



South Carolina Department of Insurance

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TO: All Pharmacy Benefits Managers and Pharmacy Services Administrative Organizations, Health Plans and Other Interested Parties

FROM: Michael Wise *Michael Wise*
Director

RE: Examinations of Pharmacy Benefits Managers and Pharmacy Services Administrative Organizations Begin January 2, 2025

DATE: January 2, 2025

This Bulletin is issued as a reminder that S.C. Code Ann. §§ 38-71-2250 and 38-71-2340(B)(1) require the director or his designee to examine the conduct and business practices of pharmacy benefits managers (PBMs) and pharmacy services administrative organizations (PSAOs) beginning January 1, 2025. A “pharmacy benefits manager” means an entity that contracts with pharmacists or pharmacies on behalf of an insurer, third-party administrator, or the South Carolina Public Employee Benefit Authority to: (a) process claims for prescription drugs or medical supplies or provide retail network management for pharmacies or pharmacists; (b) pay pharmacies or pharmacists for prescription drugs or medical supplies; or (c) negotiate rebates with manufacturers for drugs paid for or procured... See S.C. Code Ann. § 38-71-2200(10). A pharmacy services administrative services organization is an entity that has contracted with pharmacy clients in the State to conduct business on their behalf with third-party payers or pharmacy benefits managers. PSAOs provide administrative services to pharmacies and negotiate and enter into contracts with third-party payers or pharmacy benefits managers on behalf of pharmacies. See S.C. Code Ann. § 38-71-2310.

Specifically, S.C. Code Ann. §38-71-2250(B)(1) provides:

As often as the director deems appropriate, but not less frequently than once every five years, the director may examine or audit the books and records of a pharmacy benefits manager providing claims processing services or other prescription drug or device services for a health benefit plan that are relevant to determining if the pharmacy benefits manager is in compliance with this act. The pharmacy benefits manager shall pay the charges incurred in the examination, including the expenses of the director or his designee and the expenses and compensation of his examiners and assistants. The director or his designee promptly shall institute a civil action to recover the expenses of examination against a pharmacy benefits manager which refuses or fails to pay. (Italics supplied.)

South Carolina law includes a similar examination requirement for PSAOs. S.C. Code Ann. § 38-71-2340(B)(1) provides:

As often as the director deems appropriate, but not less frequently than once every five years, the director may examine or audit the books and records of a pharmacy services administrative organization providing prescription drug coverage or benefits on behalf of pharmacies or pharmacy

benefits managers that are relevant to determining if the pharmacy services administrative organization is in compliance with this act. The pharmacy services administrative organization must pay the charges incurred in the examination, including the expenses of the director or his designee and the expenses and compensation of his examiners and assistants. The director or his designee promptly must institute a civil action to recover the expenses of examination against a pharmacy services administrative organization which refuses or fails to pay. (Italics supplied.)

The law provides that the recurring examinations by the Department of Insurance provided for in Sections 38-71-2250(B)(1) and 38-71-2340(B)(1) may begin on or after January 1, 2025. Accordingly, effective immediately, the South Carolina Department of Insurance will begin scheduling these examinations. PBMs or PSAOs scheduled for examination in 2025 will receive a call letter and examination warrant from the Department that will provide additional information concerning the exam and the market conduct examination process within the next two weeks.

Questions about this Bulletin or the examination process may be directed to marketreg@doi.sc.gov.