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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2026

A N A C T

RELATING TO INSURANCE -- PHARMACY FREEDOM OF CHOICE--FAIR
COMPETITION AND PRACTICES

Introduced By: Representative Justine A. Caldwell

Date Introduced: May 26, 2026

Referred To: House Health & Human Services

It is enacted by the General Assembly as follows:

1 SECTION 1. Sections 27-29.1-1, 27-29.1-2, 27-29.1-7, 27-29.1-10 and 27-29.1-11 of the
2 General Laws in Chapter 27-29.1 entitled "Pharmacy Freedom of Choice — Fair Competition and
3 Practices" are hereby amended to read as follows:

4 **27-29.1-1. Definitions.**

5 For purposes of this chapter, ~~the following terms shall mean:~~

6 (1) ~~"Director" shall mean the director of the department of business regulation.~~

7 ~~(2)~~ (2) "Eligible bidder" shall mean a retail pharmacy, community pharmacy, or pharmacy
8 department registered pursuant to chapter 19.1 of title 5, irrespective of corporate structure or
9 number of locations at which it conducts business, located within the geographical service area of
10 a carrier and willing to bid for participation in a restricted pharmacy network contract.

11 ~~(3)~~ (2) "Insured" or "covered individual" shall mean any person who is entitled to have
12 pharmacy services paid by an insurer pursuant to a policy, certificate, contract, or agreement of
13 insurance or coverage.

14 ~~(4)~~ (3) "Insurer" shall mean an insurance carrier as defined in chapters 18, 19, 20, and 41
15 of this title.

16 ~~(5)~~ (4) "Nonrestricted pharmacy network" shall mean a network that permits any pharmacy
17 to participate on substantially uniform terms and conditions established by an insurer or ~~pharmacy~~
18 ~~benefits manager~~ pharmacy benefit manager.

1 (5) "Health insurance commissioner" or "commissioner" shall mean the office of health
2 insurance commissioner.

3 ~~(6) "Pharmacy benefits manager"~~ "Pharmacy benefit manager" or "PBM" shall mean any
4 ~~person or entity who or that is not licensed in Rhode Island as an insurer and that develops or~~
5 ~~manages pharmacy benefits, pharmacy network contracts, or the pharmacy benefit bid process~~ have
6 the meaning provided in § 27-19-26.2.

7 (7) "Pharmacy benefit management services" shall mean the management or
8 administration of prescription drug benefits for an insurer, directly or through another entity, and
9 regardless of whether the pharmacy benefit manager and the insurer are related, or associated by
10 ownership, common ownership, organization or otherwise. Such management or administration
11 includes, but is not limited to:

12 (i) The administration or management of prescription drug benefits;

13 (ii) Claims processing, retail network management, or payment of claims to pharmacies for
14 dispensing prescription drugs;

15 (iii) Clinical or other formulary or preferred drug list development or management;

16 (iv) Negotiation or administration of rebates, discounts, payment differentials, or other
17 incentives, for the inclusion of particular prescription drugs in a particular category or to promote
18 the placement of particular prescription drugs on a formulary or preferred drug list;

19 (v) Patient compliance, therapeutic intervention, or generic substitution programs;

20 (vi) Disease management;

21 (vii) Drug utilization review or prior authorization;

22 (viii) Adjudication of appeals or grievances related to prescription drug coverage;

23 (ix) Contracting with network pharmacies; and

24 (x) Controlling the cost of covered prescription drugs.

25 ~~(7)(8)~~ "Restricted pharmacy network" shall mean an arrangement for the provision of
26 pharmaceutical drug services to insureds that under the terms of an insurer's policy, certificate,
27 contract, or agreement of insurance or coverage requires an insured or creates a financial incentive
28 for an insured to obtain prescription drug services from one or more participating pharmacies that
29 have entered into a specific contractual relationship with the carrier.

30 (9) "Spread pricing" shall mean any amount charged or claimed by a pharmacy benefit
31 manager for a prescription drug that exceeds the amount paid by the pharmacy benefit manager to
32 a pharmacy or pharmacist for the dispensing of the prescription drug.

33 **27-29.1-2. Requirement for availability and accessibility of pharmacy services.**

34 ~~In accordance with § 23-17.13-3 [repealed], an~~ An insurer must demonstrate to the ~~director~~

1 health insurance commissioner ~~of health~~ the willingness and potential ability to ensure that
2 pharmacy services will be provided in a manner to ensure both availability and accessibility of
3 adequate personnel and facilities and in a manner enhancing availability, accessibility, and
4 continuity of service.

5 **27-29.1-7. Regulation of pharmacy benefit managers.**

6 ~~(a) Pharmacy benefits managers~~ Pharmacy benefit manager shall ~~be included within the~~
7 ~~definition of third party administrator under chapter 20.7 of this title and shall~~ be regulated in
8 accordance with chapter 84 of this title as such. ~~The annual report filed by third party administrators~~
9 ~~with the department of business regulation shall include: contractual language that provides a~~
10 ~~complete description of the financial arrangements between the third party administrator and each~~
11 ~~of the insurers covering benefit contracts delivered in Rhode Island; and if the third party~~
12 ~~administrator is owned by or affiliated with another entity or entities, it shall include an~~
13 ~~organization chart and brief description that shows the relationships among all affiliates within a~~
14 ~~holding company or otherwise affiliated. The reporting shall be in a format required by the director~~
15 ~~and filed with the department as a public record as defined and regulated under chapter 2 of title~~
16 ~~38.~~

17 (b) A pharmacy benefit manager shall not substitute or cause the substitution of one
18 prescription drug for another in dispensing a prescription including, but not limited to, a generic or
19 therapeutically equivalent drug, or alter or cause the altering of the terms of a prescription, without
20 the approval of the prescriber or as explicitly required or permitted by law, including regulations
21 of the health insurance commissioner or board of pharmacy and department of health.

22 (c) No pharmacy benefit manager shall, with respect to contracts between such pharmacy
23 benefit manager and a pharmacy or, alternatively, such pharmacy benefit manager and a pharmacy's
24 contracting agent including, but not limited to, a pharmacy services administrative organization:

25 (1) Prohibit or penalize a pharmacist or pharmacy from disclosing to an individual
26 purchasing a prescription medication or service information regarding:

27 (i) The cost of the prescription medication or service to the individual, or the cost of the
28 prescription medication or service to the pharmacy and the pharmacy's reimbursement for that
29 prescription medication or service; or

30 (ii) The availability of any therapeutically equivalent alternative medications or alternative
31 methods of purchasing the prescription medication including, but not limited to, paying a cash
32 price; or

33 (2) Charge or collect from an individual a copayment that exceeds the total submitted
34 charges by the pharmacy for which the pharmacy is paid. If an individual pays a copayment, the

1 pharmacy shall retain the adjudicated costs and the pharmacy benefit manager shall not redact or
2 recoup the adjudicated cost.

3 (d) A pharmacy benefit manager, with respect to contracts between a pharmacy benefit
4 manager and a pharmacy or, alternatively, a pharmacy benefit manager and a pharmacy's
5 contracting agent including, but not limited to a pharmacy services administrative organization,
6 shall include a reasonable process to appeal, investigate and resolve disputes regarding multi-source
7 generic drug pricing. The appeals process shall include the following provisions:

8 (1) The right to appeal by the pharmacy and/or the pharmacy's contracting agent shall be
9 limited to fifteen (15) days following the initial claim submitted for payment;

10 (2) A telephone number through which a network pharmacy may contact the pharmacy
11 benefit manager for the purpose of filing an appeal and an electronic mail address of the individual
12 who is responsible for processing appeals;

13 (3) The pharmacy benefit manager shall send an electronic mail message acknowledging
14 receipt of the appeal. The pharmacy benefit manager shall respond in an electronic message to the
15 pharmacy and/or the pharmacy's contracting agent filing the appeal within fifteen (15) days
16 indicating its determination. If the appeal is determined to be valid, the maximum allowable cost
17 for the drug shall be adjusted for the appealing pharmacy effective as of the date of the original
18 claim for payment. The pharmacy benefit manager shall require the appealing pharmacy to reverse
19 and rebill the claim in question in order to obtain the corrected reimbursement;

20 (4) If an update to the maximum allowable cost is warranted, the pharmacy benefit manager
21 or insurer shall adjust the maximum allowable cost of the drug effective for all similarly situated
22 pharmacies in its network in the state effective no later than one day after the date the appeal was
23 determined to be valid; and

24 (5) If an appeal is denied, the pharmacy benefit manager shall provide the reason for the
25 denial and identify the national drug code of a therapeutically equivalent drug, as determined by
26 the federal Food and Drug Administration, that is available and in adequate supply for purchase by
27 pharmacies in this state from wholesalers at a price which is equal to or less than the maximum
28 allowable cost for that drug as determined by the pharmacy benefit manager.

29 **27-29.1-10. Costs of enforcement.**

30 The total cost of the enforcement ~~under this chapter of §§ 27-29.1-3 and 27-29.1-8~~ shall be
31 borne by the ~~pharmacy benefits manager(s)~~ pharmacy benefit manager(s) and/or the insurer(s)
32 against whom the ~~complaint~~ investigation, examination or enforcement action is made on an equal
33 basis and shall include, without limitation, the following expenses:

34 (1) One hundred fifty percent (150%) of the total salaries and benefits paid to the personnel

1 of the ~~department of business regulation~~ office of health insurance commissioner engaged in the
2 enforcement less any salary reimbursement;

3 (2) All reasonable technology costs related to the enforcement process. Technology costs
4 shall include the actual cost of software and hardware utilized in the enforcement process and the
5 cost of training personnel in the proper use of the software or hardware;

6 (3) All necessary and reasonable education and training costs incurred by the state to
7 maintain the proficiency and competence of the enforcing personnel. All these costs shall be
8 incurred in accordance with the appropriate state of Rhode Island regulations, guidelines, and
9 procedures.;

10 (4) Any reasonable expenses of any experts, consultants, and contractors retained by the
11 health insurance commissioner; and

12 (5) Any and all funds collected from other enforcement actions from this title levied against
13 pharmacy benefit managers determined by the health insurance commissioner to be surplus, shall
14 be deposited into the health insurance market integrity fund restricted receipt account established
15 pursuant to § 42-157.1-5.

16 **27-29.1-11. Evaluation report.**

17 The health insurance commissioner, ~~pursuant to § 42-14.5-1,~~ shall evaluate the impact of
18 ~~nonrestricted pharmacy networks~~ pharmacy benefit manager practices and operations on health
19 insurance costs in Rhode Island and shall submit a report of findings ~~to the joint legislative~~
20 ~~committee on health care oversight on or before May 1, 2005~~ and recommendations to the general
21 assembly on or before March 31, 2027.

22 SECTION 2. Chapter 27-29.1 of the General Laws entitled "Pharmacy Freedom of Choice
23 — Fair Competition and Practices" are hereby amended by adding thereto the following sections:

24 **27-29.1-12. Duty, accountability, and transparency of pharmacy benefit managers.**

25 (a)(1) The pharmacy benefit manager shall have a duty and obligation to perform pharmacy
26 benefit management services with care, skill, prudence, diligence, and professionalism.

27 (2) A pharmacy benefit manager interacting with a covered individual shall have the same
28 duty to a covered individual as the insurer for whom it is performing pharmacy benefit management
29 services.

30 (3) A pharmacy benefit manager shall have a duty of good faith and fair dealing with all
31 parties including, but not limited to, covered individuals and pharmacies, with whom it interacts in
32 the performance of pharmacy benefits management services.

33 (b) All funds received by the pharmacy benefit manager in relation to providing pharmacy
34 benefit management services shall be received by the pharmacy benefit manager in trust and shall

1 be used or distributed only pursuant to the pharmacy benefit manager's contract with the insurer or
2 applicable law; including any administrative fee or payment to the pharmacy benefit manager
3 expressly provided for in the contract to compensate the pharmacy benefit manager for its services.
4 Any funds received by the pharmacy benefit manager through spread pricing shall be subject to
5 this section.

6 (c) Beginning August 1, 2027, a pharmacy benefit manager shall provide to an insurer for
7 whom it is providing pharmacy benefit services:

8 (1) Any pricing discounts, rebates of any kind, inflationary payments, credits, clawbacks,
9 fees, grants, chargebacks, reimbursements, or other benefits received by the pharmacy benefit
10 manager. The insurer shall have access to all financial and utilization information of the pharmacy
11 benefit manager in relation to pharmacy benefit management services provided to the insurer;

12 (2) The terms and conditions of any contract or arrangement between the pharmacy benefit
13 manager and any party relating to pharmacy benefit management services provided to the insurer
14 including, but not limited to, dispensing fees paid to the pharmacies; and

15 (3) Any activity, policy, practice, contract or arrangement of the pharmacy benefit manager
16 that directly or indirectly presents any conflict of interest with the pharmacy benefit manager's
17 relationship with or obligation to the insurer.

18 (d) Beginning August 1, 2028, reports required to be provided under the Consolidated
19 Appropriation Act of 2026, and subsequent regulations, shall be deemed sufficient to comply with
20 the requirements of this subsection.

21 (e) Any information required to be disclosed by a pharmacy benefit manager to an insurer
22 under this section that is reasonably designated by the pharmacy benefit manager as proprietary or
23 trade secret information shall be kept confidential by the insurer, except as required or permitted
24 by law, including disclosure necessary to prosecute or defend any legitimate legal claim or cause
25 of action. Designation of information as proprietary or trade secret information under this
26 subsection shall have no effect on the obligations of any pharmacy benefit manager or insurer to
27 provide that information to the office of health insurance commissioner, provided any such
28 information provided to the office of health insurance commissioner shall be confidential and
29 exempt from disclosure under § 38-2-2.

30 **27-29.1-13. Rules and regulations.**

31 The health insurance commissioner shall promulgate rules and regulations necessary to
32 effectuate the purpose of this chapter, including, defining, limiting, and relating to the duties,
33 obligations, requirements and other provisions relating to pharmacy benefit managers.

1 SECTION 3. This act shall take effect on January 1, 2027.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF

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RELATING TO INSURANCE -- PHARMACY FREEDOM OF CHOICE--FAIR
COMPETITION AND PRACTICES

- 1 This act would impose certain duties, transparency, and accountability from pharmacy
- 2 benefit managers and pharmacy benefit management services.
- 3 This act would take effect on January 1, 2027.

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