

1 State of Arkansas  
2 91st General Assembly  
3 Second Extraordinary Session, 2018  
4

Call Item 5

# A Bill

SENATE BILL 2

5 By: Senators Caldwell, Rapert, Bledsoe, Bond, E. Cheatham, L. Chesterfield, A. Clark, Collins-Smith, J.  
6 Cooper, L. Eads, Elliott, J. English, Flippo, T. Garner, J. Hendren, Hickey, J. Hutchinson, K. Ingram,  
7 Irvin, B. Johnson, B. King, U. Lindsey, Maloch, Rice, B. Sample, D. Sanders, G. Stubblefield, Teague, D.  
8 Wallace

9 By: Representatives M. Gray, Wardlaw, Murdock, Gazaway, F. Allen, Baltz, Barker, Bentley, Blake,  
10 Boyd, Bragg, Brown, Capp, Cavanaugh, Coleman, Cozart, Dalby, Davis, Deffenbaugh, C. Douglas, D.  
11 Douglas, Drown, Eaves, Farrer, D. Ferguson, K. Ferguson, Fielding, C. Fite, L. Fite, V. Flowers, Fortner,  
12 Gates, Gillam, M.J. Gray, Hammer, Henderson, K. Hendren, Hillman, G. Hodges, M. Hodges, Holcomb,  
13 Hollowell, Jean, Jett, Leding, Lemons, Lowery, Lundstrum, Lynch, Maddox, Magie, A. Mayberry,  
14 McElroy, McNair, D. Meeks, S. Meeks, Miller, Nicks, Payton, Penzo, Petty, Pilkington, Richey,  
15 Richmond, Rushing, Rye, Sabin, B. Smith, Sorvillo, Speaks, Sturch, Sullivan, Tosh, Tucker, Vaught,  
16 Walker, Warren, Watson, D. Whitaker, Wing

## For An Act To Be Entitled

19 AN ACT TO CREATE THE ARKANSAS PHARMACY BENEFITS  
20 MANAGER LICENSURE ACT; TO REGULATE AND LICENSE  
21 PHARMACY BENEFITS MANAGERS; TO AUTHORIZE PENALTIES  
22 AND FINES REGARDING THE REGULATION AND LICENSURE OF  
23 PHARMACY BENEFITS MANAGERS; TO DECLARE AN EMERGENCY;  
24 AND FOR OTHER PURPOSES.

## Subtitle

28 TO CREATE THE ARKANSAS PHARMACY BENEFITS  
29 MANAGER LICENSURE ACT; AND TO DECLARE AN  
30 EMERGENCY.

33 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

35 SECTION 1. Arkansas Code Title 23, Chapter 92, is amended to add an  
36 additional subchapter to read as follows:



1           Subchapter 5 – Arkansas Pharmacy Benefits Manager Licensure Act

2  
3           23-92-501. Title.

4           This subchapter shall be known and may be cited as the "Arkansas  
5 Pharmacy Benefits Manager Licensure Act".

6  
7           23-92-502. Purpose.

8           (a) This subchapter establishes the standards and criteria for the  
9 regulation and licensure of pharmacy benefits managers providing claims  
10 processing services or other prescription drug or device services for health  
11 benefit plans.

12           (b) The purpose of this subchapter is to:

13                   (1) Promote, preserve, and protect the public health, safety,  
14 and welfare through effective regulation and licensure of pharmacy benefits  
15 managers;

16                   (2) Provide for powers and duties of the Insurance Commissioner,  
17 the State Insurance Department, and other state agencies and officers; and

18                   (3) Prescribe penalties and fines for violations of this  
19 subchapter.

20  
21           23-92-503. Definitions.

22           As used in this subchapter:

23                   (1) "Claims processing services" means the administrative  
24 services performed in connection with the processing and adjudicating of  
25 claims relating to pharmacist services that include:

26                           (A) Receiving payments for pharmacist services;

27                           (B) Making payments to pharmacists or pharmacies for  
28 pharmacist services; or

29                           (C) Both subdivisions (1)(A) and (B) of this section;

30                   (2)(A) "Health benefit plan" means any individual, blanket, or  
31 group plan, policy, or contract for healthcare services issued or delivered  
32 by a healthcare insurer in this state.

33                           (B) "Health benefit plan" does not include:

34                                   (i) Accidental-only plans;

35                                   (ii) Specified disease plans;

36                                   (iii) Disability income plans;

1 (iv) Plans that provide only for indemnity for  
2 hospital confinement;

3 (v) Long-term care only plans that do not include  
4 pharmacy benefits;

5 (vi) Other limited-benefit health insurance policies  
6 or plans; or

7 (vii) Health benefit plans provided under Arkansas  
8 Constitution, Article 5, § 32, the Workers' Compensation Law, § 11-9-101 et  
9 seq., and the Public Employee Workers' Compensation Act, § 21-5-601 et seq.;

10 (3) "Healthcare insurer" means an insurance company, a health  
11 maintenance organization, or a hospital and medical service corporation;

12 (4) "Other prescription drug or device services" means services  
13 other than claims processing services, provided directly or indirectly,  
14 whether in connection with or separate from claims processing services,  
15 including without limitation:

16 (A) Negotiating rebates, discounts, or other financial  
17 incentives and arrangements with drug companies;

18 (B) Disbursing or distributing rebates;

19 (C) Managing or participating in incentive programs or  
20 arrangements for pharmacist services;

21 (D) Negotiating or entering into contractual arrangements  
22 with pharmacists or pharmacies, or both;

23 (E) Developing formularies;

24 (F) Designing prescription benefit programs; or

25 (G) Advertising or promoting services;

26 (5) "Pharmacist" means an individual licensed as a pharmacist by  
27 the Arkansas State Board of Pharmacy;

28 (6) "Pharmacist services" means products, goods, and services,  
29 or any combination of products, goods, and services, provided as a part of  
30 the practice of pharmacy as defined in § 17-92-101;

31 (7) "Pharmacy" means the same as defined in § 17-92-101;

32 (8)(A) "Pharmacy benefits manager" means a person, business, or  
33 entity, including a wholly or partially owned or controlled subsidiary of a  
34 pharmacy benefits manager, that provides claims processing services or other  
35 prescription drug or device services, or both, for health benefit plans.

36 (B) "Pharmacy benefits manager" does not include any:

- 1                   (i) Healthcare facility licensed in Arkansas;
- 2                   (ii) Healthcare professional licensed in Arkansas;
- 3                   (iii) Consultant who only provides advice as to the
- 4 selection or performance of a pharmacy benefits manager; or
- 5                   (iv) Entity that provides claims processing services
- 6 or other prescription drug or device services for the fee-for-service
- 7 Arkansas Medicaid Program only in that capacity;

8                   (9) "Pharmacy benefits manager affiliate" means a pharmacy or  
 9 pharmacist that directly or indirectly, through one (1) or more  
 10 intermediaries, owns or controls, is owned or controlled by, or is under  
 11 common ownership or control with a pharmacy benefits manager;

12                   (10) "Pharmacy benefits manager network" means a network of  
 13 pharmacists or pharmacies that are offered by an agreement or insurance  
 14 contract to provide pharmacist services for health benefit plans;

15                   (11) "Pharmacy benefits plan or program" means a plan or program  
 16 that pays for, reimburses, covers the cost of, or otherwise provides for  
 17 pharmacist services under a health benefit plan;

18                   (12) "Pharmacy services administrative organization" means an  
 19 organization that helps community pharmacies and pharmacy benefits managers  
 20 or third party payers achieve administrative efficiencies, including  
 21 contracting and payment efficiencies;

22                   (13)(A) "Rebate" means a discount or other price concession  
 23 based on utilization of a prescription drug that is paid by a manufacturer or  
 24 third party, directly or indirectly, to a pharmacy benefits manager, pharmacy  
 25 services administrative organization, or pharmacy after a claim has been  
 26 processed and paid at a pharmacy.

27                   (B) "Rebate" includes without limitation incentives,  
 28 disbursements, and reasonable estimates of a volume-based discount; and

29                   (14) "Third party" means a person, business, or entity other  
 30 than a pharmacy benefits manager that is not an enrollee or insured in a  
 31 health benefit plan.

32  
 33                   23-92-504. License to do business – Annual statement – Assessment.

34                   (a)(1) A person or organization shall not establish or operate as a  
 35 pharmacy benefits manager in Arkansas for health benefit plans without  
 36 obtaining a license from the Insurance Commissioner under this subchapter.

1           (2) The commissioner shall prescribe the application for a  
2 license to operate in Arkansas as a pharmacy benefits manager and may charge  
3 application fees and renewal fees as established by rule.

4           (b)(1) The commissioner shall issue rules establishing the licensing,  
5 fees, application, financial standards, and reporting requirements of  
6 pharmacy benefits managers under this subchapter.

7           (2)(A) When adopting the initial rules to implement this  
8 subchapter, the final rule shall be filed with the Secretary of State for  
9 adoption under § 25-15-204(f):

10                   (i) On or before September 1, 2018; or

11                   (ii) If approval under § 10-3-309 has not occurred  
12 by September 1, 2018, as soon as practicable after approval under § 10-3-309.

13           (B) The State Insurance Department shall file the proposed  
14 rule with the Legislative Council under § 10-3-309(c) sufficiently in advance  
15 of September 1, 2018, so that the Legislative Council may consider the rule  
16 for approval before September 1, 2018.

17  
18           23-92-505. Pharmacy benefits manager network adequacy.

19           A pharmacy benefits manager shall provide:

20           (1)(A) A reasonably adequate and accessible pharmacy benefits  
21 manager network for the provision of prescription drugs for a health benefit  
22 plan that shall provide for convenient patient access to pharmacies within a  
23 reasonable distance from a patient’s residence.

24           (B) A mail-order pharmacy shall not be included in the  
25 calculations determining pharmacy benefits manager network adequacy; and

26           (2) A pharmacy benefits manager network adequacy report  
27 describing the pharmacy benefits manager network and the pharmacy benefits  
28 manager network’s accessibility in this state in the time and manner required  
29 by rule issued by the State Insurance Department.

30  
31           23-92-506. Compensation – Prohibited practices.

32           (a)(1) The Insurance Commissioner may review and approve the  
33 compensation program of a pharmacy benefits manager with a health benefit  
34 plan to ensure that the reimbursement for pharmacist services paid to a  
35 pharmacist or pharmacy is fair and reasonable to provide an adequate pharmacy  
36 benefits manager network for a health benefit plan under the standards issued

1 by rule of the State Insurance Department.

2 (2) All information and data acquired during the review under  
3 subdivision (a)(1) of this section is:

4 (A) Considered proprietary and confidential under § 23-61-  
5 107(a)(4) and § 23-61-207; and

6 (B) Not subject to the Freedom of Information Act of 1967,  
7 § 25-19-101 et seq.

8 (b) A pharmacy benefits manager or representative of a pharmacy  
9 benefits manager shall not:

10 (1) Cause or knowingly permit the use of any advertisement,  
11 promotion, solicitation, representation, proposal, or offer that is untrue,  
12 deceptive, or misleading;

13 (2) Unless reviewed and approved by the commissioner, charge a  
14 pharmacist or pharmacy a fee related to the adjudication of a claim,  
15 including without limitation a fee for:

16 (A) The receipt and processing of a pharmacy claim;

17 (B) The development or management of claims processing  
18 services in a pharmacy benefits manager network; or

19 (C) Participation in a pharmacy benefits manager network;

20 (3) Unless reviewed and approved by the commissioner in  
21 coordination with the Arkansas State Board of Pharmacy, require pharmacy  
22 accreditation standards or certification requirements inconsistent with, more  
23 stringent than, or in addition to requirements of the board;

24 (4)(A) Reimburse a pharmacy or pharmacist in the state an amount  
25 less than the amount that the pharmacy benefits manager reimburses a pharmacy  
26 benefits manager affiliate for providing the same pharmacist services.

27 (B) The amount shall be calculated on a per-unit basis  
28 using the same generic product identifier or generic code number; or

29 (5) Do any combination of the actions listed in subdivisions  
30 (b)(1)-(4) of this section.

31 (c) A claim for pharmacist services shall not be retroactively denied  
32 or reduced after adjudication of the claim, unless:

33 (1) The original claim was submitted fraudulently;

34 (2) The original claim payment was incorrect because the  
35 pharmacy or pharmacist had already been paid for the pharmacist services; or

36 (3) The pharmacist services were not properly rendered by the

1 pharmacy or pharmacist.

2 (d) Termination of a pharmacy or pharmacist from a pharmacy benefits  
3 manager network shall not release the pharmacy benefits manager from the  
4 obligation to make any payment due to the pharmacy or pharmacist for  
5 pharmacist services properly rendered.

6 (e) The commissioner may issue a rule establishing prohibited  
7 practices of pharmacy benefits managers providing claims processing services  
8 or other prescription drug or device services for health benefit plans.

9  
10 23-92-507. Gag clauses prohibited.

11 (a) The prohibitions under § 23-99-407 apply to participation  
12 contracts between pharmacy benefits managers and pharmacists or pharmacies  
13 providing prescription drug coverage for health benefit plans.

14 (b) A pharmacy or pharmacist may provide to an insured information  
15 regarding the insured's total cost for pharmacist services for a prescription  
16 drug.

17 (c) A pharmacy or pharmacist shall not be proscribed by a pharmacy  
18 benefits manager from discussing information regarding the total cost for  
19 pharmacist services for a prescription drug or from selling a more affordable  
20 alternative to the insured if a more affordable alternative is available.

21 (d) A pharmacy benefits manager contract with a participating  
22 pharmacist or pharmacy shall not prohibit, restrict, or limit disclosure of  
23 information to the Insurance Commissioner, law enforcement, or state and  
24 federal governmental officials investigating or examining a complaint or  
25 conducting a review of a pharmacy benefits manager's compliance with the  
26 requirements under this subchapter.

27  
28 23-92-508. Enforcement.

29 (a) The Insurance Commissioner shall enforce this subchapter.

30 (b)(1) The commissioner may examine or audit the books and records of  
31 a pharmacy benefits manager providing claims processing services or other  
32 prescription drug or device services for a health benefit plan to determine  
33 if the pharmacy benefits manager is in compliance with this subchapter.

34 (2) The information or data acquired during an examination under  
35 subdivision (b)(1) of this section is:

36 (A) Considered proprietary and confidential under § 23-61-

1 107(a)(4) and § 23-61-207; and

2 (B) Not subject to the Freedom of Information Act of 1967,  
3 § 25-19-101 et seq.

4  
5 23-92-509. Rules.

6 (a)(1) The Insurance Commissioner may adopt rules regulating pharmacy  
7 benefits managers that are not inconsistent with this subchapter.

8 (2) Rules that the commissioner may adopt under this subchapter  
9 include without limitation rules relating to:

10 (A) Licensing;

11 (B) Application fees;

12 (C) Financial solvency requirements;

13 (D) Pharmacy benefits manager network adequacy;

14 (E) Prohibited market conduct practices;

15 (F) Data reporting requirements under § 4-88-803;

16 (G) Compliance and enforcement requirements under § 17-92-  
17 507 concerning Maximum Allowable Cost Lists;

18 (H) Rebates;

19 (I) Compensation; and

20 (J) Lists of health benefit plans administered by a  
21 pharmacy benefits manager in this state.

22 (b) Rules adopted under this subchapter shall set penalties or fines,  
23 including without limitation monetary fines, suspension of licensure, and  
24 revocation of licensure for violations of this subchapter and rules adopted  
25 under this subchapter.

26 (c)(1) In addition to the filing requirements under the Arkansas  
27 Administrative Procedure Act, § 25-15-201 et seq., and under § 10-3-309, the  
28 State Insurance Department shall file a proposed rule or a proposed amendment  
29 to an existing rule under this subchapter with the Senate Committee on  
30 Insurance and Commerce and the House Committee on Insurance and Commerce at  
31 least thirty (30) days before the expiration of the period for public comment  
32 under the Arkansas Administrative Procedure Act, § 25-15-201 et seq.

33 (2) The Senate Committee on Insurance and Commerce and the House  
34 Committee on Insurance and Commerce shall review the proposed rule or  
35 proposed amendment to an existing rule within forty-five (45) days of the  
36 date the proposed rule or proposed amendment to an existing rule is filed



1 with the Senate Committee on Insurance and Commerce and the House Committee  
2 on Insurance and Commerce.

3 (3)(A) If the department adopts an emergency rule under this  
4 subchapter, in addition to the filing requirements under the Arkansas  
5 Administrative Procedure Act, § 25-15-201 et seq., and under § 10-3-309, the  
6 department shall notify the following individuals of the emergency rule and  
7 provide each individual with a copy of the rule within five (5) business days  
8 of adopting the rule:

- 9 (i) The Speaker of the House of Representatives;
- 10 (ii) The President Pro Tempore of the Senate;
- 11 (iii) The Chair of the Senate Committee on Insurance  
12 and Commerce; and
- 13 (iv) The Chair of the House Committee on Insurance  
14 and Commerce.

15 (B) The Senate Committee on Insurance and Commerce and the  
16 House Committee on Insurance and Commerce shall review the emergency rule  
17 within forty-five (45) days of the date that the emergency rule is provided  
18 to the Chair of the Senate Committee on Insurance and Commerce and the Chair  
19 of the House Committee on Insurance and Commerce.

20  
21 23-92-510. Applicability.

22 (a) This subchapter is applicable to a contract or health benefit plan  
23 issued, renewed, recredentialed, amended, or extended on and after September  
24 1, 2018.

25 (b) A contract existing on the date of licensure of the pharmacy  
26 benefits manager shall comply with the requirements of this subchapter as a  
27 condition of licensure for the pharmacy benefits manager.

28  
29 SECTION 2. Arkansas Code § 4-88-803, concerning required practices  
30 under the Fair Disclosure of State Funded Payments for Pharmacists' Services  
31 Act, is amended to add a new subsection to read as follows:

32 (d)(1) Unless otherwise required more frequently by the Insurance  
33 Commissioner, a pharmacy benefits manager shall file an annual report with  
34 the commissioner providing the information required under subsection (a) of  
35 this section pursuant to the timing, format, and requirements issued by rule  
36 of the State Insurance Department.

1           (2) The annual report is:

2                   (A) Considered proprietary and confidential under § 23-61-  
3 107(a)(4) and § 23-61-207; and

4                   (B) Not subject to the Freedom of Information Act of 1967,  
5 § 25-19-101 et seq.

6           (3) This section is not subject to § 4-88-113(f)(1)(B).

7

8           SECTION 3. Arkansas Code § 17-92-507(g), concerning the Maximum  
9 Allowable Cost Lists, is amended to read as follows:

10           (g)(1) A violation of this section is a deceptive and unconscionable  
11 trade practice under the Deceptive Trade Practices Act, § 4-88-101 et seq.,  
12 and a prohibited practice under the Arkansas Pharmacy Benefits Manager  
13 Licensure Act, § 23-92-501 et seq., and the Trade Practices Act, § 23-66-201  
14 et seq.

15           (2) This section is not subject to § 4-88-113(f)(1)(B).

16

17           SECTION 4. Effective on and after September 1, 2018, Arkansas Code §  
18 23-92-201 is amended to read as follows:

19           23-92-201. ~~Definitions~~ Definition.

20           As used in this subchapter+, "third-party administrator":

21                   ~~(1) "Pharmacy benefits manager" means an entity that administers~~  
22 ~~or manages a pharmacy benefits plan or program;~~

23                   ~~(2) "Pharmacy benefits plan or program" means a plan or program~~  
24 ~~that pays for, reimburses, covers the cost of, or otherwise provides~~  
25 ~~pharmacist services to individuals who reside in or are employed in this~~  
26 ~~state; and~~

27                   ~~(3)(A)(1) "Third party administrator" means~~ Means a person,  
28 firm, or partnership that collects or charges premiums from or adjusts or  
29 settles claims on residents of this state in connection with life or accident  
30 and health coverage provided by a self-insured plan or a multiple employer  
31 trust or multiple employer welfare arrangement+;

32                   ~~(B)(2) "Third party administrator" includes+~~ Includes

33                           ~~(i) An an~~ an administrative-services-only contract  
34 offered by insurers and health maintenance organizations; and

35                           ~~(ii) A pharmacy benefits manager that administers or~~  
36 ~~manages a pharmacy benefits plan or program that furnishes, covers the cost~~

1 ~~of, or otherwise provides for the practice of pharmacy as defined in § 17-92-~~  
2 ~~101 under any life and accident and health coverage provided in this state by~~  
3 ~~a self-insured plan, a multiple employer trust, or a multiple employer-~~  
4 ~~welfare arrangement.~~

5 ~~(C)(3)~~ “Third party administrator” ~~does~~ Does not include:

6 ~~(i)(A)~~ An employer, for its employees or for the  
7 employees of a subsidiary or affiliated corporation of the employer;

8 ~~(ii)(B)~~ A union, for its members;

9 ~~(iii)(C)~~ An insurer or health maintenance  
10 organization licensed to do business in this state;

11 ~~(iv)(D)~~ A creditor, for its debtors, regarding  
12 insurance covering a debt between the creditor and its debtors;

13 ~~(v)(E)~~ A credit-card-issuing company that advances  
14 for, or collects premiums or charges from, its credit card holders, as long  
15 as that company does not adjust or settle claims;

16 ~~(vi)(F)~~ An individual who adjusts or settles claims  
17 in the normal course of his or her practice or employment and who does not  
18 collect charges or premiums in connection with life or accident and health  
19 coverage; or

20 ~~(vii)(G)~~ An agency licensed by the Insurance  
21 Commissioner and performing duties pursuant to an agency contract with an  
22 insurer authorized to do business in this state.

23  
24 SECTION 5. DO NOT CODIFY. SEVERABILITY CLAUSE. If any provision of  
25 this act or the application of this act to any person or circumstance is held  
26 invalid, the invalidity shall not affect other provisions or applications of  
27 this act which can be given effect without the invalid provision or  
28 application, and to this end, the provisions of this act are declared  
29 severable.

30  
31 SECTION 6. EFFECTIVE DATE CLAUSE.

32 SECTION 4 of this act is effective on and after September 1, 2018.

33  
34 SECTION 7. EMERGENCY CLAUSE. It is found and determined by the  
35 General Assembly of the State of Arkansas that the unregulated behavior of  
36 pharmacy benefits managers is threatening the sustainability of pharmacies in

1 Arkansas; that regulation of pharmacy benefits managers by the State  
2 Insurance Department will stabilize the pharmacy industry in this state; and  
3 that Section 1, 2, 3, and 5 of this act are immediately necessary to ensure  
4 that Arkansas residents have continued access to pharmacy services across the  
5 state. Therefore, an emergency is declared to exist, and Sections 1, 2, 3,  
6 and 5 of this act, being immediately necessary for the preservation of the  
7 public peace, health, and safety, shall become effective on:

8 (1) The date of the act's approval by the Governor;

9 (2) If the bill is neither approved nor vetoed by the Governor,  
10 the expiration of the period of time during which the Governor may veto the  
11 bill; or

12 (3) If the bill is vetoed by the Governor and the veto is  
13 overridden, the date the last house overrides the veto.

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