

Alaska State Legislature

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Senate Bill 134

Sponsor Statement (vsn A)

“An act relating to pharmacy benefits managers; relating to third-party administrators; and providing for an effective date.”

Senate Bill 134 will require Third-Party Administrators (TPAs) and Pharmacy Benefits Managers (PBMs) to be licensed in the state of Alaska and outlines a licensing fee that reflects the Division of Insurance’s cost of managing said licensure. Currently, both these groups are only required to register in the state. While both registration and licensure involve verifying a professional's qualifications, the difference is the degree of regulatory authority the division wields over their business practices. Registration provides a basic level of recognition; in contrast, licensure is a legally mandated process granting the right to practice a profession. Moving to licensure gives the Division of Insurance the same authority over TPAs and PBMs that they hold over any other licensed business entity.

Insurers continue to out-source many core functions to external entities such as PBMs and TPAs, with staff managing the vendor contracts instead of performing those functions internally. Since TPAs and PBMs operate as separate business entities, they are not regulated as an insurer under a Certificate of Authority (COA) nor a firm under a license. This shift has created pathways to circumvent Alaska insurance code, thereby increasing division staff time dedicated to clarifying legal questions from TPAs. If a TPA or a PBM is not an insurance carrier with a COA, they should be a license holder with a license.

Last year the Alaska State Legislature passed House Bill 226 that pertained to PBM business practices. During the committee process, language incorporating PBMs into the examination of insurers statutes from AS 21.06.120 – AS 21.06.160 was not addressed. SB 134 importantly addresses this omission to ensure the division is meeting the intent of the legislature in regulating PBMs, including conducting Market Conduct Exams when concerning business practices occur. In addition, the legislation certifies that PBMs are treated the same as insurance agencies, by making them responsible for the cost of these exams.

Please join me in supporting SB 134 to allow the Division of Insurance to regulate Third-Party Administrators and Pharmacy Benefit Managers as licensees in the state of Alaska.

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