

# ALASKA STATE LEGISLATURE

## House Labor & Commerce Committee



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### House Bill 149

#### Sectional Analysis (v. \A)

*"An Act relating to pharmacy benefits managers; relating to third-party administrators; and providing for an effective date."*

#### **Section 1. Amends AS 21.06.120(a): Examination of insurers.**

This section adds pharmacy benefits managers to the list of licensed and formerly licensed groups the affairs of which the director may examine.

#### **Section 2. Amends AS 21.06.120(d): Examination of insurers.**

This section adds third-party administrators and pharmacy benefits managers to the list of groups in which the director may examine through multi-state participation with the National Association of Insurance Commissioners.

#### **Section 3. Adds a new subsection to AS 21.06.120: Examination of insurers.**

This section adds a new subsection allowing the director to examine third-party administrators or pharmacy benefits managers at any time that the director deems necessary.

#### **Section 4. Amends AS 21.06.160(a): Examination expense.**

This section removes an exemption for third-party administrators and makes them responsible for paying costs associated with a market conduct examination.

**Section 5. Amends AS 21.27.010(a): License required.**

This section adds Third-Party Administrators and Pharmacy Benefits Managers to the list of people required to be licensed under this chapter to do business in this state.

**Section 6. Amends AS 21.27.010(c): License required.**

This section makes conforming changes by replacing the term “registered” with “licensed” on line 22.

This section also replaces the statute number with the verbiage “this chapter” since TPA will now be subject to licensing requirements throughout the chapter

**Section 7. Adds a new subsection to AS 21.27.010 License required.**

This section adds a new subsection (l) clarifying third-party administrators and pharmacy benefits managers are also subject to specific licensing requirements under the AS 21.27.630 – 21.27.660 (TPA) and AS 21.27.901 – 21.27.955 (PBM).

**Section 8. Amends AS 21.27.060(d): Examination of applicants and licensees.**

This section exempts a compliance officer for a third-party administrator or pharmacy benefits manager from taking an exam from the division before a license is issued.

**Section 9. Amends AS 21.27.380(b): License renewal, expiration, and reinstatement.**

This section pertains to license expiration and adds third-party administrators and pharmacy benefits managers to the list of entities who may not operate in the state with an expired license.

**Section 10. Amends AS 21.27.630(a): Registration required.**

This section makes conforming changes by replacing the term “registered” with “licensed” on lines 24 and 27.

**Section 11. Amends AS 21.27.630(b): Registration required.**

This section makes conforming changes by replacing the term “registered” with “licensed” on line 30.

**Section 12. Amends AS 21.27.630(c): Registration required.**

This section makes conforming changes by replacing the term “registered” with “licensed” on line 2.

This section also replaces the statute number with the verbiage “this chapter” since TPA will now be subject to licensing requirements throughout the chapter.

**Section 13. Amends AS 21.27.630(d): Registration required.**

This section makes conforming changes by replacing the term “registration” with “license” on line 7. This section is about fraudulent use of a name.

**Section 14. Amends AS 21.27.630(e): Registration required.**

This section makes conforming changes by replacing the term “registered” with “licensed” on line 12. This section is about entities must be licensed not the individual.

This section also replaces the verbiage “section” with “chapter” since TPA will now be subject to licensing requirements throughout the chapter.

**Section 15. Amends AS 21.27.630(g): Registration required.**

This section makes conforming changes by replacing the term “registered” with “licensed” on line 18. This section pertains to credit unions banks or other financial institutions.

**Section 16. Amends AS 21.27.630(h): Registration required.**

This section makes conforming changes by replacing the term “registered” with “licensed” on line 24. This section pertains to credit card companies.

**Section 17. Amends AS 21.27.630(i): Registration required.**

This section makes conforming changes by replacing the term “registered” with “licensed” on line 29. This section pertains to ERISA plans which are exempted from licensure.

**Section 18. Amends AS 21.27.630(j): Registration required.**

This section makes conforming changes by replacing the term “registration” with “license” on lines 8 and 9. It also removes duplicative language no longer needed since TPA will be required to be licensed. This section is relating to suspensions and revocations of license.

**Section 19. Amends AS 21.27.630(k): Registration required.**

This section makes conforming changes by replacing the term “registered” with “licensed” on line 12. This section is regarding an exemption for insurers who hold a certificate of authority from the director.

**Section 20. Amends AS 21.27.630(l): Registration required.**

This section makes conforming changes by replacing the term “registered” with “licensed” on lines 15.

Adds the requirement that any entity that meets the qualifications of an exempt TPA file a certification with the director annually on or before February 1<sup>st</sup> of each year.

**Section 21. Amends AS 21.27.630(m): Registration required.**

This section pertains to exempting employees of third-party administrators from licensing requirements and makes conforming changes by replacing the term “registered” with “licensed” on line 22.

This section also adds language requiring designated compliance officers to be licensed.

**Section 22. Amends AS 21.27.640(a): Third-party administrator qualifications.**

This section makes conforming changes by replacing the term “registration” with “license” on lines 27 and 28. This section relates to untrustworthy and incompetent licensees.

**Section 23. Amends AS 21.27.640(b): Third-party administrator qualifications.**

This section makes conforming changes by replacing the term “registration” with “license” on line 2 and the term “registrant” with “licensee” on lines 3, 23, and 26. This section lists criteria relating to licensee qualifications

**Section 24. Amends AS 21.27.640(d): Third-party administrator qualifications.**

This section makes conforming changes by replacing the term “registrant” with “licensee” on lines 1 and 2, the term “registration” with “license” on line 3. This section pertains to license approval by director.

**Section 25. Amends AS 21.27.650(a): Operating requirements for third-party administrators.**

This section makes conforming changes by replacing the term “registered” with “licensed” on line 9. Removes an exemption for a TPA registered in their home state applying for a non-resident Alaska license. By eliminated the exemption, we are now requiring all TPA who are operating in Alaska to be licensed regardless of their resident state status.

**Section 26. Amends AS 21.27.650(q): Operating requirements for third-party.**

This section makes conforming changes by replacing the term “registration” with “license” on line 17. This section outlines criteria by which a director may revoke a license.

**Section 27. Amends AS 21.27.901: Registration of pharmacy benefits managers; scope of business practice.**

This section makes the following conforming changes:

- Replaces the term “registration” with “license” in the statute title.
- Replaces the term “registered” with “licensed” on page 12, line 30 and page 13, lines 1 and 14.
- Replaces the term “registration” with “license” on page 13, lines 8, 11, and 12.

**Section 28. Adds new sections – AS 21.27.903, 904.**

This section adds 21.27.903 Pharmacy benefits manager qualifications which outlines the following qualifications:

- Disclosures; including information concerning owners, officers, directors and partners, action taken against them by a financial industry regulatory authority (including the government), and criminal prosecution.
- Identified a designated compliance officer.
- A complete application, which includes:
  - Application fee
  - Organizational documents, including regulatory documents.
  - Contact information for the people responsible for the conduct of affairs for the pharmacy benefit manager.
  - Certified financial documents for the last two years, or for the last year and partial year if the applicant has been in business for less than two years.

This section adds 21.27.904 Pharmacy benefit manager required notifications.

Outlines that PBMs must notify the director of the following:

- Change of information i.e. place of business, email, address, telephone number.
- Change in compliance officer and contact information.
- Any administrative action taken against the licensee.
- Conviction of misdemeanor or felony.

Failure to provide the above information may result in denial, revocation or suspension or license.

## **Section 29. Amends AS 21.27.905: Renewal of registration.**

This section makes the following conforming changes:

- Replaces the term “registration” with “license” in the statute title.
- Replaces the term “registration” with “license” on lines 24 and 26.

Regarding procedures for biennial renewal of license, and renewal fees established by the director that are self-supporting for the division.

**Section 30. Adds a new subsection to AS 21.27.905: Renewal of registration.**

This section adds a new subsection requiring the licensing fees of pharmacy benefit managers to cover the cost of:

- Salaries and benefits paid to the personnel of the division tasked with enforcement.
- Reasonable technology costs related to the enforcement process of pharmacy benefits manager licensing, including cost of software, hardware and related training for use of said software and hardware.
- Reasonable education and training costs to the division for the enforcing personnel.

**Section 31. Amends AS 21.27.975(15): Definitions.**

This section adds “regardless of ownership of the pharmacy benefits manager” to the definition of pharmacy benefits manager.

**Section 32. Repeals AS 21.27.630(f):**

**Sec. 21.27.630(f). Registration required.**

This provision is no longer needed because they now must be licensed rather than registered.

**Section 33. Sets an effective date for January 1, 2026.**