

# PHARMACY BENEFIT MANAGER LICENSE

## Frequently Asked Questions

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### PHARMACY BENEFIT MANAGER

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#### What is considered a pharmacy benefit manager (PBM)?

Definition can be found at [KRS 304.9-020](#) or [KRS 304.17A-161](#).

Kentucky defines a PBM as:

"Pharmacy benefit manager" means an entity that, on behalf of a health benefit plan, state agency, insurer, managed care organization providing services under KRS Chapter 304, or other third-party payor:

- (a) Contracts directly or indirectly with pharmacies to provide prescription drugs to individuals;
- (b) Administers a prescription drug benefit;
- (c) Processes or pays pharmacy claims;
- (d) Creates or updates prescription drug formularies;
- (e) Makes or assists in making prior authorization determinations on prescription drugs;
- (f) Administers rebates on prescription drugs; or
- (g) Establishes a pharmacy network.

#### Does every PBM require a license?

Yes. Effective January 1, 2017, every PBM must have a license to operate in Kentucky.

#### What happens if our PBM does not have a PBM license by January 1, 2017?

The PBM will not be authorized to operate in Kentucky until proper licensure is obtained. An unlicensed PBM is subject to a fine of up to \$10,000 per violation, per KRS 304.9-025.

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### APPLICATION

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#### Where can I find the PBM License Application?

The **PBM License Application** can be found at the following link:  
<http://insurance.ky.gov/Documents/PBMlicapp062017.pdf>

#### What should accompany the PBM License application?

- A fee of one thousand dollars (\$1,000), made payable to the Kentucky State Treasurer, must accompany the application. If the application is submitted after January 1, 2017, an additional penalty fee of five hundred dollars (\$500) should be included.
- Documents to support Section 5 of the application must also be submitted with the application. It is highly recommended that applicants use the [Pharmacy Benefit Manager Application Guide](#) and organize all required information needed for licensure in a binder to ensure compliance with federal and state requirements. The guide includes specific policies and details such as proof of financial responsibility.

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### **Is completion of the Pharmacy Benefit Manager Application Guide required for PBM Licensure?**

The PBM Application Guide is for internal use only and can function as a checklist for all required items necessary to obtain licensure. You may find the guide helpful regarding the documents that should be included with the PBM License Application to ensure approval for licensure is granted in the most efficient manner.

### **Where is the completed application and binder sent?**

Applications and binders arriving via UPS, FedEx, or courier service should be sent to the Department's **physical** address: Kentucky Department of Insurance, Health & Life Division, Attn: Shelley Wood, 215 West Main Street, Frankfort, KY 40601

Applications and binders arriving via U. S. Postal Service should be sent to the following **mailing** address: Kentucky Department of Insurance, Health & Life Division, Attn: Shelley Wood, P.O. Box 517, Frankfort, KY 40602

### **Can the PBM application be filed electronically?**

No, at this time there is no electronic application for a PBM License. The application must be sent in paper format with a check or money order made payable to the Kentucky State Treasurer.

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## GENERAL QUESTIONS

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### **Where can I find information about PBM licensure in Kentucky?**

The [Kentucky Department of Insurance \(KDOI\)](#) website or [Agent Licensing page](#) has information regarding PBM licensure. You can find documents related to PBM licensure under the "Forms and Documents" heading, including the PBM License Application, PBM Application Guide and Frequently Asked Questions.

### **Is a Utilization Review (UR) registration number a requirement for PBM licensure? The UR registration number is on the application and my organization does not perform utilization review.**

Not all organizations will have a UR registration number, and a UR registration number is not required for PBM licensure. If your organization does not have a need for a UR registration number, please enter N/A in the UR registration box on the PBM Application form.

### **Does Section 3 of the PBM License Application require a person (or persons) be listed?**

Section 3 of the PBM License Application requires an **individual** licensed administrator to be listed as primary contact responsible for the PBM's regulatory compliance. [KRS 304.9-133](#) requires that an individual administrator be on file at all times. If the individual administrator's license expires, there is a 30-day limit to re-license this individual or list a new licensed administrator. Therefore, it is prudent to

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have more than one individual designated as primary contact responsible for regulatory compliance on behalf of the PBM.

### **Can a business entity be listed in Section 3 of the PBM License Application?**

No, a business entity is not permitted to serve as primary contact for regulatory compliance on behalf of the PBM. Section 3 of the PBM License Application requires an individual (or individuals), licensed as administrators, to be designated as primary contact(s) responsible for regulatory compliance on behalf of the PBM.

### **What happens when we meet all requirements for PBM License?**

Once the license becomes active, an email message will be sent to the business email address listed in Section 1 (Demographic Information) of the PBM License Application. The email message will be an active license acknowledgement for the entity's specific DOI ID.

Information Technology also will create and email an initial username and password to eServices, so that the entity can access eServices.

### **Can a paper copy of the PBM license be printed?**

Yes. In response to industry demand, electronic services are provided for the licensee's use in eServices. An authorized individual may [access](#) eServices to print the license by clicking on "print license" located under the reports section on the eServices Menu.

Additional authorized individuals, acting on behalf of the entity, may create a new eServices user account by selecting the "Business Entity – Licensing Administrator" account type. These accounts require information technology staff to contact the "Approving Officer/Manager" listed in that section. Verification for new user accounts may take up to three business days.

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## **eSERVICES QUESTIONS**

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### **How do I access eServices once a username and password has been provided?**

There is an eService icon/button located in the header (in the top right corner) of every webpage of [Kentucky Department of Insurance](#) (or <http://insurance.ky.gov>). Clicking on that button will take the user to the secure website.

First time users must [create a new eServices user account on behalf of the entity](#), - as "Business Entity – Licensing Administrator" account type.

### **Is there a FAQ specifically for eServices?**

Yes, [eServices FAQ](#) can be found at the following link: <https://insurance.ky.gov/eservices/Faq.aspx>

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### FINANCIAL PROOF

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#### What is required as 'Proof of Financial Responsibility' in the amount of \$1 million?

Kentucky does not have a specific form to provide proof of financial responsibility. A declarations page showing the details of the policy, or surety/cash bond will serve as proof. Most insurers have a generic form to provide proof of financial responsibility, and the Department will accept generic forms as proof of financial responsibility.

### THIRD PARTY ADMINISTRATOR QUESTIONS

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#### Does a PBM that pays claims need a Third Party Administrator (TPA) license in addition to a PBM license?

Each entity should review the definition of PBM and make a determination that every function the entity performs falls solely under the PBM license. If the entity performs additional functions that fall outside of the definition of PBM, such as work for others, then the entity may fall outside of the PBM license authority, and the administrator license would be required in addition to the PBM License.

Also note: All individuals who will be designated to the PBM license must maintain an active administrator license in Kentucky.

#### What happens if the active administrator's individual PBM TPA license expires?

There is a 30-day limit for re-licensing of this individual or listing a new licensed administrator.

#### How do individuals apply for a TPA license?

License application for individual administrators may be completed through [www.NIPR.com](http://www.NIPR.com) or by paper application printed from this link: <http://insurance.ky.gov/Documents/8301IndAppForm071514.pdf>. The TPA license fee is \$50, payable to KY State Treasurer.

**Kentucky resident applicants** also must order a criminal background report from the Kentucky Court of Justice website, by **using these specific instructions**:

- Apply for a criminal background report online through the KY Administrative Office of the Courts (AOC) at <http://kcoj.kycourts.net/PublicMenu/Default.aspx?header=AOC+FastCheck>. The non-refundable fee is \$20, payable by credit card or electronic check.
  - Select **Register** to create account. You will receive an email to verify your email address.
  - Select **AOC FastCheck**, then **Add a New Batch**.
  - Under Category, select **Licensing**;
  - Under Group, select **Dept. of Insurance (DOI)**;
  - Under Reason, select **Licensing**.
  - Follow the directions to complete your request to ensure the Department of Insurance receives an official copy of your report. **Please note:** *If you do not follow these specific instructions, the Department of Insurance will not receive the official copy of your background check, and you will need to re-apply for a new report. Online requests are processed within two business days of being received.*