

# ALASKA STATE LEGISLATURE

## House Labor & Commerce Committee



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### House Bill 149 – Pharmacy Benefits Manager; 3<sup>rd</sup> Party Admin

“An Act relating to pharmacy benefits managers and third-party administrators.”

#### Sponsor Statement – Ver. \A

**House Bill 149** 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, the state requires only registration for these entities. Registration provides a basic level of verification; 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 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. HB 149 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 HB 149 to allow the Division of Insurance to regulate Third-Party Administrators and Pharmacy Benefit Managers as licensees in the state of Alaska.

**HOUSE BILL NO. 149**

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-FOURTH LEGISLATURE - FIRST SESSION

BY THE HOUSE LABOR AND COMMERCE COMMITTEE

Introduced: 3/21/25

Referred: Labor and Commerce, Health and Social Services

**A BILL**

**FOR AN ACT ENTITLED**

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

3 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 \* **Section 1.** AS 21.06.120(a) is amended to read:

5 (a) The director may examine the affairs, transactions, accounts, records, and  
6 assets of each authorized and formerly authorized insurer and each licensed and  
7 formerly licensed managing general agent, reinsurance intermediary broker,  
8 reinsurance intermediary manager, surplus lines broker, **pharmacy benefits manager,**  
9 and surplus lines association as often as the director considers advisable. In scheduling  
10 and determining the nature, scope, and frequency of examinations, the director may  
11 consider any factor or material that the director determines is appropriate, including  
12 the results of financial statement analysis and ratios, competency of management or  
13 change of ownership, actuarial opinions, reports of independent certified public  
14 accountants, number and nature of consumer complaints, results of prior examinations,

frequency of prior violations of statute and regulation, and criteria set out in the most recent edition of the Financial Condition Examiners Handbook and the Market Regulation Handbook approved by the National Association of Insurance Commissioners and in effect when the director conducts an examination. Examination of an alien insurer may be limited to its insurance transactions and affairs in the United States. Examination of a reciprocal insurer may also include examination of its attorney-in-fact to the extent that the transactions of the attorney-in-fact relate to the insurer.

\* **Sec. 2.** AS 21.06.120(d) is amended to read:

(d) The director may examine insurers, **third-party administrators, and pharmacy benefits managers** in participation with the National Association of Insurance Commissioners.

\* **Sec. 3.** AS 21.06.120 is amended by adding a new subsection to read:

(h) The director may examine a third-party administrator or pharmacy benefits manager any time the director determines that an examination or investigation is necessary.

\* **Sec. 4.** AS 21.06.160(a) is amended to read:

(a) Each person examined, other than examinations under AS 21.06.130 and examinations of managing general agents, [THIRD-PARTY ADMINISTRATORS,] reinsurance intermediary managers, motor vehicle service contract providers, or surplus lines brokers, shall pay a reasonable rate calculated on salary, benefit costs, and estimated division overhead for time spent directly or indirectly related to the examination. Each person examined, other than examinations under AS 21.06.130, shall pay actual out-of-pocket business expenses, including travel expenses, incurred by division staff examiners and shall pay the compensation of a contract examiner, to be set at a reasonable customary rate, for conducting the examination upon presentation of a detailed account of the charges and expenses by the director or under an order of the director. The director may waive payment of all or part of the actual out-of-pocket business expenses incurred by division staff examiners, or the compensation of a contract examiner, if the director determines that payment of the expenses or compensation creates a financial hardship for a managing general agent,

third-party administrator, reinsurance intermediary manager, motor vehicle service contract provider, or surplus lines broker. The accounting may either be presented periodically during the course of the examination or at the termination of the examination. A person may not pay and an examiner may not accept additional compensation for an examination. A person shall pay examination expenses to the division under this subsection using an electronic payment method specified by the director.

\* **Sec. 5.** AS 21.27.010(a) is amended to read:

(a) Except as provided otherwise in this chapter, a person may not act as or represent to be an insurance producer, managing general agent, reinsurance intermediary broker, reinsurance intermediary manager, surplus lines broker, **third-party administrator, pharmacy benefits manager,** or independent adjuster in this state or relative to a subject resident, located, or to be performed in this state unless licensed under this chapter. A person may not act as or represent to be a managing general agent, reinsurance intermediary broker, **third-party administrator, pharmacy benefits manager,** or reinsurance intermediary manager representing an insurer domiciled in this state regarding a risk located outside this state unless licensed by this state.

\* **Sec. 6.** AS 21.27.010(c) is amended to read:

(c) A third-party administrator is not required to be licensed as a managing general agent if the third-party administrator

(1) is **licensed** [REGISTERED] under **this chapter** [AS 21.27.630 - 21.27.660]; or

(2) only investigates and adjusts claims and is licensed under this chapter as an independent adjuster.

\* **Sec. 7.** AS 21.27.010 is amended by adding a new subsection to read:

(l) In addition to the requirements under AS 21.27.010 - 21.27.460, a

(1) third-party administrator is subject to the licensing requirements under AS 21.27.630 - 21.27.660; and

(2) pharmacy benefits manager is subject to the licensing requirements under AS 21.27.901 - 21.27.955.

1 \* **Sec. 8.** AS 21.27.060(d) is amended to read:

2 (d) This section does not apply to an applicant

3 (1) for a limited license under AS 21.27.150(a)(1), (4), (5), or (8);

4 [OR]

5 (2) who, at any time within the one-year period immediately preceding  
6 the date the current pending application is received by the division, had been licensed  
7 in good standing in this state under a license requiring substantially similar  
8 qualifications as required by the license applied for; or

9 (3) who is a compliance officer for a third-party administrator or  
10 pharmacy benefits manager.

11 \* **Sec. 9.** AS 21.27.380(b) is amended to read:

12 (b) If a license is not renewed on or before the renewal date set by the director,  
13 the license expires. A licensee may not act as or represent to be an insurance producer,  
14 managing general agent, reinsurance intermediary broker, third-party administrator,  
15 pharmacy benefits manager, reinsurance intermediary manager, surplus lines broker,  
16 or independent adjuster during the time a license has expired. The director may  
17 reinstate an expired license if the person continues to qualify for the license and pays  
18 renewal license fees and a delayed renewal penalty. Reinstatement does not exempt a  
19 person from a penalty provided by law for transacting business while unlicensed. A  
20 license may not be renewed if it has expired for two years or longer.

21 \* **Sec. 10.** AS 21.27.630(a) is amended to read:

22 (a) A person may not act as or represent to be a third-party administrator in  
23 this state or relative to a subject resident, located, or to be performed in this state,  
24 unless licensed [REGISTERED] under this chapter or in another jurisdiction under  
25 AS 21.27.650. A person may not act as or represent to be a third-party administrator  
26 representing an insurer domiciled in this state regarding a risk located outside this state  
27 unless licensed [REGISTERED] by this state under the provisions of this chapter.

28 \* **Sec. 11.** AS 21.27.630(b) is amended to read:

29 (b) A third-party administrator may not transact business for a kind or class of  
30 authority for which the person is not licensed [REGISTERED].

31 \* **Sec. 12.** AS 21.27.630(c) is amended to read:

(c) Except as otherwise provided in this chapter, a third-party administrator shall be licensed [REGISTERED] under this chapter [AS 21.27.630 - 21.27.660] unless the third-party administrator only investigates and adjusts claims and is licensed under this chapter as an independent adjuster.

\* **Sec. 13.** AS 21.27.630(d) is amended to read:

(d) A third-party administrator may not use a fictitious name or alias unless the licensee's legal name and fictitious name or alias are on the license [REGISTRATION].

\* **Sec. 14.** AS 21.27.630(e) is amended to read:

(e) A person who is an employee of an admitted insurer, who acts within the course and scope of that employment, and within the scope of the insurer's certificate of authority is not required to be licensed [REGISTERED] under this chapter [SECTION].

\* **Sec. 15.** AS 21.27.630(g) is amended to read:

(g) A credit union or a financial institution subject to supervision or examination by federal or state banking authorities, or a mortgage lender, that performs no functions other than advancing premiums to the insurer and collecting a debt from the insured is not required to be licensed [REGISTERED] as a third-party administrator.

\* **Sec. 16.** AS 21.27.630(h) is amended to read:

(h) A credit card issuing company that performs no functions, including adjustment or settlement of claims, other than advancing and collecting premiums from its credit card holders who have authorized collection is not required to be licensed [REGISTERED] as a third-party administrator.

\* **Sec. 17.** AS 21.27.630(i) is amended to read:

(i) A person who only provides services to bona fide employee benefit plans that are established by an employer or an employee organization, or both, for which the insurance laws of this state are preempted under the Employee Retirement Income Security Act of 1974, is not required to be additionally licensed [REGISTERED] as a third-party administrator if the person certifies to the director on or before February 1 of each year its exempt status.

1 \* **Sec. 18.** AS 21.27.630(j) is amended to read:

2 (j) A third-party administrator

3 [(1) SHALL APPLY FOR REGISTRATION UNDER THE  
4 PROCEDURES OF AS 21.27.040;

5 (2) SHALL RENEW ITS REGISTRATION UNDER THE  
6 PROCEDURES OF AS 21.27.380; AND

7 (3)] is subject to hearings and orders on violations; denial, nonrenewal,  
8 suspension, or revocation of license [REGISTRATION]; penalties; and surrender of  
9 license [REGISTRATION] under the procedures set out in AS 21.27.405 - 21.27.460.

10 \* **Sec. 19.** AS 21.27.630(k) is amended to read:

11 (k) An insurer that holds a certificate of authority issued by the director and is  
12 in good standing under this title is not required to be licensed [REGISTERED] as a  
13 third-party administrator in this state.

14 \* **Sec. 20.** AS 21.27.630(l) is amended to read:

15 (l) A person that is not required to be licensed [REGISTERED] as a third-  
16 party administrator under (e) - (k) of this section must file an annual [A] certification  
17 with the director that the person meets the requirements for exemption on or before  
18 February 1 of each year.

19 \* **Sec. 21.** AS 21.27.630(m) is amended to read:

20 (m) A person who is an employee of a third-party administrator and who acts  
21 within the course and scope of that employment and within the scope of the written  
22 contract required under AS 21.27.650(a)(4) is not required to be licensed  
23 [REGISTERED] as a third-party administrator under this section unless that person  
24 is the designated compliance officer under AS 21.27.640(b)(6). The third-party  
25 administrator is responsible for the acts of its employees regulated under this title.

26 \* **Sec. 22.** AS 21.27.640(a) is amended to read:

27 (a) The director may not issue or renew a license [REGISTRATION] except  
28 in compliance with this chapter and may not issue a license [REGISTRATION] to a  
29 person, or to be exercised by a person, found by the director to be untrustworthy,  
30 incompetent, financially irresponsible, or who has not established to the satisfaction of  
31 the director that the person is qualified under this chapter.

1     \* **Sec. 23.** AS 21.27.640(b) is amended to read:

2             (b) To qualify for issuance or renewal of a **license** [REGISTRATION], an  
3     applicant or **licensee** [REGISTRANT] shall comply with this title, regulations adopted  
4     under AS 21.06.090, and

5                 (1) be a trustworthy person;

6                 (2) have active working experience in administrative functions that, in  
7     the director's opinion, exhibits the ability to competently perform the administrative  
8     functions of a third-party administrator;

9                 (3) not have committed an act that is a cause for denial, nonrenewal,  
10    suspension, or revocation of a registration or license in this state or another  
11    jurisdiction;

12                (4) maintain a lawfully established place of business as described in  
13    AS 21.27.330 in this state, unless licensed as a nonresident under AS 21.27.270;

14                (5) disclose to the director all owners, officers, directors, or partners, if  
15    any;

16                (6) designate a compliance officer for the firm;

17                (7) provide in or with its application

18                    (A) all basic organizational documents of the third-party  
19    administrator, including articles of incorporation, articles of association,  
20    partnership agreement, trade name certificate, trust agreement, shareholder  
21    agreement, and other applicable documents and all endorsements to the  
22    required documents;

23                    (B) the bylaws, rules, regulations, or similar documents  
24    regulating the internal affairs of the administrator;

25                    (C) the names, mailing addresses, physical addresses, official  
26    positions, and professional qualifications of persons who are responsible for  
27    the conduct of affairs of the third-party administrator, including the members  
28    of the board of directors, board of trustees, executive committee, or other  
29    governing board or committee; the principal officers in the case of a  
30    corporation, or the partners or members in the case of a partnership, limited  
31    liability company, limited liability partnership, or association; shareholders

1 holding directly or indirectly 10 percent or more of the voting securities of the  
 2 third-party administrator; and any other person who exercises control or  
 3 influence over the affairs of the third-party administrator;

4 (D) certified financial statements for the preceding two years,  
 5 or for each year and partial year that the applicant has been in business if less  
 6 than two years, prepared by an independent certified public accountant  
 7 establishing that the applicant is solvent, that the applicant's system of  
 8 accounting, internal control, and procedure is operating effectively to provide  
 9 reasonable assurance that money is promptly accounted for and paid to the  
 10 person entitled to the money, and any other information that the director may  
 11 require to review the current financial condition of the applicant; and

12 (E) a statement describing the business plan, including  
 13 information on staffing levels and activities proposed in this state and in other  
 14 jurisdictions and providing details establishing the third-party administrator's  
 15 capability for providing a sufficient number of experienced and qualified  
 16 personnel in the areas of claims handling, underwriting, and record keeping;

17 (8) provide to the director documents necessary to verify the  
 18 statements contained in or in connection with the application; and

19 (9) notify the director, in writing, not later than 30 days after

20 (A) a change in compliance officer, residence, place of  
 21 business, mailing address, or phone number;

22 (B) the final disposition of an administrative action taken  
 23 against the licensee [REGISTRANT] by a governmental agency of another  
 24 state, by a governmental agency of another jurisdiction, or by a financial  
 25 industry regulatory authority sanction or arbitration proceeding; in addition, a  
 26 licensee [REGISTRANT] shall submit to the director documents relating to the  
 27 final disposition on, including the final order and other relevant legal  
 28 documents in, the action; or

29 (C) a conviction of a misdemeanor or felony of the third-party  
 30 administrator, its officers, directors, partners, owners, or employees.

31 \* **Sec. 24.** AS 21.27.640(d) is amended to read:

(d) If the director finds that the applicant or licensee [REGISTRANT] is qualified and that application, license [REGISTRATION], or renewal fees have been paid, the director may issue or renew the license [REGISTRATION].

\* **Sec. 25.** AS 21.27.650(a) is amended to read:

(a) An insurer may not transact business with a third-party administrator unless

(1) the insurer holds a certificate of authority in this state if required under this title;

(2) the third-party administrator is licensed [REGISTERED] under this chapter [OR THE THIRD-PARTY ADMINISTRATOR HAS FILED A CERTIFICATION WITH THE DIRECTOR CERTIFYING THAT THE THIRD-PARTY ADMINISTRATOR IS OPERATING ONLY FOR A FOREIGN INSURER OTHER THAN A SELF-FUNDED MULTIPLE EMPLOYER WELFARE ARRANGEMENT REGULATED UNDER AS 21.85 AND IS REGISTERED AS A THIRD-PARTY ADMINISTRATOR BY THE THIRD-PARTY ADMINISTRATOR'S RESIDENT INSURANCE REGULATOR IN A STATE THAT THE DIRECTOR HAS DETERMINED HAS ENACTED PROVISIONS SUBSTANTIALLY SIMILAR TO THOSE CONTAINED IN AS 21.27.630 - 21.27.650 AND THAT IS ACCREDITED BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS];

(3) the third-party administrator provides the director on January 1, April 1, July 1, and October 1 of each year

(A) a list of persons who supervise or have responsibility over personnel performing administrative functions, including claims administration and payment, marketing administrative functions, premium accounting, premium billing, coverage verification, underwriting, or certificate issuance on [UPON] a subject resident, located [,] or to be performed in this state;

(B) a list of current insurers under contract; and

(C) other information the director may require;

(4) a written contract is in effect between the parties that establishes the responsibilities of each party, indicates both parties' share of responsibility for a

1 particular function, and specifies the division of responsibilities;

2 (5) there is in effect a written contract between the insurer and third-  
3 party administrator that contains the following provisions:

4 (A) the insurer may terminate the contract for cause upon  
5 written notice sent by certified mail to the third-party administrator and may  
6 suspend the underwriting authority of the third-party administrator during a  
7 dispute regarding the cause for termination; but the insurer must fulfill all  
8 lawful obligations with respect to policies affected by the written agreement,  
9 regardless of any dispute between the insurer and the third-party administrator;

10 (B) the third-party administrator shall render accounts to the  
11 insurer detailing all transactions and remit all money due under the contract to  
12 the insurer at least monthly;

13 (C) all money collected for the account of an insurer shall be  
14 held by the third-party administrator as a fiduciary;

15 (D) all payments on behalf of the insurer shall be held by the  
16 third-party administrator as a fiduciary;

17 (E) the third-party administrator may not retain more than three  
18 months' estimated claims payments and allocated loss adjustment expenses;

19 (F) the third-party administrator shall maintain separate records  
20 for each insurer in a form usable by the insurer; the insurer or its authorized  
21 representative shall have the right to audit and the right to copy all accounts  
22 and records related to the insurer's business; the director, in addition to other  
23 authority granted in this title, shall have access to all books, bank accounts, and  
24 records of the third-party administrator in a form usable to the director; any  
25 trade secrets contained in books and records reviewed by the director,  
26 including the identity and addresses of policyholders and certificate holders,  
27 shall be kept confidential, except that the director may use the information in a  
28 proceeding instituted against the third-party administrator or the insurer;

29 (G) the contract may not be assigned in whole or in part by the  
30 third-party administrator;

31 (H) if the contract permits the third-party administrator to do

1 underwriting, the contract must include the following:

2 (i) the third-party administrator's maximum annual  
3 premium volume;

4 (ii) the rating system and basis of the rates to be  
5 charged;

6 (iii) the types of risks that may be written;

7 (iv) maximum limits of liability;

8 (v) applicable exclusions;

9 (vi) territorial limitations;

10 (vii) policy cancellation provisions;

11 (viii) the maximum policy term; and

12 (ix) that the insurer shall have the right to cancel or not  
13 renew a policy of insurance subject to applicable state law;

14 (I) if the contract permits the third-party administrator to  
15 administer claims on behalf of the insurer, the contract must include the  
16 following:

17 (i) written settlement authority must be provided by the  
18 insurer and may be terminated for cause upon the insurer's written  
19 notice sent by certified mail to the third-party administrator or upon the  
20 termination of the contract, but the insurer may suspend the settlement  
21 authority during a dispute regarding the cause of termination;

22 (ii) claims shall be reported to the insurer within 30  
23 days;

24 (iii) a copy of the claim file shall be sent to the insurer  
25 upon request or as soon as it becomes known that the claim has the  
26 potential to exceed an amount determined by the director or exceeds the  
27 limit set by the insurer, whichever is less, involves a coverage dispute,  
28 may exceed the third-party administrator's claims settlement authority,  
29 is open for more than six months, involves extra contractual  
30 allegations, or is closed by payment in excess of an amount set by the  
31 director or an amount set by the insurer, whichever is less;

(iv) each party to the contract shall comply with unfair claims settlement statutes and regulations;

(v) transmission of electronic data must occur at least monthly if electronic claim files are in existence; and

(vi) claim files shall be the sole property of the insurer; upon an order of liquidation of the insurer, the third-party administrator shall have reasonable access to and the right to copy the files on a timely basis; and

(J) the contract may not provide for commissions, fees, or charges contingent upon savings obtained in the adjustment, settlement, and payment of losses covered by the insurer's obligations; but a third-party administrator may receive performance-based compensation for providing hospital or other auditing services or may receive compensation based on premiums or charges collected or the number of claims paid or processed.

\* **Sec. 26.** AS 21.27.650(q) is amended to read:

(q) The director may, without advance notice or hearing, immediately suspend by order the license [REGISTRATION] of a third-party administrator if the director finds that one or more of the following circumstances exist:

(1) the third-party administrator is insolvent or impaired;

(2) a proceeding for bankruptcy, receivership, conservatorship, or rehabilitation, or another delinquency proceeding regarding the third-party administrator has been commenced in any state or by a governmental agency of another jurisdiction;

(3) the third-party administrator is in an unsound condition, or is in a condition or using methods or practices that render its further transaction of insurance injurious to policy holders or the public.

\* **Sec. 27.** AS 21.27.901 is amended to read:

**Sec. 21.27.901. Licensure [REGISTRATION] of pharmacy benefits managers; scope of business practice.** (a) A person may not conduct business in the state as a pharmacy benefits manager unless the person is licensed [REGISTERED] with the director.

(b) A pharmacy benefits manager licensed [REGISTERED] under this section may

(1) contract with an insurer to administer or manage pharmacy benefits provided by an insurer for a covered person, including claims processing services for and audits of payments for prescription drugs and medical devices and supplies; and

(2) contract with network pharmacies.

(c) A pharmacy benefits manager

(1) shall apply for license [REGISTRATION] following the same procedures for licensure set out in AS 21.27.040;

(2) is subject to hearings and orders on violations; denial, nonrenewal, suspension, or revocation of license [REGISTRATION]; penalties; and surrender of license [REGISTRATION] under the procedures set out in AS 21.27.405 - 21.27.460.

(d) Each day that a pharmacy benefits manager conducts business in the state as a pharmacy benefits manager without being licensed [REGISTERED] is a separate violation of this section, and each separate violation is subject to the maximum civil penalty under AS 21.97.020.

\* **Sec. 28.** AS 21.27 is amended by adding new sections to read:

**Sec. 21.27.903. Pharmacy benefit manager qualifications.** (a) An application for a pharmacy benefits manager license must be in a form prescribed by the director.

(b) The director may only issue or renew a license if the director is satisfied that the applicant is a trustworthy person. The director may not issue a license to an applicant who has committed an act that is a cause for denial, nonrenewal, suspension, or revocation of a registration or license in this state or another jurisdiction.

(c) An application must disclose

(1) information concerning the identity, professional history, professional experience, and background history of all owners, officers, directors, or partners;

(2) any administrative action taken against the owners, officers, directors, or partners by a governmental agency of this or another jurisdiction and any sanction imposed by a financial industry regulatory authority or arbitration

1 proceeding;

2 (3) any criminal prosecution in this state or another state or jurisdiction  
3 of an owner, officer, director, or partner; the application must include the criminal  
4 complaint, calendaring order, and other relevant legal documents.

5 (d) An application must designate a compliance officer for the pharmacy  
6 benefits manager and include the name, business address, telephone number,  
7 electronic mailing address, professional experience, and information concerning the  
8 background history of the officer.

9 (e) An application must include

10 (1) the required application fee;

11 (2) the organizational documents of the pharmacy benefits manager,  
12 including articles of incorporation, articles of association, partnership agreement, trade  
13 name certificate, trust agreement, shareholder agreement, and other applicable  
14 documents, as well as the endorsements to the required documents;

15 (3) the name and address of the pharmacy benefits manager's agent for  
16 service of process in the state;

17 (4) the bylaws, rules, regulations, or similar documents regulating the  
18 internal affairs of the pharmacy benefits manager;

19 (5) the name, electronic mailing address, physical address, official  
20 position, and professional qualifications of each person who is responsible for the  
21 conduct of affairs of the pharmacy benefits manager, including the board of directors,  
22 board of trustees, executive committee, or other governing board or committee; the  
23 principal officers in the case of a corporation, or the partners or members in the case of  
24 a partnership, limited liability company, limited liability partnership, or association;  
25 shareholders holding directly or indirectly 10 percent or more of the voting securities  
26 of the pharmacy benefits manager; and any other person who exercises control or  
27 influence over the affairs of the pharmacy benefits manager;

28 (6) certified financial statements for the preceding two years, or for  
29 each year and partial year that the applicant has been in business if less than two years,  
30 prepared by an independent certified public accountant establishing that the applicant  
31 is solvent, that the applicant's system of accounting, internal control, and procedure is

operating effectively to provide reasonable assurance that money is promptly accounted for and paid to the person entitled to the money, and any other information that the director may require to review the current financial condition of the applicant.

**Sec. 21.27.904. Pharmacy benefit manager required notifications.** (a) A licensed pharmacy benefit manager shall notify the director in writing, not later than 30 days after

(1) a change in the information contained within the licensee's license, place of business, electronic mailing address, physical mailing address, or telephone number;

(2) a change in compliance officer, residence, place of business, mailing address, or telephone number;

(3) the final disposition of an administrative action taken against the licensee by a governmental agency of another state, by a governmental agency of another jurisdiction, or by a financial industry regulatory authority sanction or arbitration proceeding; in addition, a licensee shall submit to the director documents relating to the final disposition on, including the final order and other relevant legal documents in, the action; or

(4) a conviction of a misdemeanor or felony of the pharmacy benefits manager, its officers, designated compliance officer, directors, partners, or owners.

(b) Failure to provide the information required under this section within 30 days is cause for denial, revocation, or suspension of license.

\* **Sec. 29.** AS 21.27.905 is amended to read:

**Sec. 21.27.905. Renewal of license [REGISTRATION].** (a) A pharmacy benefits manager shall biennially renew a license [REGISTRATION] with the director following the procedures for license renewal in AS 21.27.380.

(b) To renew a license [REGISTRATION] under this section, a pharmacy benefits manager shall pay a renewal fee established by the director. The director shall set the amount of the renewal fee to allow the renewal and oversight activities of the division to be self-supporting.

\* **Sec. 30.** AS 21.27.905 is amended by adding a new subsection to read:

(c) The fees required under (b) of this section must include fees to cover the

1 cost of

2 (1) salaries and benefits paid to the personnel of the division engaged  
3 in the enforcement of this chapter;

4 (2) reasonable technology costs related to the enforcement process,  
5 including the actual cost of software and hardware used in the enforcement process  
6 and the cost of training personnel in the proper use of the software or hardware; and

7 (3) reasonable education and training costs incurred by the division to  
8 maintain the proficiency and competence of the enforcing personnel.

9 \* **Sec. 31.** AS 21.27.975(15) is amended to read:

10 (15) "pharmacy benefits manager" means a person that contracts with a  
11 pharmacy on behalf of an insurer to process claims or pay pharmacies for prescription  
12 drugs or medical devices and supplies or provide network management for pharmacies  
13 **regardless of ownership of the pharmacy benefits manager;**

14 \* **Sec. 32.** AS 21.27.630(f) is repealed.

15 \* **Sec. 33.** This Act takes effect January 1, 2026.

# ALASKA STATE LEGISLATURE

## House Labor & Commerce Committee



Rep. Zack Fields  
Co-Chair  
State Capitol, Room 24  
Juneau, AK 99801  
907.465.2647

Rep. Carolyn Hall  
Co-Chair  
State Capitol, Room 434  
Juneau, AK 99801  
907.465.4968

Rep. Robyn Burke  
Rep. Ashley Carrick  
Rep. David Nelson  
Rep. Julie Coulombe  
Rep. Dan Saddler

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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.**

# Fiscal Note

State of Alaska  
2025 Legislative Session

Bill Version: HB 149  
Fiscal Note Number: \_\_\_\_\_  
( ) Publish Date: \_\_\_\_\_

Identifier: HB149-DCCED-DOI-03-21-25  
Title: PHARMACY BENEFITS MANAGER;3RD PARTY  
ADMIN  
Sponsor: LABOR & COMMERCE  
Requester: House Labor & Commerce

Department: Department of Commerce, Community and  
Economic Development  
Appropriation: Insurance Operations  
Allocation: Insurance Operations  
OMB Component Number: 354

## Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2026 Appropriation Requested	Included in Governor's FY2026 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	FY 2026	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
<b>Total Operating</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

## Fund Source (Operating Only)

None							
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

## Positions

Full-time							
Part-time							
Temporary							

## Change in Revenues

None							
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Estimated SUPPLEMENTAL (FY2025) cost:** 0.0 (separate supplemental appropriation required)

**Estimated CAPITAL (FY2026) cost:** 0.0 (separate capital appropriation required)

**Does the bill create or modify a new fund or account?** No  
(Supplemental/Capital/New Fund - discuss reasons and fund source(s) in analysis section)

## ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes  
If yes, by what date are the regulations to be adopted, amended or repealed? 06/30/27

## Why this fiscal note differs from previous version/comments:

Not applicable, initial version.

Prepared By: Lori Wing-Heier, Division Director  
Division: Division of Insurance  
Approved By: Hannah Lager, Administrative Services Director  
Agency: Department of Commerce, Community, and Economic Development

Phone: (907)269-7896  
Date: 03/21/2025  
Date: 03/21/25

## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2025 LEGISLATIVE SESSION

BILL NO. HB 149

### Analysis

HB 149 would require Third-Party Administrators (TPAs) and Pharmacy Benefits Managers (PBMs) to be licensed instead of registered. The bill amends the examination statutes in AS 21.06.120 - 21.06.160 to add pharmacy benefits manager to the list of entities the Director of the Division of Insurance may examine, including thorough coordinated multi-state examinations. It removes an exemption for TPAs that would now subject them to pay the costs of a market conduct examination. The division anticipates current TPAs and PBMs would update to a full license upon the renewal period of their registration, which will allow for the division to process applications on a rolling basis with no additional staff needed.

Regulations to update the terminology of "registration" to "license" will be required. The division would include these changes in other planned regulation packages and does not anticipate fiscal impact from this legislation.