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SENATE BILL 360

51ST LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2013

INTRODUCED BY

Gerald Ortiz y Pino

AN ACT

RELATING TO PRESCRIPTION DRUGS; ENACTING THE PHARMACY BENEFITS
MANAGER REGULATION ACT; PROVIDING PENALTIES; AMENDING AND
ENACTING SECTIONS OF THE NEW MEXICO INSURANCE CODE; REQUIRING
LICENSURE OF PHARMACY BENEFITS MANAGERS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. A new section of the New Mexico Insurance Code
is enacted to read:

"[NEW MATERIAL] SHORT TITLE.--Sections 1 through 7 of this
act may be cited as the "Pharmacy Benefits Manager Regulation
Act"."

SECTION 2. A new section of the New Mexico Insurance Code
is enacted to read:

"[NEW MATERIAL] DEFINITIONS.--As used in the Pharmacy
Benefits Manager Regulation Act:

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1 A. "covered entity" means a nonprofit hospital or
2 medical service corporation, health insurer, health benefit
3 plan or health maintenance organization; a health program
4 administered by the state as a provider of health coverage; any
5 type of group health care coverage, including any form of self-
6 insurance offered, issued or renewed pursuant to the Health
7 Care Purchasing Act; or an employer, labor union or other group
8 of persons organized in the state that provides health coverage
9 to covered individuals who are employed or reside in the state.
10 "Covered entity" does not include a self-funded plan that is
11 exempt from state regulation pursuant to the federal Employee
12 Retirement Income Security Act of 1974; a plan issued for
13 coverage for federal employees; or a health plan that provides
14 coverage only for accidental injury, specified disease,
15 hospital indemnity, medicare supplement, disability income,
16 long-term care or other limited benefit health insurance
17 policies and contracts;

18 B. "covered individual" means a member,
19 participant, enrollee, contract holder, policy holder or
20 beneficiary of a covered entity who is provided health coverage
21 by the covered entity and includes a dependent or other person
22 provided health coverage through a policy, contract or plan for
23 a covered individual;

24 C. "medicare advantage plan" or "MA-PD" means a
25 prescription drug program authorized pursuant to Part C of

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1 Title 18 of the federal Medicare Prescription Drug,
2 Improvement, and Modernization Act of 2003 that provides
3 qualified prescription drug coverage;

4 D. "pharmacist" means an individual licensed as a
5 pharmacist by the board of pharmacy;

6 E. "pharmacy" means a licensed place of business
7 where drugs are compounded or dispensed and pharmacist services
8 are provided;

9 F. "pharmacy benefits management" means the service
10 provided to a health benefit plan or health insurer, directly
11 or through another person, including the procurement of
12 prescription drugs to be dispensed to patients, or the
13 administration or management of prescription drug benefits,
14 including:

15 (1) mail service pharmacies; and

16 (2) claims processing, retail network
17 management or payment of claims to pharmacies for dispensing
18 dangerous drugs, as those drugs are defined in the New Mexico
19 Drug, Device and Cosmetic Act;

20 G. "pharmacy benefits manager" means a person or a
21 wholly or partially owned or controlled subsidiary of a person
22 that provides claims administration, benefit design and
23 management, pharmacy network management, negotiation and
24 administration of product discounts, rebates and other benefits
25 accruing to the pharmacy benefits manager or other prescription

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1 drug or device services to third parties, but "pharmacy
2 benefits manager" does not include licensed health care
3 facilities, pharmacies, licensed health care professionals,
4 health insurers, unions, health maintenance organizations,
5 medicare advantage plans or prescription drug plans when
6 providing formulary services to their own patients, employees,
7 members or beneficiaries;

8 H. "prescription drug plan" or "PDP" means
9 prescription drug coverage that is offered pursuant to a
10 policy, contract or plan that has been approved as specified in
11 42 CFR Part 423 and that is offered by a prescription drug plan
12 sponsor that has a contract with the federal centers for
13 medicare and medicaid services of the United States department
14 of health and human services; and

15 I. "superintendent" means the superintendent of
16 insurance."

17 SECTION 3. A new section of the New Mexico Insurance Code
18 is enacted to read:

19 "[NEW MATERIAL] LICENSE.--

20 A. A person shall not operate as a pharmacy
21 benefits manager unless licensed by the superintendent in
22 accordance with the Pharmacy Benefits Manager Regulation Act
23 and applicable federal and state laws.

24 B. The superintendent shall enforce the provisions
25 of the Pharmacy Benefits Manager Regulation Act and may suspend

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1 or revoke a license issued to a pharmacy benefits manager or
2 deny an application for a license or renewal of a license if:

3 (1) the pharmacy benefits manager is operating
4 materially in contravention of:

5 (a) its application or other information
6 submitted as a part of its application for a license or renewal
7 of its license; or

8 (b) a condition imposed by the
9 superintendent with respect to the issuance or renewal of its
10 license;

11 (2) the pharmacy benefits manager has failed
12 to continuously meet or substantially comply with the
13 requirements for issuance of a license;

14 (3) the continued operation of the pharmacy
15 benefits manager adversely affects the public health and
16 safety;

17 (4) the pharmacy benefits manager has failed
18 to substantially comply with applicable state or federal laws
19 or rules; or

20 (5) the pharmacy benefits manager has
21 transacted insurance in the state without authorization or has
22 transacted insurance for a product that is not issued by an
23 authorized insurer.

24 C. If the license of a pharmacy benefits manager is
25 revoked, the manager shall proceed, immediately following the

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1 effective date of the order of revocation, to wind up its
2 affairs and conduct no further business except as may be
3 essential to the orderly conclusion of its affairs. The
4 superintendent may permit further operation of the pharmacy
5 benefits manager if the superintendent finds it to be in the
6 best interest of patients to obtain pharmacist services.

7 D. The Pharmacy Benefits Manager Regulation Act
8 does not apply to a person that is a licensed health care
9 facility, pharmacy, licensed health care professional, health
10 insurer, union, health maintenance organization, medicare
11 advantage plan or prescription drug plan when that person is
12 providing formulary services to its own patients, employees,
13 members or beneficiaries."

14 SECTION 4. A new section of the New Mexico Insurance Code
15 is enacted to read:

16 "[NEW MATERIAL] PHARMACY BENEFITS MANAGER CONTRACTS.--

17 A. A pharmacy benefits manager shall not require
18 that a pharmacy participate in one contract in order to
19 participate in another contract.

20 B. Each pharmacy benefits manager shall provide to
21 the pharmacies, at least thirty days prior to its execution, a
22 contract written in plain English.

23 C. A contract between a pharmacy benefits manager
24 and a pharmacy shall provide specific time limits for the
25 pharmacy benefits manager to pay the pharmacy for services

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1 rendered.

2 D. A pharmacy shall not be held responsible for
3 acts or omissions of a pharmacy benefits manager. A pharmacy
4 benefits manager shall not be held responsible for the acts or
5 omissions of a pharmacy."

6 SECTION 5. A new section of the New Mexico Insurance Code
7 is enacted to read:

8 "[NEW MATERIAL] CONSUMER CONTACT LIMITED.--A pharmacy
9 benefits manager, unless authorized by the terms of its
10 contract with a covered entity, shall not contact a covered
11 individual without express written permission of the covered
12 entity."

13 SECTION 6. A new section of the New Mexico Insurance Code
14 is enacted to read:

15 "[NEW MATERIAL] AUDIT--PHARMACY BENEFITS MANAGER.--

16 A. A pharmacy benefits manager, whether licensed
17 pursuant to the Pharmacy Benefits Manager Regulation Act or
18 exempt from licensure pursuant to that act, shall be subject to
19 Section 61-11-18.2 NMSA 1978 to the same extent and in the same
20 manner as a pharmacy.

21 B. The covered entity may have the pharmacy
22 benefits manager's books and records audited for items specific
23 to the covered entity only to verify a pharmacy benefits
24 manager's performance in accordance with the terms of the
25 contract between the parties. If the parties have not

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1 expressly provided for audit rights, the covered entity may
2 have such books and records audited as follows:

3 (1) audits may be conducted no more frequently
4 than once in each twelve-month period upon not less than sixty
5 business days' written notice to the pharmacy benefits manager
6 or thirty days from receipt of a detailed scope of work
7 document, complete claims sample and a signed confidentiality
8 agreement, if applicable;

9 (2) the covered entity and pharmacy benefits
10 manager shall select a mutually agreed-upon independent firm to
11 conduct such audit, and the independent firm shall sign a
12 confidentiality agreement with the covered entity and the
13 pharmacy benefits manager ensuring that all information
14 obtained during the audit will be kept confidential and that
15 the auditing firm shall not use, disclose or otherwise reveal
16 any such information in any manner or form to any person except
17 as otherwise permitted under the confidentiality agreement; the
18 covered entity shall treat all information obtained as a result
19 of the audit as confidential and shall not use or disclose such
20 information except as may be otherwise permitted under the
21 terms of the contract between the covered entity and the
22 pharmacy benefits manager or if ordered by a court of competent
23 jurisdiction for good cause shown; and

24 (3) the audit shall be conducted at the
25 pharmacy benefits manager's office where such records are

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1 located, during normal business hours, without undue
2 interference with the pharmacy benefits manager's business
3 activities and in accordance with generally accepted accounting
4 principles and audit standards."

5 SECTION 7. A new section of the New Mexico Insurance Code
6 is enacted to read:

7 "[NEW MATERIAL] REMEDY.--A covered entity may bring a
8 civil action to enforce the provisions of the Pharmacy Benefits
9 Manager Regulation Act or to seek civil damages for the
10 violation of its provisions, except where parties have agreed
11 by contract to alternative dispute resolution."

12 SECTION 8. Section 59A-6-1 NMSA 1978 (being Laws 1984,
13 Chapter 127, Section 101, as amended) is amended to read:

14 "59A-6-1. FEE SCHEDULE.--The superintendent shall collect
15 the following fees:

- 16 A. insurer's certificate of authority -
 - 17 (1) filing application for certificate of
18 authority, and issuance of certificate of authority, if issued,
19 including filing of all charter documents, financial
20 statements, service of process, power of attorney, examination
21 reports and other documents included with and part of the
22 application \$1,000.00
 - 23 (2) annual continuation of certificate of
24 authority, per kind of insurance 200.00
 - 25 (3) reinstatement of certificate of authority

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1	(Section 59A-5-23 NMSA 1978)	150.00
2	(4) amendment to certificate of	
3	authority	200.00
4	B. charter documents - filing amendment to any	
5	charter document (as defined in Section 59A-5-3	
6	NMSA 1978)	10.00
7	C. annual statement of insurer, filing . .	200.00
8	D. service of process, acceptance by superintendent	
9	and issuance of certificate of service, where issued . .	10.00
10	E. agents' licenses and appointments -	
11	(1) filing application for original agent	
12	license and issuance of license, if issued	30.00
13	(2) appointment of agent -	
14	(a) filing appointment, per kind of	
15	insurance, each insurer	20.00
16	(b) annual continuation of appointment,	
17	each insurer	20.00
18	(3) variable annuity agent's license -	
19	(a) filing application for license and	
20	issuance of license, if issued	30.00
21	(b) annual continuation of	
22	appointment	20.00
23	(4) temporary license -	
24	(a) as to life and health insurance or	
25	both	30.00

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- 1 (b) as to property insurance . . . 30.00
- 2 (c) as to casualty/surety
- 3 insurance 30.00
- 4 (d) as to vehicle insurance . . . 30.00
- 5 F. agency license and affiliations -
- 6 (1) filing application for original agency
- 7 business entity license and issuance of license, if
- 8 issued 30.00
- 9 (2) filing of individual affiliation, per kind
- 10 of insurance 20.00
- 11 (3) annual continuation of individual
- 12 affiliation 20.00
- 13 G. solicitor license -
- 14 (1) filing application for original license
- 15 and issuance of license, if issued 30.00
- 16 (2) annual continuation of appointment, per
- 17 kind of insurance 20.00
- 18 H. broker license -
- 19 (1) filing application for license and
- 20 issuance of original license, if issued 30.00
- 21 (2) annual continuation of
- 22 license 30.00
- 23 I. insurance vending machine license -
- 24 (1) filing application for original license
- 25 and issuance of license, if issued, each machine 25.00

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1 (2) annual continuation of license, each
2 machine 25.00

3 J. examination for license, application for
4 examination conducted directly by superintendent, each grouping
5 of kinds of insurance to be covered by the examination as
6 provided by the superintendent's rules, and payable as to each
7 instance of examination 50.00

8 K. surplus lines insurer - filing application for
9 qualification as eligible surplus lines
10 insurer 1,000.00

11 L. surplus lines broker license -
12 (1) filing application for original license
13 and issuance of license, if issued 100.00
14 (2) annual continuation of
15 license 100.00

16 M. surplus lines broker license and affiliations -
17 (1) filing application for original surplus
18 lines brokerage business entity license and issuance of
19 license, if issued 100.00
20 (2) filing of individual affiliation per kind
21 of insurance 20.00
22 (3) annual continuation of individual
23 affiliation 20.00

24 N. adjuster license -
25 (1) filing application for original license

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1	and issuance of license, if issued	30.00
2	(2) annual continuation of	
3	license	30.00
4	0. insurance consultant license -	
5	(1) filing application for original license	
6	and issuance of license, if issued	50.00
7	(2) application examination	10.00
8	(3) biennial continuation of license .	100.00
9	P. viatical settlements license -	
10	(1) providers -	
11	(a) filing application for original	
12	license and issuance of license, if issued	1,000.00
13	(b) annual continuation of	
14	license	200.00
15	(2) brokers -	
16	(a) filing application for original	
17	license and issuance of license, if issued	100.00
18	(b) annual continuation of	
19	license	100.00
20	(3) brokerages -	
21	(a) filing application for original	
22	license and issuance of license, if issued	100.00
23	(b) annual continuation of	
24	license	20.00
25	(c) filing of individual affiliation,	

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1	per kind of insurance	20.00
2	(d) annual continuation of individual	
3	affiliation	20.00
4	Q. rating organization or rating advisory	
5	organization license -	
6	(1) filing application for license and	
7	issuance of license, if issued	100.00
8	(2) annual continuation of	
9	license	100.00
10	R. nonprofit health care plans -	
11	(1) filing application for preliminary permit	
12	and issuance of permit, if issued	100.00
13	(2) certificate of authority, application,	
14	issuance, continuation, reinstatement, charter documents - same	
15	as for insurers	
16	(3) annual statement, filing	200.00
17	(4) agents and solicitors -	
18	(a) filing application for original	
19	license and issuance of license, if issued	30.00
20	(b) examination for license conducted	
21	directly by superintendent, each instance of	
22	examination	50.00
23	(c) annual continuation of	
24	appointment	20.00
25	S. prepaid dental plans -	

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- 1 (1) certificate of authority, application,
- 2 issuance, continuation, reinstatement, charter documents - same
- 3 as for insurers
- 4 (2) annual report, filing 200.00
- 5 (3) agents and solicitors -
- 6 (a) filing application for original
- 7 license and issuance of license, if issued 30.00
- 8 (b) examination for license conducted
- 9 directly by superintendent, each instance of
- 10 examination 50.00
- 11 (c) annual continuation of
- 12 license 20.00
- 13 T. prearranged funeral insurance - application for
- 14 certificate of authority, issuance, continuation,
- 15 reinstatement, charter documents, filing annual statement,
- 16 licensing of sales representatives - same as for insurers
- 17 U. premium finance companies -
- 18 (1) filing application for original license
- 19 and issuance of license, if issued 100.00
- 20 (2) annual renewal of license 100.00
- 21 V. motor clubs -
- 22 (1) certificate of authority -
- 23 (a) filing application for original
- 24 certificate of authority and issuance of certificate of
- 25 authority, if issued 200.00

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- 1 (b) annual continuation of certificate
- 2 of authority 100.00
- 3 (2) sales representatives -
- 4 (a) filing application for registration
- 5 or license and issuance of registration or license, if issued,
- 6 each representative 20.00
- 7 (b) annual continuation of registration
- 8 or license, each representative 20.00
- 9 W. bail bondsmen -
- 10 (1) filing application for original license as
- 11 bail bondsman or solicitor, and issuance of license, if
- 12 issued 30.00
- 13 (2) examination for license conducted directly
- 14 by superintendent, each instance of
- 15 examination 50.00
- 16 (3) annual continuation of
- 17 appointment 20.00
- 18 X. securities salesperson license -
- 19 (1) filing application for license and
- 20 issuance of license, if issued 25.00
- 21 (2) annual renewal of license 25.00
- 22 Y. required filing of forms or rates - by all lines
- 23 of business other than property or casualty -
- 24 (1) rates 50.00
- 25 (2) major form - each new policy and each

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1 package submission, which can include multiple policy forms,
2 application forms, rider forms, endorsement forms or amendment
3 forms 30.00
4 (3) incidental forms and rates - forms filed
5 for informational purposes; riders, applications, endorsements
6 and amendments filed individually; rate service organization
7 reference filings; rates filed for informational
8 purposes 15.00
9 Z. health maintenance organizations -
10 (1) filing an application for a certificate of
11 authority 1,000.00
12 (2) annual continuation of certificate of
13 authority 200.00
14 (3) filing each annual report 200.00
15 (4) filing an amendment to organizational
16 documents requiring approval 200.00
17 (5) filing informational
18 amendments 50.00
19 (6) agents and solicitors -
20 (a) filing application for original
21 license and issuance of license, if issued 30.00
22 (b) examination for license, each
23 instance of examination 50.00
24 (c) annual continuation of
25 appointment 20.00

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- 1 AA. purchasing groups and foreign risk retention
- 2 groups -
- 3 (1) original registration 500.00
- 4 (2) annual continuation of
- 5 registration 200.00
- 6 (3) agent or broker fees - same as for
- 7 authorized insurers
- 8 BB. third party administrators -
- 9 (1) filing application for original individual
- 10 insurance administrator license 30.00
- 11 (2) filing application for original officer,
- 12 manager or partner insurance administrator
- 13 license 30.00
- 14 (3) annual continuation or renewal of
- 15 license 30.00
- 16 (4) examination for license conducted directly
- 17 by the superintendent, each examination 75.00
- 18 (5) filing of annual report 50.00
- 19 CC. miscellaneous fees -
- 20 (1) duplicate license 30.00
- 21 (2) name change 30.00
- 22 (3) for each signature and seal of
- 23 superintendent affixed to any instrument 10.00
- 24 DD. pharmacy benefits managers -
- 25 (1) filing an application for a

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1	<u>license</u>	<u>1,000.00</u>
2	<u>(2) annual continuation of license, each year</u>	
3	<u>continued</u>	<u>500.00</u>
4	<u>(3) filing each annual report</u>	<u>200.00</u>
5	<u>(4) filing an amendment to organizational</u>	
6	<u>documents requiring approval</u>	<u>200.00</u>
7	<u>(5) filing informational amendments</u>	<u>100.00</u>
8	<u>(6) agents -</u>	
9	<u>(a) filing application for original</u>	
10	<u>license and issuance of license, if issued</u>	<u>100.00</u>
11	<u>(b) annual continuation of</u>	
12	<u>license</u>	<u>100.00.</u>

13 An insurer shall be subject to additional fees or charges,
14 termed retaliatory or reciprocal requirements, whenever form or
15 rate-filing fees in excess of those imposed by state law are
16 charged to insurers in New Mexico doing business in another
17 state or whenever a condition precedent to the right to issue
18 policies in another state is imposed by the laws of that state
19 over and above the conditions imposed upon insurers by the laws
20 of New Mexico; in those cases, the same form or rate-filing
21 fees may be imposed upon an insurer from another state
22 transacting or applying to transact business in New Mexico so
23 long as the higher fees remain in force in the other state. If
24 an insurer does not comply with the additional retaliatory or
25 reciprocal requirement charges imposed under this subsection,

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1 the superintendent may refuse to grant or may withdraw approval
2 of the tendered form or rate filing.

3 All fees are earned when paid and are not refundable."

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