BEFORE THE COMMISSIONER OF
THE DEPARTMENT OF COMMERCE AND INSURANCE
FOR THE STATE OF TENNESSEE

TENNESSEE INSURANCE DIVISION,	)	
Petitioner,	)	
vs.	)	**TID No.: 25-38**
CARELONRX, INC.,	)	
Respondent.	)	

CONSENT ORDER

WHEREAS, Petitioner, the Insurance Division of the Tennessee Department of Commerce and Insurance ("Division") and CarelonRx Inc. ("Respondent") hereby stipulate and agree, subject to the approval of the Commissioner of the Tennessee Department of Commerce and Insurance ("Commissioner"), as follows:

GENERAL STIPULATIONS

1. It is expressly understood that this Consent Order ("Order") is subject to the Commissioner's acceptance and has no force and effect until such acceptance is evidenced by the entry and execution of the Commissioner.

2. This Order is executed by the Respondent for the purpose of avoiding further administrative action with respect to this cause. Furthermore, should this Order not be accepted by the Commissioner, it is agreed that presentation to and consideration of this Order by the

Commissioner shall not unfairly or illegally prejudice either the Commissioner or the Respondent from further participation or resolution of these proceedings.

3. The Respondent fully understands that this Order will in no way preclude additional proceedings by the Commissioner against the Respondent for acts or omissions not addressed in this Order or for facts or omissions that do not arise from the facts or transactions herein addressed.

4. The Respondent expressly waives all further procedural steps and expressly waives all rights to seek judicial review of or to otherwise challenge or contest the validity of this Order, the General Stipulations and imposition of discipline contained herein, and the consideration and entry and execution of said Order by the Commissioner.

AUTHORITY AND JURISDICTION

5. The Commissioner has jurisdiction over this matter pursuant to Title 56 of the Tennessee Code Annotated ("Tenn. Code Ann."), specifically Tenn. Code Ann. §§ 56-2-305 and 56-7-3101, and Tenn. Comp. R. & Regs. 0780-01-95 (the "Law"). The Law places on the Commissioner the responsibility of the administration of its provisions.

PARTIES

6. The Division is the lawful agent through which the Commissioner administers the Law and is authorized to bring this action for the protection of the public.

7. The Respondent is a pharmacy benefits manager ("PBM'") doing business in the State of Tennessee. The Respondent (License # 26) has the authority to administer the medication or device portion of pharmacy benefits coverage provided by a covered entity or otherwise act as a PBM in the State of Tennessee pursuant to Tenn. Code Ann. § 56-7-3113.

FINDINGS OF FACT

8. The Division conducted an audit of Respondent to determine the Respondent's compliance with Tenn. Code Ann. Title 56, Chapter 7, Parts 31 and 32; Tenn. Comp. R. & Regs. 0780-01-95; and Tenn. Code Ann. Title 56, Chapter 8, Part 1.

9. On July 9, 2025, the auditor-in-charge filed a verified, written report on the audit with the Division (the "Report").

10. On July 28, 2025, the Division received a response regarding the written Report from the Respondent.

11. In the Final Report, the auditor-in-charge identified two distinct violations of Tennessee law committed by Respondent based on the auditor's investigation of Respondent's business activities. *See* Report on Audit of CarelonRx, Inc., pp. 4-6. The Final Report is attached as Exhibit A and incorporated into this Order by reference.

12. The Final Report regarding the affairs of the Respondent was adopted by the Commissioner on August 20, 2025, via an Order Adopting Report on Audit (the "Audit Order"). The Audit Order contained the following two directives:

> a. The Company failed to pay an enhanced professional dispensing fee as required by Tenn. Code. Ann. § 56-7-3206(f) and Tenn. Comp. R. & Regs. 0780-01-95-.10 to qualifying low-volume pharmacies for one hundred sixteen (116) claims that were processed through its Plan Enhancement for Non-Covered Drug Discount ("PENCD") program. The Company is **DIRECTED** to pay an enhanced professional dispensing fee for claims submitted by low-volume pharmacies that were processed by a prescription discount plan as part of its processing of a claim for a pharmacy benefit under an insurance plan to ensure compliance with Tenn. Code Ann. § 56-7-3206(f) and Tenn. Comp. R. & Regs. 0780-01-95-.10.
>
> b. The Company engaged in unfair claims practices in violation of Tenn. Code Ann. § 56-8-105 by failing to adopt and implement reasonable standards for the settlement of enhanced professional dispensing fees owed under its policies for seven thousand four hundred ninety two (7,492) claims, and by not attempting in good faith to effectuate prompt, fair, and equitable settlement of enhanced professional dispensing fees in which liability has become known. The Company is **DIRECTED** to timely issue reimbursements to identified pharmacies, as well as adopt and implement reasonable standards for the

prompt settlement of enhanced professional dispensing fees, as required by Tenn. Code Ann. § 56-8-105 and Tenn. Comp. R. & Regs. 0780-01-95-.10.

CONCLUSIONS OF LAW

13. At all times relevant hereto, Tenn. Code Ann. § 56-7-3102(5) has provided:

> "Pharmacy benefits manager" means a person, business or other entity and any wholly or partially owned subsidiary of the entity, that administers the medication and/or device portion of pharmacy benefits coverage provided by a covered entity. "Pharmacy benefits manager" includes, but is not limited to, a health insurance issuer, managed health insurance issuer as defined in [Tenn. Code Ann.] § 56-32-128(a), nonprofit hospital, medication service organization, insurer, health coverage plan, health maintenance organization licensed to practice pursuant to this title, a health program administered by the state or its political subdivisions, including the TennCare programs administered pursuant to the waivers approved by the United States department of health and human services, nonprofit insurance companies, prepaid plans, self-insured entities, plans governed by the Employee Retirement Income Security Act of 1974 (ERISA) (29 U.S.C. § 1001 et seq.), and all other corporations, entities or persons acting for a pharmacy benefits manager in a contractual or employment relationship in the performance of pharmacy benefits management for a covered entity and includes, but is not limited to, a mail order pharmacy;

14. At all times relevant hereto, Tenn. Code Ann. § 56-8-102(a) has provided:

> (a) For the purposes of this part:
> …
>
> (3)(A) "Claim" means:
>
> (i) An oral, written, or electronic submission for payment that is filed by an insured, on behalf of an insured, or by a third party where the insurer accepts such claims, in accordance with the insurer's reasonable submission standards; and
>
> (ii) Is sufficient to reasonably establish contractual liability for payment on the part of an insurer;
> …
>
> (9) "Insurer" means any person, reciprocal exchange, interinsurer, Lloyd's insurer, fraternal benefit society, and any other legal entity engaged in the business of insurance. "Insurer" shall also mean medical service plans, hospital service plans, health maintenance organizations, prepaid limited health care service plans, hospital medical service corporations, dental, optometric and other similar

health service plans. For purposes of this part, these entities shall be deemed to be engaged in the business of insurance;

(10) "Person" means a natural or artificial entity, including, but not limited to, individuals, partnerships, associations, trusts, corporations, insurance producers, adjusters, any employer to the extent that the employer self-insures its workers' compensation liabilities pursuant to [Tenn. Code Ann.] § 50-6-405(b) or a group of employers qualifying as self-insurers pursuant to [Tenn. Code Ann.] § 50-6-405(c), or third party administrators;

…

(13) "Third party administrator" means any person that collects charges or premiums from, or who adjusts or settles claims on, residents of this state on behalf of an insurer, and shall include any person currently defined as an administrator by [Tenn. Code Ann.] § 56-6-401, any person currently defined as an administrator by Tenn. Comp. R. & Regs. 0780-1-54, or any person currently defined as a third-party administrator by Tenn. Comp. R. & Regs. 0780-1-81.

15. At all times relevant hereto, Tenn. Code Ann. § 56-7-3206(f) has provided:

(f) A pharmacy benefits manager shall pay a professional dispensing fee at a rate that is not less than the amount paid by the TennCare program to a pharmacy, if:

(1) The pharmacy dispenses a prescription drug or device pursuant to an agreement with the pharmacy benefits manager or a covered entity; and

(2) The pharmacy's annual prescription volume is at a level that, if the pharmacy were a TennCare-participating ambulatory pharmacy, would qualify the pharmacy for the enhanced amount of professional dispensing fee for a low-volume pharmacy under the operative version of the Division of TennCare Pharmacy Provider Manual, or a successor manual.

16. At all times relevant hereto, Tenn. Code Ann. § 56-8-105 has provided:

Any of the following acts by an insurer or person constitutes an unfair claims practice:

…

(2) Failing to acknowledge with reasonable promptness pertinent communications with respect to claims arising under its policies;

(3) Failing to adopt and implement reasonable standards for the prompt investigation and settlement of claims arising under its policies;

(4) Except when the prompt and good faith payment of claims is governed by more specific standards, not attempting in good faith to effectuate

> prompt, fair and equitable settlement of claims submitted in which liability has become reasonably clear; […]

17. Beginning on June 26, 2024, Tenn. Comp. R. & Regs. 0780-01-95-.11(5) has provided:

> (5) The Commissioner shall make a full and true report of the audit, which shall comprise only facts ascertained from the books, papers, records, securities, or documents of the PBM, or other evidence obtained by investigation of the Commissioner, or ascertained from the testimony of officers or agents or other persons examined under oath concerning the business, affairs, assets, and obligations of the PBM. The report of the audit shall be verified by the oath of the auditor in charge of the audit and shall be prima facie evidence in any action or proceeding in the name of the state against the PBM, its officers or agents upon the facts stated in the report.

18. Beginning on June 27, 2023, Tenn. Comp. R. & Regs. 0780-01-95-.10(1)(c) has provided:

> (c) Upon receipt of a pharmacy's certification pursuant to subparagraph (1)(b) of this rule, the PBM shall pay the pharmacy the appropriate dispensing fee for prescriptions filled on or after January 1 of the calendar year for which the certification was submitted. Except as provided in Tenn. Code Ann. § 56-7-3103, a PBM may not recoup any portion of a dispensing fee from a pharmacy that accurately certifies its annual prescription volume.

19. Beginning on June 26, 2024, Tenn. Comp. R. & Regs. 0780-01-95-.11(9) has provided:

> (9) If the audit reveals that the PBM is operating in violation of any law, rule, or prior order of the Commissioner, the Commissioner may, by order issued pursuant to the Uniform Administrative Procedures Act compiled in T.C.A. Title 4, Chapter 5, require the PBM to take any action the Commissioner considers necessary or appropriate to cure the violation, including but not limited to the payment of civil penalties. No PBM shall violate any order issued under this paragraph.

20. Respondent’s failure to timely pay an enhanced professional dispensing fee to qualifying low-volume pharmacies and failure to effectuate prompt, fair, and equitable settlement of seven thousand four hundred ninety-two (7,492) claims submitted in which liability had become reasonably clear constitute violations of Tenn. Code. Ann. § 56-8-105.

21. Respondent's failure to pay an enhanced professional dispensing fee to qualifying low-volume pharmacies for one hundred sixteen (116) claims constitute violations of Tenn. Code Ann. § 56-7-3206(f) and Tenn. Comp. R. & Regs. 0780-01-95-.10.

ORDER

IT IS THEREFORE ORDERED, pursuant to Tenn. Code Ann. § 56-2-305, that Respondent pay a **CIVIL PENALTY** in the amount of two hundred fifty thousand dollars ($250,000) for Respondent's violations of Tennessee law as outlined above.

IT IS FURTHER ORDERED that Respondent shall pay the appropriate dispensing fee to all qualifying pharmacies associated with the one hundred sixteen claims (116) as referenced in Paragraph 12a of this Order. Respondent shall submit proof to the Department within thirty (30) days of execution of this order that it has properly submitted payment to the aforementioned pharmacies.

IT IS FURTHER ORDERED that, in addition to the payment of the civil penalty assessed above and payment of the appropriate dispensing fees owed as described above, Respondent shall **CEASE AND DESIST** any activity that is a violation of either of the two directives identified by the Audit Order and restated in Paragraph 12 of this Order.

IT IS FURTHER ORDERED that this Order represents a full settlement and release of all violations by Respondent outlined in paragraph 12 above that were identified during the Division's audit of Respondent and that occurred during the relevant audit period. The Division shall not seek additional sanctions for violations of the aforementioned laws and rules stemming from conduct that occurred during the relevant audit period and that was identified in the Division's Final Report and Audit Order. However, this settlement and release does not apply to violations that occurred during the relevant audit period that would have been discovered during the audit if Respondent had provided the Division with information that Respondent was legally required to disclose to the Division during the audit but failed to do so.

The first page of this Order must accompany payment of the civil penalty for reference. Payment of the civil penalty shall be made within thirty (30) days of the date this Order is executed by the Commissioner, and payment must be mailed to the following address:

State of Tennessee
Department of Commerce and Insurance
Legal Division
Attn: Elliott Webb
Davy Crockett Tower, 12th Floor
500 James Robertson Parkway
Nashville, TN 37243

This Order may be executed in two (2) or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same document. The facsimile, email, or other electronically delivered signatures of the parties shall be deemed to constitute original signatures and facsimile or electronic copies shall be deemed to constitute duplicate originals.

This Order is in the public interest and in the best interests of the parties, represents a compromise and settlement of the controversy between the parties, and is for settlement purposes only. By the signatures affixed below, the Respondent affirmatively states that it has freely agreed to the entry and execution of this Order, that it waives the right to a hearing on the matters underlying this Order and to a review of the Findings of Fact and Conclusions of Law contained herein, and that no threats or promises of any kind have been made to it by the Commissioner, the Division, or any agent or representative thereof. The parties, by signing the Order, affirmatively state their agreement to be bound by the terms of this Order and aver that no promises or offers relating to the circumstances described herein, other than the terms of settlement as set forth in this Order, are binding upon them.

ENTERED AND EXECUTED on November 10, 2025.

Carter Lawrence, Commissioner
Department of Commerce and Insurance

APPROVED FOR ENTRY AND EXECUTION:

Scott McAnally
Assistant Commissioner for Insurance
Tennessee Department of Commerce and Insurance

CarelonRx, Inc.
Name: Amy Mulderry
Title: President, CarelonRx

RESPECTFULLY SUBMITTED:

Elliott G. Webb (BPR# 038472)
Associate General Counsel
Department of Commerce and Insurance
Davy Crockett Tower, 12th Floor
500 James Robertson Parkway
Nashville, Tennessee 37243
(615) 532-3846
Elliott.Webb@tn.gov