



Committee Copy

Mr. Chairman, members of the Committee, thank you for allowing me the time today to provide the Committee with information concerning the regulation of medical cannabis.

My name is Nathan Groff and I am the Chief Government Relations Officer for Veritec Solutions. Veritec does not provide any goods or services to the medical cannabis industry, but provides regulatory services to state and federal regulatory agencies. **Veritec's core business is to provide real-time point of sale enforcement of state regulations to stop prohibited activity from occurring prior to a transaction taking place.**

Veritec's involvement with the medical cannabis industry started a number of years ago when the State of Illinois started drafting their medical cannabis bill. Not wanting to replicate states who had very loose rules and blurred lines between recreational and medicinal usage, the bill sponsor sought out stakeholders who could craft a different type of environment, one that ensured safe access to medicinal cannabis, but controlled the production and access of cannabis.

Following the debate of the Pennsylvania Senate bill from last session, it seems that many stakeholders are grappling with some of the same issues. Some of the questions that come up are; if the medicinal conditions that are proposed are too broad, how can you keep medicinal usage from slipping into recreational? What do we do when new treatments are discovered? What about straw buyers who may purchase with the appearance of legality, but then re-sell the product? What type of medical cannabis should be sold and how should it be consumed? At the heart of a lot of these questions are the fear that the State will not have control of the growing, distribution, prescribing, and dispensing process. Veritec would agree that with a back end, regulatory look back process, ensuring compliance is extremely difficult. In fact, just in the past few weeks we saw Colorado law enforcement bust a large illegal cannabis growing and distribution effort trying to hide among licensed cannabis activity. It is imperative that Pennsylvania learn from this and other cases to ensure the strongest environment possible is put in place before one ounce of medical cannabis is even recommended.

This is where I believe technology plays a role. Everyday we see old challenges being solved by applying 21st century technology. For example, a recent startup in Boston called Drizly has won praise from regulatory agencies for its ability to

control wine and spirits delivery to a consumer's home by using a mobile application. We see states such as Iowa and others testing digital driver's licenses to combat the millions of fake driver's licenses being made each year. So how can technology be utilized in Pennsylvania to answer some of the questions above concerning medical cannabis?

While many cannabis bills contain aspects of applied technology, I believe that Pennsylvania should look at the entire process, and determine where technology should be required. For example, commercial seed-to-sale inventory systems, which are already utilized in the marketplace, should be required for each grower, processor and dispensing organization prior to any of these entities being able to participate under a license. As the bill already contemplates, a modern identity card or method utilizing a patient registry, should be required by any patient or caregiver who may purchase medical cannabis from a dispensary. Dispensaries should be required to utilize approved 3rd party point-of-sale software to manage all dispensing activities.

Additionally, Veritec would then recommend an additional but vital layer of technology. Modeled after the same technology that is in place within the financial sector, we would recommend that the State implement a real-time regulatory enforcement registry. While it may be confused with a patient registry, this type of system actually ties together the information from seed-to-sale systems, and dispensary point-of-sale systems. It encompasses the patient and the health care practitioner and provides law enforcement with a real time portal in a situation where critical information is needed about a patient. Most states have pieces of the puzzle, but have not put the puzzle together. While they may issue id cards or have back end registry systems, it is up to the dispensing organizations to simply verify **their particular** purchase. Those systems do not look in real-time across the entire jurisdiction to ensure that the transaction being conducted is in compliance with State law.

So how would this work? The State Board would implement a real-time registry that would not only manage the patient and prescriber information, but would produce the patient identification. It would then integrate with the dispensary point of sale systems to have immediate availability of what and how much was recommended for the patient. For example, a patient who may be prescribed 1 ounce of medical cannabis every 30 days would only be able to purchase that amount statewide. Should that person be required to provide proof to law enforcement, not only would they have their registry identification, but law enforcement would have immediate access to determine the patients status.

The system is based on years of practical application in the financial services world. Most regulatory environments simply use back-end examination and spot checks to determine compliance. By integrating with every dispensary's point-of-sale cashiering system, real-time intervention can be achieved.

So how does this tie to the other questions? By having real time enforcement at the point of sale, the prescribing reason or amounts are strictly controlled. By integrating 3rd party seed to sale information, the State can be assured that there is no product slippage, only patients are receiving the prescribed amounts, and law enforcement has immediate access to data when it is required. With this extremely tight environment, there is less concern on the number of conditions that need to be in the bill or on extreme limits on the prescribing amount. The technology allows the State to enforce and monitor in real time, but allow the healthcare practitioner and the patient to determine their need as each medical case may be unique. I would encourage the Committee to ensure this vital component is placed in the Bill.

At this point I would be happy to answer any questions you may have about how the system works or any additionally questions you may have concerning technology that can be utilized within the medical cannabis industry.