DELAWARE DEPARTMENT OF INSURANCE

MARKET CONDUCT EXAMINATION REPORT

Prime Therapeutics LLC

2900 Ames Crossing Rd.
Eagan, MN 55121

As of
December 31, 2022

TRINIDAD NAVARRO
COMMISSIONER

STATE OF DELAWARE
DEPARTMENT OF INSURANCE

I, Trinidad Navarro, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of December 31, 2022 on

Prime Therapeutics LLC

is a true and correct copy of the document filed with this Department.

Attest By: ________________________

In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 7th day of July, 2026.

____
Trinidad Navarro
Insurance Commissioner

♦INSURANCE.DELAWARE.GOV♦
1351 W. NORTH ST., SUITE 101, DOVER, DELAWARE 19904
(302) 674-7300 DOVER♦ (302) 259-7554 GEORGETOWN♦ (302) 577-5280 WILMINGTON

TRINIDAD NAVARRO
COMMISSIONER

STATE OF DELAWARE
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION

OF THE

Prime Therapeutics LLC

AS OF

December 31, 2022

The above-captioned Report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the Company as reflected in the Report.

This Report is hereby accepted, adopted and filed as an official record of this Department.

Insurance Commissioner of the State of Delaware

LIBERTY AND INDEPENDENCE

In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 7th day of July, 2026.

Trinidad Navarro

Trinidad Navarro
Insurance Commissioner

♦INSURANCE.DELAWARE.GOV♦
1351 W. NORTH ST., SUITE 101, DOVER, DELAWARE 19904
(302) 674-7300 DOVER♦ (302) 259-7554 GEORGETOWN♦ (302) 577-5280 WILMINGTON

Table of Contents

Honorable Trinidad Navarro
Insurance Commissioner
State of Delaware
1351 West North Street, Suite #101
Dover, Delaware 19904

Dear Commissioner Navarro:

In compliance with the instructions contained in Exam Authority # PBM001-21-819, and pursuant to statutory provisions including 18 *Del. C.* §§ 318-322, a market conduct examination has been conducted of the affairs and practices of:

Prime Therapeutics

The examination was performed as of December 31, 2022.

The exam was performed off-site. The off-site examination phase was performed at the offices of the Delaware Department of Insurance, hereinafter referred to as the Department or DDOI, or other suitable locations.

The report of examination herein is respectfully submitted.

EXECUTIVE SUMMARY

Prime Therapeutics (Company) is a Pharmacy Benefit Manager (PBM) licensed in Delaware with main administrative offices located at 2900 Ames Crossing Rd., Eagan, MN 55121.

The regulation of PBMs by state insurance departments was established on July 17, 2019. As such, the Delaware Department of Insurance (DDOI) announced a series of examinations of PBMs doing business in Delaware. The purpose was to ensure the companies were aware of all DOI regulations related to PBMs, and to determine if they were in compliance or developing policies and procedures to comply. The examination of the Company was announced as part of said series of examinations. The examination focused on the Company's compliance with 18 *Del C.* 33A. Pharmacy Benefits Managers and affiliated Delaware statutes, rules and regulations related to Company reimbursement practices for both fully insured and self-funded business. Functional areas to be reviewed include Company Operations and Management, Maximum Allowable Cost (MAC), Complaints, MAC Appeals/Dispute Resolution, Pharmacy Audits, Pharmacy Transactions, Pharmacy Reimbursement, Rebates, DIR/Charges/Fees, Financial Statements, Pharmacy Provider Enrollments, Pharmacy Provider Terminations, Pharmacy Provider Non-Renewals, Advertising, Contracts, Discount cards and Specialty Drugs.

The following is a summary of Exceptions noted during the course of this examination and are noted in the order disclosed in body of this Report. For purposes of this report the Company is being issued one exception for the procedural error, not the total violations as this is an introductory examination. In future exams, the company will be cited for the number of instances identified for each citation noted.

- **1 Exception**
  18 *Del. C.* § 3372A(4) Prohibited practices
  A pharmacy benefits manager or representative of a pharmacy benefits manager may not do any of the following:

  > *(4) Unless reviewed and approved by the Commissioner in coordination with the Board of Pharmacy, require pharmacy accreditation standard or certification requirements inconsistent with, more stringent than, or in addition to requirements of the Board of Pharmacy.*

  The Company has imposed compounding accreditation standards for pharmacies operating in Delaware to provide prescription services and medications that are inconsistent, more stringent than, and in addition to the requirements of the Delaware Board of Pharmacy and have not been reviewed and approved by the Commissioner in coordination with the Board of Pharmacy.

- **1 Exception**
  18 *Del. C* § 3372A(7) Prohibited practices
  A pharmacy benefits manager or representative of a pharmacy benefits manager may not do any of the following:

> *(7) Pay or reimburse a pharmacy or pharmacist for the ingredient drug product component of pharmacist services less than the national average drug acquisition cost, or if the national average drug acquisition cost is unavailable, the wholesale acquisition cost.*

MAC appeals and paid claims were identified as paid with an amount reimbursed to the pharmacy at less than the national average drug acquisition cost (NADAC) and if NADAC was not available, then the wholesale acquisition cost (WAC).

- **1 Exception**
  18 *Del. C.* § 3372A(8). Prohibited practices
  A pharmacy benefits manager or representative of a pharmacy benefits manager may not do any of the following:

  > *(8) Make or permit any reduction of payment for pharmacy goods or services by a pharmacy benefits manager or an insurer directly or indirectly to a pharmacy under a reconciliation process to an effective rate of reimbursement, including generic effective rates, brand effective rates, direct and indirect remuneration fees, or any other reduction or aggregate reduction of payment.*

  The Company was unable to provide documentation to demonstrate compliance with 18 *Del. C.* § 3372A(8).

SCOPE OF EXAMINATION

The Market Conduct Examination was conducted pursuant to the authority granted by 18 *Del. C.* § 318-322 and covered the experience period of January 1, 2022, through December 31, 2022, unless otherwise noted. The examination reviewed the Company's activities related to pharmacy benefits. Attention focused on the Company's compliance with 18 *Del C.* 33A and affiliated Delaware statutes, rules, and regulations. Functional areas to be reviewed include Company Operations and Management, Maximum Allowable Cost, Complaints, MAC Appeals/Dispute Resolution, Pharmacy Audits, Pharmacy Transactions, Pharmacy Reimbursement, Rebates, DIR/Charges/Fees, Financial Statements, Pharmacy Provider Enrollments, Pharmacy Provider Terminations, Pharmacy Provider Non-Renewals, Contracts, Discount cards and Specialty Drugs.

METHODOLOGY

This examination was performed in accordance with Market Regulation standards established by the Department and examination procedures suggested by the NAIC. While examiners report on the errors found in individual files, the examiners also focus on general business practices of the Company. The Company was requested to identify the universe of files for each segment of the review. Based on the universe sizes identified, random sampling was utilized to select the files reviewed for this examination. Delaware Market Conduct Examination Reports generally note only those items to which the DDOI, after review, takes exception. An exception is any instance of Company activity that does not comply with an insurance statute or regulation. Generally, practices, procedures, or files that were reviewed by DDOI examiners during an examination may not be referred to in the Report if no improprieties were noted.

COMPANY HISTORY

Prime Therapeutics was founded in 1998 by Blue Cross and Blue Shield (BCBS) plans in Minnesota and Nebraska and is a privately held company with corporate headquarters in Minnesota. By 2019, the Company's integrated model included 23 Blue Plans, with 19 as owner-clients, and more than 30 million members. In 2022, the Company acquired Magellan Rx Management for $1.35 billion.

The Company provides pharmacy benefit management and administrative services to clients. The Company provides condition management, specialty drug management, and single-state programs. The Company remains fully aligned with Blue Plan clients.

The entity has no physical location in Delaware but is licensed as a pharmacy benefit management company throughout the Country.

18 *DEL C.* 33A COMPLIANCE

Subchapter I

In accordance with the requirements of the examination, Company documentation was reviewed to ensure compliance with applicable statutes and regulations. The Company provided a copy of the provider manual, a state regulations grid document and copies of pharmacy contracts for review.

No exceptions were noted.

Subchapter II

In accordance with the requirements of the examination, Company documentation was reviewed to ensure compliance with applicable statutes and regulations.

The Company provided documents related to the process and methodology the Company uses to perform the calculation to determine the MAC pricing and adding a drug generic product indicator (GPI) to the maximum allowable cost (MAC) lists. The Company also provided a listing of nine (9) MAC appeals as well as pharmacy contracts and provider manuals for review.

No exceptions were noted.

Subchapter III

In accordance with the requirements of the examination, Company documentation was reviewed to ensure compliance with applicable statutes and regulations. The Company provided a copy of the Provider Manual for examiners review.

No exceptions were noted.

Subchapter IV

In accordance with the requirements of the examination, Company documentation was reviewed to ensure compliance with applicable statutes and regulations. The Company indicated that no Delaware situs fully insured policy or plan was in effect during the examination period. 18 *Del C.* 33A Subchapter IV is only applicable to Delaware situs fully insured policies or health plans.

No exceptions were noted.

Subchapter V

In accordance with the requirements of the examination, Company documentation was reviewed to ensure compliance with applicable statutes and regulations. The Company's registration was reviewed for compliance with 18 *Del. C.* 33A Subchapter V.

No exceptions were noted.

Subchapter VI

In accordance with the requirements of the examination, Company documentation was reviewed to ensure compliance with applicable statutes and regulations. The Company provided a copy of provider enrollments, terminations, contracts, network agreements, and credentialing procedures for review.

No exceptions were noted.

Subchapter VII

In accordance with the requirements of the examination, Company documentation was reviewed to ensure compliance with applicable state laws and regulations. The Company provided copies of the provider manual and pharmacy contracts to support compliance. The Company also provided pharmacy application/enrollment forms and a listing of paid claims which were sampled for review. In accordance with the requirements of the examination, Company documentation was reviewed to ensure compliance with applicable statutes and regulations.

The Company provided a copy of the provider manual and copies of pharmacy contracts for review to support compliance with Subchapter VII. The Company also provided a listing of MAC appeals and a listing of paid claims which were sampled for review.

The following exceptions were noted.

1 Exception – 18 *Del. C.* § 3372A(4). Prohibited practices
A pharmacy benefits manager or representative of a pharmacy benefits manager may not do any of the following:

> (4) Unless reviewed and approved by the Commissioner in coordination with the Board of Pharmacy, require pharmacy accreditation standard or certification requirements inconsistent with, more stringent than, or in addition to requirements of the Board of Pharmacy.

The Company imposed accreditation standards for pharmacies operating in Delaware to provide prescription services and medications that are inconsistent, more stringent than, and in addition to the requirements of the Delaware Board of Pharmacy and have not been reviewed and approved by the Commissioner in coordination with the Board of Pharmacy.

The Delaware Board of Pharmacy issues the following licenses pursuant to TITLE 24 REGULATED PROFESSIONS AND OCCUPATIONS DELAWARE ADMINISTRATIVE CODE 2500 Board of Pharmacy *1.10 Pharmacy Licenses. Pharmacy licenses shall include retail, hospital, nuclear and specialty institutional pharmacy licenses*. The Delaware Board of Pharmacy does not issue "compounding" thresholds. The Company requires more restrictive accreditation standards in order for pharmacies licensed by the Delaware Board of Pharmacy to dispense medications in the scope of their practice.

<u>Recommendation:</u>

It is recommended that the Company implement oversight in order to ensure ongoing compliance with 18 *Del C.* § 3372A(4).

1 Exception – 18 *Del. C.* § 3372A(7). Prohibited practices.
A pharmacy benefits manager or representative of a pharmacy benefits manager may not do any of the following:

> (7) Pay or reimburse a pharmacy or pharmacist for the ingredient drug product component of pharmacist services less than the national average drug acquisition cost, or if the national average drug acquisition cost is unavailable, the wholesale acquisition cost.

Upon review of the Company's MAC appeals, paid claims, and the national average drug acquisition cost (NADAC) list for the drugs included on the MAC appeals and paid claims listings, MAC appeals and paid claims were identified as being paid below NADAC.

The Company conducted a claims audit and identified pharmacies that were inappropriately paid below NADAC/WAC and reimbursed those impacted pharmacies to make them whole. The Company adjusted a total of 4,089 claims with a total dollar amount of $52,924.23 paid to affected pharmacies. The claims were corrected on October 30, 2024.

<u>Recommendation:</u>

It is recommended that the Company implement oversight in order to ensure ongoing compliance with 18 *Del C.* § 3372A(7). (CH 33A, Subchapter VII)

1 Exception – 18 *Del. C.* §3372A(8). Prohibited practices
A pharmacy benefits manager or representative of a pharmacy benefits manager may not do any of the following:

> (8) Make or permit any reduction of payment for pharmacy goods or services by a pharmacy benefits manager or an insurer directly or indirectly to a pharmacy under a reconciliation process to an effective rate of reimbursement, including generic effective rates, brand effective rates, direct and indirect remuneration fees, or any other reduction or aggregate reduction of payment.

The Company was unable to verify their Vendor's (Express Scripts) compliance with 18 *Del. C.* § 3372A(8) and ensure that there was not any reduction of payment for pharmacy goods or services for Delaware pharmacies under a reconciliation process to an effective rate of reimbursement. The Company is responsible for ensuring compliance, regardless of subcontract agreements. As such, the Company should have access to all contracts for Delaware pharmacy providers and be able to provide them to examiners at examiners' request.

<u>Recommendation:</u>

It is recommended that the Company implement oversight in order to ensure ongoing compliance with 18 *Del C.* § 3372A(8). (CH 33A, Subchapter VII)

COMPANY OPERATIONS AND MANAGEMENT

Information related to Company Operations and Management was requested in the Coordinator's Handbook and was provided by the Company. The review focused on the Company's compliance with Delaware statutes, rules and regulations. The Company provided an overview of the Company's operations, history and profile, policies and procedures, provider manuals, provider contracts and reimbursement and rebate agreements as applicable. Functional areas related to Company Operations and Management were also reviewed with possible concerns and exceptions noted.

No exceptions were noted.

MAXIMUM ALLOWABLE COST

In accordance with the requirements of the examination, Company documentation was reviewed to ensure compliance with applicable statutes and regulations. The Company provided documents related to the process and methodology the Company uses to perform the calculation to determine the Maximum Allowable Cost (MAC) pricing. The Company also provided a listing of its MAC appeals as well as pharmacy contracts and provider manuals for review.

No exceptions were noted.

MEMBER COMPLAINTS

In accordance with the requirements of the examination, Company documentation was reviewed to ensure compliance with applicable statutes and regulations. The Company provided member complaint policies and procedures as well as a listing of three (3) consumer complaints during the examination period for review.

No exceptions were noted.

PROVIDER COMPLAINTS

In accordance with the requirements of the examination, Company documentation was reviewed to ensure compliance with applicable statutes and regulations. The Company provided provider complaint policies and procedures. The Company also indicated that there were no provider complaints during the examination period.

No exceptions were noted.

MAC APPEALS/DISPUTE RESOLUTION

In accordance with the requirements of the examination, Company documentation was reviewed to ensure compliance with applicable statutes and regulations. The Company provided appeals related policies and procedures for review.

No exceptions were noted.

PHARMACY AUDITS

In accordance with the requirements of the examination, Company documentation was reviewed to ensure compliance with applicable statutes and regulations. The Company provided a listing of claims monitoring for single claims in a Prepayment Claim Review process for review. The Company indicated it did not perform any physical or desk audits on Delaware pharmacies during the exam period. The Company also provided a copy of the provider manual and copies of pharmacy contracts for review.

No exceptions were noted.

PHARMACY TRANSACTIONS

In accordance with the requirements of the examination, Company documentation was reviewed to ensure compliance with applicable state laws and regulations. The Company provided claims handling procedure manuals and a listing of paid and rejected claims for review.

Please see Chapter 33A Subchapter VII Summary for additional information regarding pharmacy transactions.

No exceptions were noted.

PHARMACY REIMBURSEMENT

In accordance with the requirements of the examination, Company documentation was reviewed to ensure compliance with applicable statutes and regulations. The Company provided a copy of the provider contracts as well as the provider manual which were reviewed.

No exceptions or concerns were noted.

REBATES

In accordance with the requirements of the examination, Company documentation was reviewed to ensure compliance with applicable state laws and regulations. The Company stated there was no fully insured business for the exam period and all of the Company business was self-funded. As Delaware laws concerning rebates currently do not apply to self-funded plans, the rebate review was excluded for review under this examination.

No exceptions were noted.

DIR/CHARGES/FEES

In accordance with the requirements of the examination, Company documentation was reviewed to ensure compliance with applicable statutes and regulations. The Company indicated that there were no charges or fees from Prime to a Delaware health insurer and the Company did not have any Delaware health insurer clients in 2022.

No exceptions were noted.

PHARMACY PROVIDER ENROLLMENTS

In accordance with the requirements of the examination, Company documentation was reviewed to ensure compliance with applicable statutes and regulations. The Company provided credentialing polices/procedures, a listing of pharmacy enrollments as well as Company network information, which were reviewed.

No exceptions were noted.

PHARMACY PROVIDER TERMINATIONS

In accordance with the requirements of the examination, Company documentation was reviewed to ensure compliance with applicable statutes and regulations. The Company provided the pharmacy terminations and appeals standard operation procedures. The Company also indicated that there were no Delaware pharmacy terminations during the examination period.

No exceptions were noted.

PHARMACY PROVIDER NON-RENEWALS

In accordance with the requirements of the examination, Company documentation was reviewed to ensure compliance with applicable statutes and regulations. The Company provided the pharmacy terminations and appeals standard operation procedures. The Company also indicated that there were no non-renewals during the examination period.

No exceptions were noted.

CONTRACTS

In accordance with the requirements of the examination, Company documentation was reviewed to ensure compliance with applicable statutes and regulations. The Company provided copies of independent, PSAO and Chain pharmacy agreements and the provider manual for review.

Please see Chapter 33A, Subchapter VII Summary for additional information regarding the contract reviews.

No exceptions were noted.

CONCLUSION

The recommendations made below identify corrective measures the Department finds necessary as a result of the exceptions noted in the Report. Location in the Report is referenced in parenthesis.

1. It is recommended that the Company implement oversight in order to ensure ongoing compliance with 18 *Del C.* § 3372A(4). (CH 33A, Subchapter VII)

2. It is recommended that the Company implement oversight in order to ensure ongoing compliance with 18 *Del C.* § 3372A(7). (CH 33A, Subchapter VII)

3. It is recommended that the Company implement oversight in order to ensure ongoing compliance with 18 *Del C.* § 3372A(8). (CH 33A, Subchapter VII)

The examination conducted by Joe Krug, Brian Tinsley, Sean Connolly, Jack Rucidlo , Mariel Kaufman, Natalie Nelson, Jeffery Smith and Kirk Stephan is respectfully submitted.

Brian Tinsley, CIE, MCM
Examiner-in-Charge
Market Conduct
Delaware Department of Insurance

I, Brian Tinsley, hereby verify and attest, under oath, that the above is a true and correct copy of the examination report and findings of the market conduct examination submitted to the Delaware Department of Insurance pursuant to examination authority PBM001-21-819.

Brian Tinsley, CIE, MCM