

# SENATE BILL 722

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CF HB 419

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By: **Senators Klausmeier, Della, and Pugh**  
Introduced and read first time: February 1, 2008  
Assigned to: Finance

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## A BILL ENTITLED

1 AN ACT concerning

2 **Pharmacy Benefits Managers – Registration**

3 FOR the purpose of requiring a person to register with the Maryland Insurance  
4 Commissioner before the person acts as or represents itself as a pharmacy  
5 benefits manager in the State; exempting certain managed care organizations,  
6 insurers, nonprofit health service plans, and health maintenance organizations,  
7 and affiliates, subsidiaries, or other related entities of certain insurers,  
8 nonprofit health service plans, and health maintenance organizations from  
9 certain provisions of this Act under certain circumstances; requiring an  
10 applicant for registration to file an application on a certain form and pay to the  
11 Commissioner a certain fee; requiring the Commissioner to register certain  
12 applicants; providing for the expiration and renewal of a registration;  
13 prohibiting a pharmacy benefits manager from taking certain actions;  
14 authorizing the Commissioner to deny, suspend, or revoke a registration or  
15 refuse to renew a registration under certain circumstances and subject to  
16 certain hearing provisions; authorizing the Commissioner, if a registration is  
17 suspended or revoked, to permit the continued operation of a pharmacy benefits  
18 manager for a certain period of time under certain circumstances; requiring a  
19 pharmacy benefits manager to register as a third party administrator or a  
20 private review agent under certain circumstances; requiring a certain pharmacy  
21 benefits manager to pay and adjust claims according to certain statutory  
22 requirements; prohibiting an insurer, a nonprofit health service plan, or a  
23 health maintenance organization from entering into an agreement with a  
24 pharmacy benefits manager that has not registered with the Commissioner;  
25 requiring the Commissioner to conduct a certain examination in accordance  
26 with certain provisions of law; requiring a pharmacy benefits manager to  
27 maintain certain books and records for a certain period and in accordance with  
28 certain standards; requiring the Commissioner to adopt certain regulations on  
29 or before a certain date; providing certain penalties; altering the definition of a  
30 “nonresident pharmacy” to include a pharmacy benefits manager under certain  
31 provisions of law; requiring a nonresident pharmacy to meet certain

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 requirements; making certain provisions of law applicable to health  
 2 maintenance organizations; allowing a certain person to continue to act as a  
 3 pharmacy benefits manager without registering with the Commissioner under  
 4 certain circumstances; defining certain terms; and generally relating to  
 5 regulation and registration of pharmacy benefits managers.

6 BY adding to  
 7 Article – Insurance  
 8 Section 15–1601 through 15–1613 to be under the new subtitle “Subtitle 16.  
 9 Pharmacy Benefits Managers”  
 10 Annotated Code of Maryland  
 11 (2006 Replacement Volume and 2007 Supplement)

12 BY adding to  
 13 Article – Health – General  
 14 Section 19–706(ppp)  
 15 Annotated Code of Maryland  
 16 (2005 Replacement Volume and 2007 Supplement)

17 BY repealing and reenacting, with amendments,  
 18 Article – Health Occupations  
 19 Section 12–101(m) and 12–403(e) and (f)  
 20 Annotated Code of Maryland  
 21 (2005 Replacement Volume and 2007 Supplement)

22 BY repealing and reenacting, without amendments,  
 23 Article – Health Occupations  
 24 Section 12–403(a), (b)(17), (d), and (g)  
 25 Annotated Code of Maryland  
 26 (2005 Replacement Volume and 2007 Supplement)

27 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
 28 MARYLAND, That the Laws of Maryland read as follows:

29 **Article – Insurance**

30 **SUBTITLE 16. PHARMACY BENEFITS MANAGERS.**

31 **15–1601.**

32 (A) IN THIS SUBTITLE THE FOLLOWING WORDS HAVE THE MEANINGS  
 33 INDICATED.

34 (B) (1) “PHARMACY BENEFITS MANAGEMENT SERVICES” MEANS THE  
 35 ADMINISTRATION OR MANAGEMENT OF PRESCRIPTION DRUG BENEFITS.

36 (2) “PHARMACY BENEFITS MANAGEMENT SERVICES” INCLUDES:

1 (I) PROCUREMENT OF PRESCRIPTION DRUGS AT A  
2 NEGOTIATED RATE FOR DISPENSATION WITHIN THE STATE;

3 (II) PROCESSING OF PRESCRIPTION DRUG CLAIMS;

4 (III) ADMINISTRATION OF PAYMENTS RELATED TO  
5 PRESCRIPTION DRUG CLAIMS; AND

6 (IV) NEGOTIATING OR ENTERING INTO CONTRACTUAL  
7 ARRANGEMENTS WITH PHARMACIES OR PHARMACISTS.

8 (C) "PHARMACY BENEFITS MANAGER" MEANS A PERSON THAT  
9 PERFORMS PHARMACY BENEFITS MANAGEMENT SERVICES.

10 (D) (1) "UTILIZATION REVIEW" HAS THE MEANING STATED IN  
11 § 15-10B-01 OF THIS TITLE.

12 (2) "UTILIZATION REVIEW" INCLUDES:

13 (I) DRUG UTILIZATION MANAGEMENT;

14 (II) DRUG UTILIZATION REVIEW SERVICES; AND

15 (III) STEP PROTOCOL THERAPY MANAGEMENT.

16 **15-1602.**

17 (A) THE PROVISIONS OF THIS SUBTITLE DO NOT APPLY TO A MANAGED  
18 CARE ORGANIZATION AUTHORIZED BY TITLE 15, SUBTITLE 1 OF THE HEALTH -  
19 GENERAL ARTICLE.

20 (B) THE PROVISIONS OF THIS SUBTITLE DO NOT APPLY TO AN INSURER,  
21 A NONPROFIT HEALTH SERVICE PLAN, OR A HEALTH MAINTENANCE  
22 ORGANIZATION OR AN AFFILIATE, SUBSIDIARY, OR OTHER RELATED ENTITY OF  
23 AN INSURER, A NONPROFIT HEALTH SERVICE PLAN, OR A HEALTH  
24 MAINTENANCE ORGANIZATION ACTING OR REPRESENTING ITSELF AS A  
25 PHARMACY BENEFITS MANAGER IF:

26 (1) THE INSURER, NONPROFIT HEALTH SERVICE PLAN, OR  
27 HEALTH MAINTENANCE ORGANIZATION OR THE AFFILIATE, SUBSIDIARY, OR  
28 OTHER RELATED ENTITY OF THE INSURER, NONPROFIT HEALTH SERVICE PLAN,  
29 OR HEALTH MAINTENANCE ORGANIZATION DIRECTLY OFFERS OR PROVIDES  
30 PHARMACY BENEFITS MANAGEMENT SERVICES; AND

1           **(2) THE PHARMACY BENEFITS MANAGEMENT SERVICES ARE**  
2 **OFFERED OR PROVIDED ONLY TO ENROLLEES, SUBSCRIBERS, OR INSUREDS**  
3 **WHO ALSO ARE COVERED BY HEALTH BENEFITS OFFERED OR PROVIDED BY THE**  
4 **INSURER, NONPROFIT HEALTH SERVICE PLAN, OR HEALTH MAINTENANCE**  
5 **ORGANIZATION.**

6 **15-1603.**

7           **(A) A PERSON SHALL REGISTER WITH THE COMMISSIONER BEFORE THE**  
8 **PERSON ACTS AS OR REPRESENTS ITSELF AS A PHARMACY BENEFITS MANAGER**  
9 **IN THE STATE.**

10          **(B) AN APPLICANT FOR REGISTRATION SHALL:**

11           **(1) FILE WITH THE COMMISSIONER AN APPLICATION ON THE**  
12 **FORM THAT THE COMMISSIONER PROVIDES; AND**

13           **(2) PAY TO THE COMMISSIONER A REGISTRATION FEE SET BY THE**  
14 **COMMISSIONER.**

15          **(C) THE COMMISSIONER SHALL REGISTER EACH APPLICANT THAT**  
16 **MEETS THE REQUIREMENTS ESTABLISHED BY THE COMMISSIONER BY**  
17 **REGULATION.**

18 **15-1604.**

19          **(A) A REGISTRATION EXPIRES AT THE END OF EVERY OTHER JUNE 30,**  
20 **UNLESS IT IS RENEWED AS PROVIDED IN THIS SECTION.**

21          **(B) BEFORE A REGISTRATION EXPIRES, THE REGISTRANT MAY RENEW**  
22 **IT FOR AN ADDITIONAL 2-YEAR TERM, IF THE REGISTRANT:**

23           **(1) OTHERWISE IS ENTITLED TO BE REGISTERED;**

24           **(2) FILES WITH THE COMMISSIONER A RENEWAL APPLICATION**  
25 **ON THE FORM THAT THE COMMISSIONER REQUIRES; AND**

26           **(3) PAYS TO THE COMMISSIONER A RENEWAL FEE SET BY THE**  
27 **COMMISSIONER.**

28          **(C) AN APPLICATION FOR RENEWAL OF A REGISTRATION SHALL BE**  
29 **CONSIDERED TIMELY IF POSTMARKED ON OR BEFORE JUNE 30 OF THE YEAR OF**  
30 **THE RENEWAL.**

1 **15-1605.**

2 **A PHARMACY BENEFITS MANAGER MAY NOT:**

3 **(1) VIOLATE ANY PROVISION OF THIS ARTICLE APPLICABLE TO**  
4 **THE PHARMACY BENEFITS MANAGER;**

5 **(2) VIOLATE ANY REGULATION ADOPTED UNDER THIS ARTICLE**  
6 **APPLICABLE TO THE PHARMACY BENEFITS MANAGER;**

7 **(3) KNOWINGLY FAIL TO COMPLY WITH ANY ORDER OF THE**  
8 **COMMISSIONER;**

9 **(4) OBTAIN OR ATTEMPT TO OBTAIN A REGISTRATION BASED ON**  
10 **INACCURATE INFORMATION;**

11 **(5) FRAUDULENTLY OR DECEPTIVELY OBTAIN OR USE A**  
12 **REGISTRATION;**

13 **(6) FAIL TO PROTECT THE CONFIDENTIALITY OF MEDICAL**  
14 **RECORDS IN ACCORDANCE WITH APPLICABLE STATE AND FEDERAL LAWS; OR**

15 **(7) ACT AS A PHARMACY BENEFITS MANAGER WITHOUT FIRST**  
16 **REGISTERING WITH THE COMMISSIONER.**

17 **15-1606.**

18 **(A) SUBJECT TO THE HEARING PROVISIONS OF TITLE 2 OF THIS**  
19 **ARTICLE, THE COMMISSIONER MAY DENY, SUSPEND, OR REVOKE A**  
20 **REGISTRATION OR REFUSE TO RENEW A REGISTRATION IF THE APPLICANT OR**  
21 **REGISTRANT VIOLATES ANY PROVISION OF § 15-1605 OF THIS SUBTITLE.**

22 **(B) IF THE REGISTRATION OF A PHARMACY BENEFITS MANAGER IS**  
23 **SUSPENDED OR REVOKED, THE COMMISSIONER, TO PROTECT THE INTERESTS**  
24 **OF BENEFICIARIES AND PHARMACIES AND PHARMACISTS, MAY PERMIT THE**  
25 **CONTINUED OPERATION OF THE PHARMACY BENEFITS MANAGER FOR A**  
26 **LIMITED PERIOD, NOT TO EXCEED 60 DAYS, UNDER CONDITIONS AND**  
27 **RESTRICTIONS DETERMINED BY THE COMMISSIONER.**

28 **15-1607.**

1           (A) A PHARMACY BENEFITS MANAGER SHALL REGISTER WITH THE  
2 COMMISSIONER AS A THIRD PARTY ADMINISTRATOR UNDER TITLE 8, SUBTITLE  
3 3 OF THIS ARTICLE IF THE PHARMACY BENEFITS MANAGER:

4                   (1) PROCESSES PRESCRIPTION DRUG CLAIMS; OR

5                   (2) ADMINISTERS PAYMENTS RELATED TO PRESCRIPTION DRUG  
6 CLAIMS.

7           (B) A PHARMACY BENEFITS MANAGER THAT PROCESSES PRESCRIPTION  
8 DRUG CLAIMS OR ADMINISTERS PAYMENTS RELATED TO PRESCRIPTION DRUG  
9 CLAIMS SHALL:

10                   (1) PAY CLAIMS IN ACCORDANCE WITH § 15-1005 OF THIS TITLE;  
11 AND

12                   (2) ADJUST CLAIMS IN ACCORDANCE WITH § 15-1008 OF THIS  
13 TITLE.

14 15-1608.

15           A PHARMACY BENEFITS MANAGER THAT CONDUCTS UTILIZATION REVIEW  
16 SHALL OBTAIN FROM THE COMMISSIONER A CERTIFICATE OF REGISTRATION AS  
17 A PRIVATE REVIEW AGENT UNDER SUBTITLE 10B OF THIS TITLE.

18 15-1609.

19           AN INSURER, A NONPROFIT HEALTH SERVICE PLAN, OR A HEALTH  
20 MAINTENANCE ORGANIZATION MAY NOT ENTER INTO AN AGREEMENT WITH A  
21 PHARMACY BENEFITS MANAGER THAT HAS NOT REGISTERED WITH THE  
22 COMMISSIONER.

23 15-1610.

24           (A) WHENEVER THE COMMISSIONER CONSIDERS IT ADVISABLE, THE  
25 COMMISSIONER SHALL EXAMINE THE AFFAIRS, TRANSACTIONS, ACCOUNTS,  
26 RECORDS, AND ASSETS OF EACH PHARMACY BENEFITS MANAGER.

27           (B) THE EXAMINATION SHALL BE CONDUCTED IN ACCORDANCE WITH §  
28 2-207 OF THIS ARTICLE.

29           (C) THE EXPENSE OF THE EXAMINATION SHALL BE PAID IN  
30 ACCORDANCE WITH § 2-208 OF THIS ARTICLE.

1 (D) THE REPORTS OF THE EXAMINATION AND INVESTIGATION SHALL BE  
2 ISSUED IN ACCORDANCE WITH § 2-209 OF THIS ARTICLE.

3 **15-1611.**

4 A PHARMACY BENEFITS MANAGER SHALL MAINTAIN ADEQUATE BOOKS  
5 AND RECORDS ABOUT EACH PURCHASER FOR WHICH THE PHARMACY BENEFITS  
6 MANAGER PROVIDES PHARMACY BENEFITS MANAGEMENT SERVICES:

7 (1) IN ACCORDANCE WITH PRUDENT STANDARDS OF RECORD  
8 KEEPING;

9 (2) FOR THE DURATION OF THE AGREEMENT BETWEEN THE  
10 PHARMACY BENEFITS MANAGER AND THE PURCHASER; AND

11 (3) FOR 3 YEARS AFTER THE PHARMACY BENEFITS MANAGER  
12 CEASES TO PROVIDE PHARMACY BENEFITS MANAGEMENT SERVICES TO THE  
13 PURCHASER.

14 **15-1612.**

15 ON OR BEFORE APRIL 1, 2009, THE COMMISSIONER SHALL ADOPT  
16 REGULATIONS TO IMPLEMENT THIS SUBTITLE.

17 **15-1613.**

18 IN ADDITION TO THE PENALTIES AUTHORIZED BY § 15-1606 OF THIS  
19 SUBTITLE, THE COMMISSIONER MAY ASSESS A CIVIL PENALTY NOT EXCEEDING  
20 \$10,000 FOR EACH VIOLATION OF THIS SUBTITLE.

21 **Article - Health - General**

22 19-706.

23 (PPP) THE PROVISIONS OF TITLE 15, SUBTITLE 16 OF THE  
24 INSURANCE ARTICLE APPLY TO HEALTH MAINTENANCE ORGANIZATIONS.

25 **Article - Health Occupations**

26 12-101.

27 (m) (1) "Nonresident pharmacy" means a pharmacy located outside this  
28 State that, in the normal course of business, as determined by the Board, ships, mails,  
29 or delivers drugs or devices to a person in this State pursuant to a prescription.

1           (2) **“NONRESIDENT PHARMACY” INCLUDES A PHARMACY**  
2 **BENEFITS MANAGER, LOCATED WITHIN OR OUTSIDE THIS STATE, THAT IS**  
3 **REGULATED UNDER TITLE 15, SUBTITLE 16 OF THE INSURANCE ARTICLE, IF**  
4 **THE PHARMACY BENEFITS MANAGER SHIPS, MAELS, OR DELIVERS DRUGS OR**  
5 **DEVICES TO A PERSON IN THIS STATE PURSUANT TO A PRESCRIPTION.**

6 12-403.

7           (a) This section does not require a nonresident pharmacy to violate the laws  
8 or regulations of the state in which it is located.

9           (b) Except as otherwise provided in this section, a pharmacy for which a  
10 pharmacy permit has been issued under this title:

11           (17) With regard to a prescription drug that is delivered in this State by  
12 the United States mail, a common carrier, or a delivery service and is not personally  
13 hand delivered directly to a patient or to the agent of the patient at the residence of  
14 the patient or at another location designated by the patient, shall:

15           (i) Provide a general written notice in each shipment of a  
16 prescription drug that alerts a consumer that, under certain circumstances, a  
17 medication’s effectiveness may be affected by exposure to extremes of heat, cold, or  
18 humidity; and

19           (ii) Provide a specific written notice in each shipment of a  
20 prescription drug that provides a consumer with a toll-free or local consumer access  
21 telephone number accessible during regular hours of operation, which is designed to  
22 respond to consumer questions pertaining to medications;

23           (d) A nonresident pharmacy shall hold a pharmacy permit issued by the  
24 Board.

25           (e) (1) In order to obtain a pharmacy permit from the Board, a  
26 nonresident pharmacy, **TO THE EXTENT APPLICABLE**, shall:

27           (i) Submit an application to the Board on the form that the  
28 Board requires;

29           (ii) Pay to the Board an application fee set by the Board;

30           (iii) Submit a copy of the most recent inspection report resulting  
31 from an inspection conducted by the regulatory or licensing agency of the state in  
32 which the nonresident pharmacy is located; and

33           (iv) On the required permit application, identify the name and  
34 current address of an agent located in this State officially designated to accept service  
35 of process.



1           (2) A nonresident pharmacy shall report a change in the name or  
2 address of the resident agent in writing to the Board 30 days prior to the change.

3           (f) A nonresident pharmacy, **TO THE EXTENT APPLICABLE**, shall:

4           (1) Comply with the laws of the state in which it is located;

5           (2) On an annual basis and within 30 days after a change of office,  
6 corporate officer, or pharmacist, disclose to the Board the location, names, and titles of  
7 all principal corporate officers and all pharmacists who are dispensing prescriptions  
8 for drugs or devices to persons in this State;

9           (3) Comply with all lawful directions and requests for information  
10 from the regulatory or licensing agency of the state in which it is located and all  
11 requests for information made by the Board pursuant to this section;

12           (4) Maintain at all times a valid, unexpired permit to conduct a  
13 pharmacy in compliance with the laws of the state in which it is located;

14           (5) Maintain its records of prescription drugs or devices dispensed to  
15 patients in this State so that the records are readily retrievable;

16           (6) During its regular hours of operation, but not less than 6 days a  
17 week, and for a minimum of 40 hours per week, provide toll-free telephone service to  
18 facilitate communication between patients in this State and a pharmacist who has  
19 access to the patient's prescription records;

20           (7) Disclose its toll-free telephone number on a label affixed to each  
21 container of drugs or devices;

22           (8) Comply with the laws of this State relating to the confidentiality of  
23 prescription records if there are no laws relating to the confidentiality of prescription  
24 records in the state in which the nonresident pharmacy is located; [and]

25           (9) Comply with the requirements of subsection (b)(17) of this section;

26 **AND**

27           **(10) REQUIRE EACH EMPLOYEE OR CONTRACTOR TO BE LICENSED**  
28 **TO PRACTICE PHARMACY IF THE EMPLOYEE OR CONTRACTOR PRACTICES**  
29 **PHARMACY FOR OR ON BEHALF OF THE NONRESIDENT PHARMACY.**

30           (g) Subject to the hearing provisions of § 12-411 of this subtitle, if a  
31 pharmacy or a nonresident pharmacy is operated in violation of this section, the Board  
32 may suspend the applicable pharmacy permit until the pharmacy complies with this  
33 section.

1           SECTION 2. AND BE IT FURTHER ENACTED, That a person acting as a  
2 pharmacy benefits manager in the State on the effective date of this Act may continue  
3 to act as a pharmacy benefits manager in the State without being registered with the  
4 Maryland Insurance Commissioner, as required under Section 1 of this Act, if the  
5 person:

6                   (1) registers with the Commissioner on or before July 1, 2009; and

7                   (2) complies with all other applicable provisions of this Act.

8           SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect  
9 October 1, 2008.