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MEMORANDUM IN SUPPORT

FOR IMMEDIATE RELEASE: JANUARY 28, 2019

Re: S.141 (Carlucci) – AN ACT to amend the general business law,
in relation to the price gouging of pharmaceuticals

On behalf of the New York Health Plan Association (HPA), which represents 28 health plans that provide coverage to more than 8 million New Yorkers, we are writing to support S.141. The legislation would provide the Attorney General with the authority to impose penalties on pharmaceutical manufacturers for establishing excessive prices for prescription drugs or imposing excessive price increases. The bill is an important step to promoting greater accountability in the prices charged for prescription drugs.

Breakthrough medications offer tremendous clinical benefits for patients, but the prices charged for prescription drugs is a major threat to keeping health care affordable for New York employers and consumers and is also a major factor for increases in insurance premiums. Exorbitant increases in prescription drug prices have been consistent across all segments of the pharmaceutical industry – specialty, brand named, and generic. Despite the suggestion that the drastic price increases for drugs that have been on the market for decades represent the actions of a few “bad apples,” price hikes are pervasive.

While drug manufacturers claim that the high cost of prescription drugs helps to fund the development of future medical advances, high prices have little or nothing to do with drugs' innovation or efficacy for patients. Further, there is no evidence of an association between research and development costs and price.

Research indicates that important innovation that leads to new drug products is often performed in academic institutions and supported by investment from public sources such as the National Institutes of Health.¹ For example, in examining the most transformative drugs of the past 25 years, researchers found that “more than half of the 26 products or product classes identified had their origins in publicly funded research in such nonprofit centers.”² In instances where new drugs were not funded through federal grants, biotech startups, funded by venture capital, “frequently take early-stage drug development research that may have its origins in academic laboratories and continue it until the product and the company can be acquired by a large manufacturer.”³ This was the case of Sovaldi, a drug that treats hepatitis C. Sovaldi was acquired by Gilead after the original research occurred in academic labs.

¹ Kesselheim AS, Avorn J, Sarpatwari A. *The High Cost of Prescription Drugs in the United States Origins and Prospects for Reform*. JAMA. 2016;316(8):858-871.

² Kesselheim AS, Tan YT, Avorn J. *The roles of academia, rare diseases, and repurposing in the development of the most transformative drugs*. *Health Aff (Millwood)*. 2015;34(2):286-293.

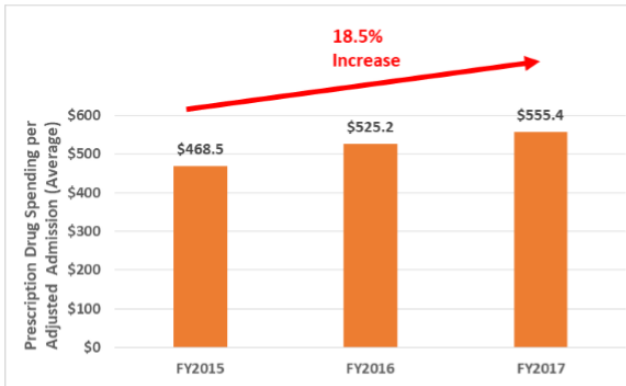
³ Kesselheim AS, Avorn J, Sarpatwari A. *The High Cost of Prescription Drugs in the United States Origins and Prospects for Reform*. JAMA. 2016;316(8):858-871.

The New York Health Plan Association represents 28 managed care health plans that provide comprehensive health care services to more than more than 8 million New Yorkers.

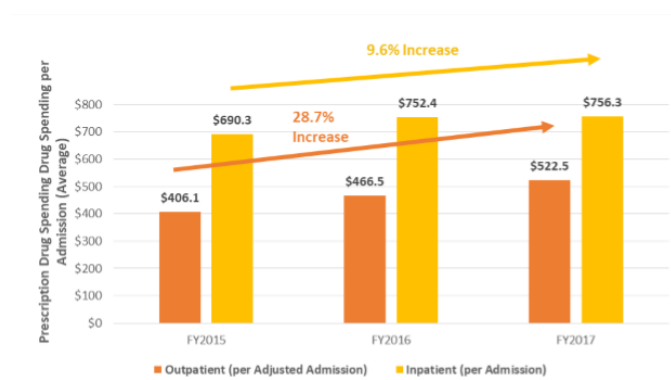
The exorbitant cost of prescription medications creates a barrier for patients to receive the treatments they need. S.141 is an important step to addressing the high price of prescription drugs. For all these reasons, we urge you to support S.141.

Increasing Prescription Drug Prices

Prescription Drug Spending per Adjusted Admission at US Community Hospitals



Outpatient & Inpatient Prescription Drug Spending per Admission at US Community



source: American Hospital Association, Federation of American Hospitals & the American Society of Health-System Pharmacists 2018 Drug Survey

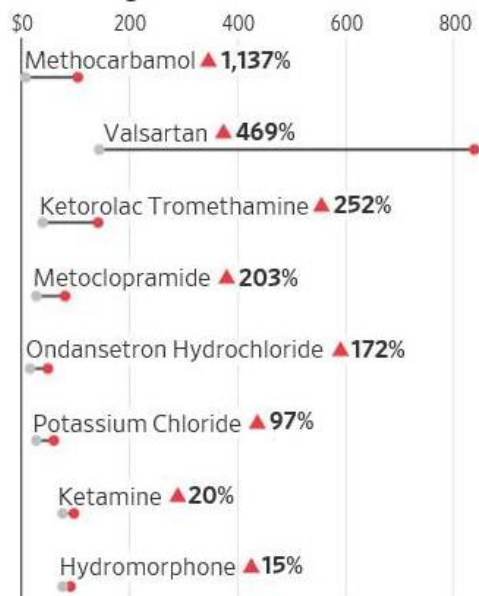
THE WALL STREET JOURNAL.

Drugmakers Raise Prices Amid Shortages, Recalls

Of the nearly 120 drugs listed by the Food and Drug Administration as currently or recently in shortage, about one-third had price increases after the shortages started

January 18, 2019

Price change



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