

# STATE OF NEW YORK

2836

2019-2020 Regular Sessions

## IN ASSEMBLY

January 25, 2019

Introduced by M. of A. GOTTFRIED, GUNTHER -- read once and referred to the Committee on Health

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 Section 280-a of the public health law is REPEALED and a  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;

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

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

3 (iii) clinical or other formulary or preferred drug list development  
4 or management;

5 (iv) negotiation or administration of rebates, discounts, payment  
6 differentials, or other incentives, for the inclusion of particular  
7 prescription drugs in a particular category or to promote the purchase  
8 of particular prescription drugs;

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

11 (vi) disease management.

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

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

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

20 (f) "Covered individual" means a member, participant, enrollee,  
21 contract holder or policy holder or beneficiary of a health plan or  
22 provider.

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

25 (h) "Spread pricing" means the practice of a pharmacy benefit manager  
26 retaining an additional amount of money in addition to the amount paid  
27 to the pharmacy to fill a prescription.

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

32 (b) All funds received by the pharmacy benefit manager in relation to  
33 providing pharmacy benefit management shall be received by the pharmacy  
34 benefit manager in trust for the health plan or provider and shall be  
35 used or distributed only pursuant to the pharmacy benefit manager's  
36 contract, or other terms in the absence of a contract, with the health  
37 plan or provider or applicable law; except for any administrative fee or  
38 payment expressly provided for in the contract, or other terms in the  
39 absence of a contract, between the pharmacy benefit manager and the  
40 health plan or provider to compensate the pharmacy benefit manager for  
41 its services. Any funds received by the pharmacy benefit manager  
42 through spread pricing shall be subject to this paragraph.

43 (c) The pharmacy benefit manager shall periodically account to the  
44 health plan or provider for all funds received by the pharmacy benefit  
45 manager. The health plan or provider shall have access to all financial  
46 and utilization information of the pharmacy benefit manager in relation  
47 to pharmacy benefit management provided to the health plan or provider.

48 (d) The pharmacy benefit manager shall disclose in writing to the  
49 health plan or provider the terms and conditions of any contract or  
50 arrangement between the pharmacy benefit manager and any party relating  
51 to pharmacy benefit management provided to the health plan or provider.

52 (e) The pharmacy benefit manager shall disclose in writing to the  
53 health plan or provider any activity, policy, practice, contract or  
54 arrangement of the pharmacy benefit manager that directly or indirectly  
55 presents any conflict of interest with the pharmacy benefit manager's  
56 relationship with or obligation to the health plan or provider.

1 (f) Any information required to be disclosed by a pharmacy benefit  
2 manager to a health plan or provider under this section that is reason-  
3 ably designated by the pharmacy benefit manager as proprietary or trade  
4 secret information shall be kept confidential by the health plan or  
5 provider, except as required or permitted by law, including disclosure  
6 necessary to prosecute or defend any legitimate legal claim or cause of  
7 action.

8 (g) The commissioner shall establish, by regulation, minimum standards  
9 for pharmacy benefit management services which shall address the elimi-  
10 nation of conflicts of interest between pharmacy benefit managers and  
11 health insurers, plans and providers; and the elimination of deceptive  
12 practices, anti-competitive practices, and unfair claims practices.

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

18 4. Appeals. A pharmacy benefit manager shall, with respect to  
19 contracts between a pharmacy benefit manager and a pharmacy or, alterna-  
20 tively, a pharmacy benefit manager and a pharmacy's contracting agent,  
21 such as a pharmacy services administrative organization, include a  
22 reasonable process to appeal, investigate and resolve disputes regarding  
23 multi-source generic drug pricing. The appeals process shall include the  
24 following provisions:

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

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

32 (c) the pharmacy benefit manager shall send an electronic mail message  
33 acknowledging receipt of the appeal. The pharmacy benefit manager shall  
34 respond in an electronic message to the pharmacy and/or the pharmacy's  
35 contracting agent filing the appeal within seven business days indicat-  
36 ing its determination. If the appeal is determined to be valid, the  
37 maximum allowable cost for the drug shall be adjusted for the appealing  
38 pharmacy effective as of the date of the original claim for payment. The  
39 pharmacy benefit manager shall require the appealing pharmacy to reverse  
40 and rebill the claim in question in order to obtain the corrected  
41 reimbursement;

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

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

55 5. Contract provisions. No pharmacy benefit manager shall, with  
56 respect to contracts between such pharmacy benefit manager and a pharma-

1 cy or, alternatively, such pharmacy benefit manager and a pharmacy's  
2 contracting agent, such as a pharmacy services administrative organiza-  
3 tion:

4 (a) prohibit or penalize a pharmacist or pharmacy from disclosing to  
5 an individual purchasing a prescription medication information regard-  
6 ing:

7 (1) the cost of the prescription medication to the individual, or  
8 (2) the availability of any therapeutically equivalent alternative  
9 medications or alternative methods of purchasing the prescription medi-  
10 cation, including but not limited to, paying a cash price;

11 (b) charge or collect from an individual a copayment that exceeds the  
12 total submitted charges by the pharmacy for which the pharmacy is paid.  
13 If an individual pays a copayment, the pharmacy shall retain the adjudi-  
14 cated costs and the pharmacy benefit manager shall not redact or recoup  
15 the adjudicated cost; or

16 (c) require a pharmacy to meet any pharmacy accreditation standard or  
17 recertification requirement inconsistent with, more stringent than, or  
18 in addition to federal and state requirements for licensure as a pharma-  
19 cy.

20 6. Acting without a license. (a) No person or entity may act as a  
21 pharmacy benefit manager on or after January first, two thousand twen-  
22 ty-one without having a currently valid license under this section.  
23 However, a pharmacy benefit manager providing pharmacy benefit manage-  
24 ment on and before that date may continue to do so without a license  
25 under this section for a period of one hundred eighty days.

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

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

31 7. Licensing of pharmacy benefit managers. (a) The commissioner may  
32 issue a pharmacy benefit manager license to any person or entity who or  
33 that applies for a license and has complied with the requirements of  
34 this section. The commissioner may establish, by regulation, minimum  
35 standards for the issuance of a license to a pharmacy benefit manager.  
36 The term of each license shall be a period of five years and may be  
37 renewed by the commissioner.

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

42 (2) Every license issued pursuant to this section may be renewed by  
43 filing the application and paying the fees at least sixty days prior to  
44 the expiration of the license, upon which the license shall continue in  
45 full force and effect until either (A) the issuance by the commissioner  
46 of the renewed license or (B) five business days after the commissioner  
47 shall have given notice to the applicant that the commissioner has  
48 rejected the renewal.

49 (c) The commissioner may refuse to issue or renew a pharmacy benefit  
50 manager's license if, in the commissioner's judgment, the applicant or  
51 any member, principal, officer or director of the applicant, is not  
52 trustworthy or competent to act as a pharmacy benefit manager, or if the  
53 commissioner is aware of cause for revocation or suspension of such  
54 license. The commissioner shall notify the licensee of a determination  
55 to reject the application for the license or renewal and an explanation

1 of the cause for rejection, and shall provide a reasonable opportunity  
2 for the licensee to be heard under subdivision eight of this section.

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

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

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

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

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

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

18 (5) demonstrated incompetence;

19 (6) demonstrated untrustworthiness;

20 (7) demonstrated financial irresponsibility in the conduct of the  
21 business;

22 (8) improperly withheld, misappropriated or converted any monies or  
23 properties;

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

26 (10) been convicted of a felony;

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

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

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

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

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

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

46 11. Beginning June first, two thousand twenty, and annually thereaft-  
47 er, each pharmacy benefit manager shall submit to the department a tran-  
48 sparency report containing data for the prior calendar year. The trans-  
49 parency report shall contain the following information as to the  
50 pharmacy benefit manager:

51 (i) the aggregate amount of all rebates received from all pharmaceu-  
52 tical manufacturers for all health plans or providers;

53 (ii) the aggregate administrative fees received from all pharmaceu-  
54 tical manufacturers for all health plans or providers under contract  
55 with the pharmacy benefit manager;

1 (iii) the aggregate amounts retained as compensation received from all  
2 pharmaceutical manufacturers for health plans or providers not under  
3 contract with the pharmacy benefit manager as provided under this  
4 section; and

5 (iv) the aggregate amounts, and such amounts as a percentage of  
6 rebates received from pharmaceutical manufacturers, retained under  
7 spread pricing for each health plan or provider.

8 § 2. Severability. If any provision of this act, or any application  
9 of any provision of this act, is held to be invalid, or ruled by any  
10 federal agency to violate or be inconsistent with any applicable federal  
11 law or regulation, that shall not affect the validity or effectiveness  
12 of any other provision of this act, or of any other application of any  
13 provision of this act.

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