

STATE OF NEW YORK

8934

IN SENATE

June 6, 2018

Introduced by Sen. RIVERA -- read twice and ordered printed, and when printed to be committed to the Committee on Rules

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

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

1 Section 1. Section 280-a of the public health law is REPEALED and a
2 new section 280-a is added to read as follows:

3 § 280-a. Pharmacy benefit managers. 1. Definitions. As used in this
4 section, the following terms shall have the following meanings:

5 (a) "Health plan or provider" means an entity for which a pharmacy
6 benefit manager provides pharmacy benefit management including, but not
7 limited to: (i) a health benefit plan or other entity that approves,
8 provides, arranges for, or pays for health care items or services, under
9 which prescription drugs for beneficiaries of the entity are purchased
10 or which provides or arranges reimbursement in whole or in part for the
11 purchase of prescription drugs; or (ii) a health care provider or
12 professional, including a state or local government entity, that
13 acquires prescription drugs to use or dispense in providing health care
14 to patients.

15 (b) "Pharmacy benefit management" means the service provided to a
16 health plan or provider, directly or through another entity, and regard-
17 less of whether the pharmacy benefit manager and the health plan or
18 provider are related, or associated by ownership, common ownership,
19 organization or otherwise; including the procurement of prescription
20 drugs to be dispensed to patients, or the administration or management
21 of prescription drug benefits, including but not limited to, any of the
22 following:

23 (i) mail service pharmacy;

24 (ii) claims processing, retail network management, or payment of
25 claims to pharmacies for dispensing prescription drugs;

26 (iii) clinical or other formulary or preferred drug list development
27 or management;

EXPLANATION--Matter in italics (underscored) is new; matter in brackets
[-] is old law to be omitted.

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1 (iv) negotiation or administration of rebates, discounts, payment
2 differentials, or other incentives, for the inclusion of particular
3 prescription drugs in a particular category or to promote the purchase
4 of particular prescription drugs;

5 (v) patient compliance, therapeutic intervention, or generic substi-
6 tution programs; and

7 (vi) disease management.

8 (c) "Pharmacy benefit manager" means any entity that performs pharmacy
9 benefit management for a health plan or provider.

10 (d) "Maximum allowable cost price" means a maximum reimbursement
11 amount set by the pharmacy benefit manager for therapeutically equiv-
12 alent multiple source generic drugs.

13 (e) "Controlling person" means any person or other entity who or which
14 directly or indirectly has the power to direct or cause to be directed
15 the management, control or activities of a pharmacy benefit manager.

16 (f) "Covered individual" means a member, participant, enrollee,
17 contract holder or policy holder or beneficiary of a health plan or
18 provider.

19 (g) "License" means a license to be a pharmacy benefit manager, under
20 subdivision seven of this section.

21 2. Duty, accountability and transparency. (a) The pharmacy benefit
22 manager shall have a fiduciary relationship with and obligation to the
23 health plan or provider, and shall perform pharmacy benefit management
24 with care, skill, prudence, diligence, and professionalism.

25 (b) All funds received by the pharmacy benefit manager in relation to
26 providing pharmacy benefit management shall be received by the pharmacy
27 benefit manager in trust for the health plan or provider and shall be
28 used or distributed only pursuant to the pharmacy benefit manager's
29 contract, or other terms in the absence of a contract, with the health
30 plan or provider or applicable law; except for any fee or payment
31 expressly provided for in the contract, or other terms in the absence of
32 a contract, between the pharmacy benefit manager and the health plan or
33 provider to compensate the pharmacy benefit manager for its services.

34 (c) The pharmacy benefit manager shall periodically account to the
35 health plan or provider for all funds received by the pharmacy benefit
36 manager. The health plan or provider shall have access to all financial
37 and utilization information of the pharmacy benefit manager in relation
38 to pharmacy benefit management provided to the health plan or provider.

39 (d) The pharmacy benefit manager shall disclose in writing to the
40 health plan or provider the terms and conditions of any contract or
41 arrangement between the pharmacy benefit manager and any party relating
42 to pharmacy benefit management provided to the health plan or provider.

43 (e) The pharmacy benefit manager shall disclose in writing to the
44 health plan or provider any activity, policy, practice, contract or
45 arrangement of the pharmacy benefit manager that directly or indirectly
46 presents any conflict of interest with the pharmacy benefit manager's
47 relationship with or obligation to the health plan or provider.

48 (f) Any information required to be disclosed by a pharmacy benefit
49 manager to a health plan or provider under this section that is reason-
50 ably designated by the pharmacy benefit manager as proprietary or trade
51 secret information shall be kept confidential by the health plan or
52 provider, except as required or permitted by law, including disclosure
53 necessary to prosecute or defend any legitimate legal claim or cause of
54 action.

55 (g) The commissioner shall establish, by regulation, minimum standards
56 for pharmacy benefit management services which shall address the elimi-

1 nation of conflicts of interest between pharmacy benefit managers and
2 health insurers, plans and providers; and the elimination of deceptive
3 practices, anti-competitive practices, and unfair claims practices.

4 3. Prescriptions. A pharmacy benefit manager may not substitute or
5 cause the substituting of one prescription drug for another in dispens-
6 ing a prescription, or alter or cause the altering of the terms of a
7 prescription, except with the approval of the prescriber or as explicit-
8 ly required or permitted by law.

9 4. Appeals. A pharmacy benefit manager shall, with respect to
10 contracts between a pharmacy benefit manager and a pharmacy or, alterna-
11 tively, a pharmacy benefit manager and a pharmacy's contracting agent,
12 such as a pharmacy services administrative organization, include a
13 reasonable process to appeal, investigate and resolve disputes regarding
14 multi-source generic drug pricing. The appeals process shall include the
15 following provisions:

16 (a) the right to appeal by the pharmacy and/or the pharmacy's
17 contracting agent shall be limited to thirty days following the initial
18 claim submitted for payment;

19 (b) a telephone number through which a network pharmacy may contact
20 the pharmacy benefit manager for the purpose of filing an appeal and an
21 electronic mail address of the individual who is responsible for proc-
22 essing appeals;

23 (c) the pharmacy benefit manager shall send an electronic mail message
24 acknowledging receipt of the appeal. The pharmacy benefit manager shall
25 respond in an electronic message to the pharmacy and/or the pharmacy's
26 contracting agent filing the appeal within seven business days indicat-
27 ing its determination. If the appeal is determined to be valid, the
28 maximum allowable cost for the drug shall be adjusted for the appealing
29 pharmacy effective as of the date of the original claim for payment. The
30 pharmacy benefit manager shall require the appealing pharmacy to reverse
31 and rebill the claim in question in order to obtain the corrected
32 reimbursement;

33 (d) if an update to the maximum allowable cost is warranted, the phar-
34 macy benefit manager or covered entity shall adjust the maximum allow-
35 able cost of the drug effective for all similarly situated pharmacies in
36 its network in the state on the date the appeal was determined to be
37 valid; and

38 (e) if an appeal is denied, the pharmacy benefit manager shall identi-
39 fy the national drug code of a therapeutically equivalent drug, as
40 determined by the federal Food and Drug Administration, that is avail-
41 able for purchase by pharmacies in this state from wholesalers regis-
42 tered pursuant to subdivision four of section sixty-eight hundred eight
43 of the education law at a price which is equal to or less than the maxi-
44 mum allowable cost for that drug as determined by the pharmacy benefit
45 manager.

46 5. Contract provisions. No pharmacy benefit manager shall, with
47 respect to contracts between such pharmacy benefit manager and a pharma-
48 cy or, alternatively, such pharmacy benefit manager and a pharmacy's
49 contracting agent, such as a pharmacy services administrative organiza-
50 tion:

51 (a) prohibit or penalize a pharmacist or pharmacy from disclosing to
52 an individual purchasing a prescription medication information regard-
53 ing:

54 (1) the cost of the prescription medication to the individual, or

1 (2) the availability of any therapeutically equivalent alternative
2 medications or alternative methods of purchasing the prescription medi-
3 cation, including but not limited to, paying a cash price; or

4 (b) charge or collect from an individual a copayment that exceeds the
5 total submitted charges by the pharmacy for which the pharmacy is paid.
6 If an individual pays a copayment, the pharmacy shall retain the adjudi-
7 cated costs and the pharmacy benefit manager shall not redact or recoup
8 the adjudicated cost.

9 6. Acting without a license. (a) No person or entity may act as a
10 pharmacy benefit manager on or after January first, two thousand twenty
11 without having a currently valid license under this section. However, a
12 pharmacy benefit manager providing pharmacy benefit management on and
13 before that date may continue to do so without a license under this
14 section for a period of one hundred eighty days.

15 (b) No health plan or provider may pay any fee or other compensation
16 for pharmacy benefit management to any person or entity acting in
17 violation of this subdivision.

18 (c) Any person or entity that violates this section shall be subject
19 to penalties under sections twelve and twelve-b of this chapter.

20 7. Licensing of pharmacy benefit managers. (a) The commissioner may
21 issue a pharmacy benefit manager license to any person or entity who or
22 that applies for a license and has complied with the requirements of
23 this section. The commissioner may establish, by regulation, minimum
24 standards for the issuance of a license to a pharmacy benefit manager.
25 The term of each license shall be a period of five years and may be
26 renewed by the commissioner.

27 (b)(1) Before a pharmacy benefit manager's license shall be issued or
28 renewed, the prospective licensee shall file a written application in
29 such form or forms and supplements as the commissioner may require, and
30 pay a fee of ten thousand dollars.

31 (2) Every license issued pursuant to this section may be renewed by
32 filing the application and paying the fees at least sixty days prior to
33 the expiration of the license, upon which the license shall continue in
34 full force and effect until either (A) the issuance by the commissioner
35 of the renewed license or (B) five business days after the commissioner
36 shall have given notice to the applicant that the commissioner has
37 rejected the renewal.

38 (c) The commissioner may refuse to issue or renew a pharmacy benefit
39 manager's license if, in the commissioner's judgment, the applicant or
40 any member, principal, officer or director of the applicant, is not
41 trustworthy or competent to act as a pharmacy benefit manager, or if the
42 commissioner is aware of cause for revocation or suspension of such
43 license. The commissioner shall notify the licensee of a determination
44 to reject the application for the license or renewal and an explanation
45 of the cause for rejection, and shall provide a reasonable opportunity
46 for the licensee to be heard under subdivision eight of this section.

47 (d) Licensees shall be subject to examination at any time by the
48 commissioner.

49 8. Revocation or suspension of a license. (a) The commissioner, upon
50 his or her own investigation or complaint from another party, may
51 revoke, suspend or refuse to renew a license if, after notice and hear-
52 ing, the commissioner determines that the licensee, has, in relation to
53 pharmacy benefit management or the operation of the pharmacy benefit
54 manager:

55 (1) violated any law, regulation, subpoena or order of the commission-
56 er, or of another state that would constitute a violation in New York;

1 (2) provided materially incorrect, materially misleading, materially
2 incomplete or materially untrue information in a license application;

3 (3) obtained or attempted to obtain a license through misrepresen-
4 tation or fraud;

5 (4) used fraudulent, coercive or dishonest practices;

6 (5) demonstrated incompetence;

7 (6) demonstrated untrustworthiness;

8 (7) demonstrated financial irresponsibility in the conduct of the
9 business;

10 (8) improperly withheld, misappropriated or converted any monies or
11 properties;

12 (9) intentionally misrepresented the terms of an actual or proposed
13 contract with any party;

14 (10) been convicted of a felony;

15 (11) had a pharmacy benefit manager license, or its equivalent,
16 denied, suspended or revoked in any other state, province, district or
17 territory; or

18 (12) ceased to meet the requirements for licensure under this section.

19 (b) Before revoking, suspending or refusing to renew a license, the
20 commissioner shall give notice to the licensee and shall hold, or cause
21 to be held, a hearing as provided under section twelve-a of this chap-
22 ter. The commissioner shall also give notice to health plans and provid-
23 ers under contract with the pharmacy benefit manager, to the extent
24 known to the commissioner.

25 (c) If a license is revoked or suspended, the commissioner shall give
26 notice to the licensee and health plans and providers under contract
27 with the pharmacy benefit manager to the extent known to the commission-
28 er.

29 9. Change of address. A registrant or licensee under this section
30 shall inform the commissioner by a means acceptable to the commissioner
31 of a change of address within thirty days of the change.

32 10. Violations. Any provision of a contract that violates the
33 provisions of this section shall be deemed to be void and unenforceable.

34 § 2. Severability. If any provision of this act, or any application
35 of any provision of this act, is held to be invalid, or ruled by any
36 federal agency to violate or be inconsistent with any applicable federal
37 law or regulation, that shall not affect the validity or effectiveness
38 of any other provision of this act, or of any other application of any
39 provision of this act.

40 § 3. This act shall take effect on the ninetieth day after it shall
41 become a law and shall apply to any contract for providing pharmacy
42 benefit management made or renewed on or after that date. Effective
43 immediately, the commissioner of health shall make regulations and take
44 other actions reasonably necessary to implement this act on that date.