase limits and participation, without having access to sensitive patient data.

A state wide real time monitoring program will allow for cultivators, processors, transporters and dispensaries to register their agents for transaction monitoring. This also provides key oversight controls, crucial in limiting diversion and direct access to cash flow and inventory management related data. Additionally, the resulting information generated may be utilized by enforcement officials to support their various compliance efforts, including triggering inspections and operational certifications.

Successful programs require both scheduled and unscheduled inspections of cultivators, processors and dispensaries. To support efficient inspections, transaction records including, marihuana inventories should be entered on a real time basis. By implementing a central repository for all data generated, the Department can receive real time analytics indicating anomalies prompting an unscheduled site inspection.

A comprehensive program will substantially enhance and streamline reporting requirements that must be submitted annually to LARA. Through the use of a centralized registry, all requisite data can be quickly compiled and disseminated appropriately.

As the state contemplates reforms to the medical marihuana program, I encourage you to add all readily available and appropriate safe guards to ensure the Program's success for years to come.

Thank you for allowing me to participate in the hearing today. I welcome the opportunity to answer questions or address any concerns that you may have.