Memorandum in Support of A.2836/S.2087  
May 2019

An Act to amend the public health law, in relation to pharmacy benefit managers; and to repeal certain provisions of such law relating thereto.

Health Care for All New York (HCFANY) is a statewide coalition of over 170 organizations dedicated to achieving quality, affordable health coverage for all New Yorkers. **HCFANY strongly supports greater regulation of pharmacy benefit managers (PBMs).** A.2836/S.2087 would require PBMs to become licensed and to provide full information to their clients.

Insurers hire PBMs to manage their drug formularies and negotiate on their behalf for better prices on drugs, realized through rebates. PBMs’ compensation is determined in part by the size of those rebates. However, this creates an incentive for PBMs to include high-priced drugs on formularies, because the higher the initial price, the bigger the rebate they can recoup.¹ Because their business practices and the prices they negotiate over are kept secret from regulators and even their contractors, it is possible that PBMs are contributing to higher prescription drug prices.

New Yorkers need the State to use every strategy possible to control drug prices, including stronger regulation of PBMs. Nearly half of New Yorkers say they cannot afford basic medical care including filling prescriptions.² Other researchers have found that cost reduces medication adherence for people with conditions like heart disease and diabetes, even for insured patients.³ At least 21 states have passed legislation to more strongly regulate PBMs as a way to reduce prescription drug prices – but not New York.⁴

For these reasons, HCFANY strongly supports this bill.