



FOCUS ON

PROTECTING CONSUMERS

## RX PRICE CONTROL REALITY CHECK

The 2017-2018 New York State Executive Budget recommends price controls on some pharmaceutical drugs. A campaign against the Governor's proposals waged by the pharmaceutical industry uses claims that bear closer scrutiny.

**Myth:** This proposal does not help New York State patients.

**Reality:** The Governor's budget proposal would authorize the Commissioner of Health to cap prescription drug prices and capture excess pricing profits in both Medicaid and commercial markets. **Targeting pharmacy price gouging protects consumers and the state budget. It's estimated the proposal will save \$110 million on prescription costs for taxpayers and policy holders.** Moreover, additional transparency on drug pricing would give consumers a better understanding of drug price increases, and manufacturers would be required to justify their costs, which would help consumers better understand health insurance premium increases.

**Myth:** Less than 5% of total Medicaid spending in New York is dedicated to products and services of the biopharmaceutical industry.

**Reality:** Pharmacy costs are the fastest growing costs in the Medicaid managed care program, **increasing from \$4.3 billion to \$6.7 billion in five years**, and now exceed in-patient hospitalization costs. Pharmacy spending is squeezing available funding for other patient needs in behavioral health and outpatient services.

**Myth:** The Governor's proposal to cap and control the prices of prescription drugs would have a "devastating impact" on the pharmaceutical industry's continued funding of medical innovation.

**Reality:** While drug companies often argue that high research and development (R&D) costs are a major reason for high prices, the reality is drug companies spend far more on marketing drugs - in some cases twice as much - than on developing them. In 2013, **9 of the top 10 drug makers spent more on marketing than research.**<sup>1</sup>

The New York Health Plan Association supports Governor Cuomo's Executive Budget proposals to cap prescription drug prices and capture excess pricing profits.

<sup>1</sup> León Markovitz / Dadaviz (GlobalData)