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CONTACT:

Susan Nolan
Mike Humphreys
NCOIL National Office
518-687-0178

NCOIL LOOKS TO MODEL LAW REGULATING PHARMACY BENEFIT MANAGERS (PBM)

Weston, Florida, March 1, 2006 – Following a passionate debate on the regulation of pharmacy benefit managers (PBMs), legislators at the National Conference of Insurance Legislators (NCOIL) February 23 through 26 Spring Meeting voted to further investigate controversial PBM practices at the organization’s Summer Meeting in July and to consider possible adoption of an NCOIL model law.

Among other things, lawmakers will identify and examine current state legislation that could, perhaps, serve as a template for an NCOIL model act. NCOIL legislator Rep. George Keiser (ND) said, “States that have taken legislative action have addressed registration, regulation, and fiduciary duty of PBMs, and the relationship between PBMs and mail-order pharmacies.”

During the February 23 debate, NCOIL legislators were most troubled by testimony regarding an apparent lack of transparency into PBM activities. Gunnar Marich, President of PBM Analyzers, testified that his auditing organization encounters difficulty when attempting to evaluate PBM contracts, and has found problems with every contract it has ever scrutinized. Dr. Robert Garis of the School of Pharmacy and Health Professions at Creighton University reviewed a university study that documented the price markups enjoyed by major PBM companies.

Contesting Marich and Garis were Peter Harty of Medco, Barbara Levy of the Pharmaceutical Care Management Association (PCMA), and Randi Reichel from America’s Health Insurance Plans (AHIP). The panel stated that PBMs are already

regulated by state licensing or certification requirements and by utilization review organizations. They argued that it would be unfair for legislators to require PBMs to disclose profit strategies while permitting other businesses to mark up prices without legislative regulation.

NCOIL has been monitoring PBM activity since its 2005 Spring Meeting in Hilton Head, South Carolina.

The NCOIL Summer Meeting in Boston, Massachusetts, is scheduled for July 13 through 16. The recent Spring Meeting was held at the Bonaventure Resort & Golden Door Spa.

NCOIL is an organization of state legislators whose primary focus is insurance legislation and regulation. Many legislators active in NCOIL either chair or are members of the committees responsible for insurance legislation in their respective state houses across the Country.

For more information, please contact the NCOIL National Office at 518-687-0178.

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