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

TENNESSEE INSURANCE DIVISION,	)	
	)	
Petitioner,	)	
	)	
vs.	)	**TID No.: 26-06**
	)	
	)	
CAREMARK, LLC.	)	
CAREMARK PHC L.L.C., and	)	
CAREMARK PCS HEALTH L.L.C.	)	
Respondent.	)	
	)	

CONSENT ORDER

WHEREAS, Petitioner, the Insurance Division of the Tennessee Department of Commerce and Insurance ("Division") and Caremark, L.L.C., Caremark PhC, L.L.C., and CaremarkPCS Health, L.L.C. (collectively "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 settlement purposes and to avoid litigation and further administrative action with respect to this cause, without any admission by

the Respondent of liability, fault, or wrongdoing of any kind, and without any admission that any law or regulation was violated, despite the Division's findings of wrongdoing and violations detailed below. 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. Additionally, one of the Division's findings addressed in sub-paragraph 13.k., fair reimbursement, as pursuant to Tenn. Code Ann. § 56-7-3118(d), is not resolved or settled in this Consent Order and will be addressed in a separate Consent Order or contested case hearing.

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, a contested case hearing pursuant to the Uniform Administrative Procedures Act, or any challenge to or contest of the validity of this Order, the General Stipulations and imposition of discipline contained herein, and the consideration and entry and execution of this 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 administers the medication or device portion of pharmacy benefits coverage provided by a covered entity and otherwise acts 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 the Respondent as of December 31, 2024, 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 December 22, 2025, the auditor-in-charge filed a verified, written report on the audit with the Division (the "December Report"). The December Report was shared with the Respondent by the Division on December 22, 2025.

10. On January 18, 2026, the Division received a response to the December Report from the Respondent.

11. On February 18, 2026, the Division reviewed the Respondent's response, modified the December Report after consideration of the Respondent's response, and issued an amended audit report, titled Report on Audit of Caremark, L.L.C., Caremark PhC L.L.C., and CaremarkPCS Health, L.L.C. (occasionally referred to in this Consent Order as the "Final Report").

12. In the Final Report, the auditor-in-charge identified evidence of eleven (11) alleged violations of Tennessee law committed by the Respondent based on the auditor's review of the Respondent's business activities. *See* Report on Audit of Caremark, L.L.C., Caremark PhC L.L.C., and CaremarkPCS Health, L.L.C., pp. 11-20.

13. The Final Report regarding the affairs of the Respondent was adopted with modifications by the Commissioner on March 2, 2026, via an Order Adopting Report on Audit

(the "Audit Order") [26-06] and is attached as Exhibit A and incorporated into this Order by reference. The Final Report contained eleven (11) findings, ten (10) of which are the subject of this Consent Order (only subsections 13.a through 13.j):

a. The Company failed to apply the correct enhanced professional dispensing fee rate, resulting in underpayments to the pharmacies for services provided and non-compliance.

b. The Company failed to pay the applicable enhanced professional dispensing fee or any dispensing fee, resulting in non-payment for services provided and non-compliance.

c. The Company failed to apply the enhanced professional dispensing fee within seven (7) business days of receiving a completed certification from a pharmacy indicating its eligibility to qualify for the enhanced professional dispensing fee.

d. The Company utilized a spread pricing model charging a covered entity an amount greater than the reimbursement paid by the pharmacy benefits manager to a contracted pharmacy for a prescription drug or device.

e. The Company failed to accept incomplete initial appeals and failed to hold the appeals open to allow pharmacies to submit missing information, resulting in denying appeals based on the required information not being received.

f. The Company failed to make payment(s) within fifteen (15) business days of receiving notice of the initial appeal when the appealing pharmacy failed to reverse and rebill its claim.

g. The Company failed to properly adjudicate initial appeals in which pharmacies alleged they were not reimbursed at least their actual cost for the prescription drug or device.

h. The Company failed to provide detailed instructions on how to reverse and rebill the claim for which the initial appeal was approved.

i. The Company failed to reimburse the pharmacy its actual cost for the prescription drug within seven (7) business days of receipt of the Commissioner's written notice.

j. The Company failed to provide proof of payment of at least the actual cost owed to the pharmacy within seven (7) business days of issuing the payment to the pharmacy.

k. The Company engaged in a practice of reimbursing non-affiliated pharmacies in the State of Tennessee less than the amount that the pharmacy benefit manager reimburses its affiliate pharmacies for the same drug or dispensed product.

CONCLUSIONS OF LAW

14. At all times relevant hereto, Tenn. Code Ann. § 56-7-3101(a) has provided:

(a) Pharmacy benefits managers shall, and contracts for pharmacy benefits management must, comply with the requirements of this part.

15. At all times relevant hereto, Tenn. Code Ann. § 56-7-3101 (b)(1)(A) has provided:

(b)(1) The commissioner of commerce and insurance shall promulgate rules to effectuate the purposes of this part and part 32 of this chapter, including, but not limited to, rules to:

> (A) Implement pharmacy benefits manager audits that are necessary to ensure compliance with this part and part 32 of this chapter; provided, such audits must not occur more than once every three (3) years unless the commissioner determines there is a need to investigate the financial condition of or legality of conduct by a pharmacy benefits manager[.]

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

(a) Notwithstanding a law to the contrary, a pharmacy benefits manager or a covered entity shall base the calculation of any coinsurance or deductible for a prescription drug or device on the allowed amount of the drug or device. For purposes of this section, coinsurance or deductible does not mean or include copayments.

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

(b) Notwithstanding a law to the contrary, a pharmacy benefits manager shall not charge a covered entity an amount greater than the reimbursement paid by a pharmacy benefits manager to a contracted pharmacy for the prescription drug or device.

18. At all times relevant hereto, Tenn. Code Ann. § 56-7-3206(c)(1) has provided:

(c)(1) Notwithstanding any law to the contrary, a pharmacy benefits manager shall not reimburse a contracted pharmacy for a prescription drug or device an amount that is less than the actual cost to that pharmacy for the prescription drug or device.

[…]

19. 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.

20. At all times relevant hereto, Tenn. Comp. R. & Regs. 0780-01-95-.04(3)(c) has provided:

(3) If a pharmacy's initial appeal is resolved in favor of the appealing pharmacy, the PBM shall comply with the provisions of T.C.A. § 56-7-3206(c)(3) and, further, provide the pharmacy the following in writing:

[…]

(b) Detailed instructions for how to reverse and rebill the claim upon which the initial appeal is based[.]

21. At all times relevant hereto, Tenn. Comp. R. & Regs. 0780-01-95-.04(7)(b) has provided:

[…]

(7)(b) If the appealing pharmacy fails to reverse and rebill its claim pursuant to subparagraph (a), the PBM shall adjust the rate of reimbursement and make the payment(s) no later than fifteen business days after the PBM receives notice of the initial appeal.

22. At all times relevant hereto, Tenn. Comp. R. & Regs. 0780-01-95-.05(3) has provided:

If a PBM receives an initial appeal from a pharmacy that does not contain all information required under paragraph (2) of this rule, the PBM shall accept the incomplete initial appeal and hold it open pending receipt of additional information from the pharmacy. Within five business days of receipt of an incomplete initial appeal, the PBM shall notify the pharmacy of the information needed to complete the initial appeal and initiate the

PBM's review. The pharmacy may respond within five business days of receipt of the PBM's notice outlining the requested information. If the pharmacy provides the requested information, the timeline for making a final determination outlined in subparagraph (1)(b) of this rule shall start. If the pharmacy fails to provide the requested information within five business days of receipt of the PBM's notice, the PBM may deny the initial appeal pursuant to T.C.A. § 56-7-3206(c)(4).

23. At all times relevant hereto, Tenn. Comp. R. & Regs. 0780-01-95-.06(9) has provided:

(9) If a PBM is required to pay a pharmacy any additional money upon resolution of an appeal pursuant to this rule, the PBM shall make such payment within seven business days of receipt of the Commissioner's written notice issued pursuant to paragraph (8) of this rule. The PBM shall also provide the Department with proof the PBM has reimbursed the pharmacy at least its actual cost for the prescription drug or medical product or device at issue, including a statement of the additional amount paid to the pharmacy, within seven business days of issuing the payment to the pharmacy.

24. At all times relevant hereto, Tenn. Comp. R. & Regs. 0780-01-95-.10(3) has provided:

(3) If a pharmacy fails to timely submit a certification pursuant to paragraph (1) of this rule with a PBM with whom the pharmacy has an ongoing business relationship, the pharmacy shall be presumed to be a high-volume pharmacy. However, if a pharmacy later certifies it qualifies for the enhanced professional dispensing fee for a low-volume pharmacy by meeting the requirements of parts 1. and 2. of subparagraph (2)(b) of this rule, the PBM shall pay the certifying pharmacy the enhanced professional dispensing fee for prescriptions dispensed beginning on the seventh business day after the PBM receives the complete certification.

25. The Division found that the facts presented during the December audit and outlined in the Final Report demonstrate that the Respondent violated the aforementioned laws within Paragraphs 14 through 24. The Respondent is not contesting that finding.

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 the violations of Tennessee law found by the Department as outlined above.

IT IS FURTHER ORDERED that, in addition to the payment of the civil penalty assessed

above, Respondent shall **CEASE AND DESIST** any activity that is a violation of any of the ten (10) findings of the Final Report that are specifically identified in sub-paragraphs 13.a. through 13.j. above.

IT IS FURTHER ORDERED that the Respondent shall identify all claims processed between 2024 and 2025 through the Respondent's "Cost Saver" program for which a professional dispensing fee was not paid to the dispensing pharmacy and pay all appropriate dispensing fees to the appropriate pharmacies within sixty (60) days after entry of this Order.

IT IS FURTHER ORDERED that this Order represents a full settlement and release of all violations outlined above that were identified during the Division's audit of the 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. However, this Order does not apply to violations that occurred during the relevant audit period that would have been discovered during the audit if the Respondent had provided the Division with all requested data, specifically ERISA data.

The Division acknowledges that this Order does not address the alleged violations of Tenn. Code Ann. § 56-7-3118(d) that were discovered through the audit conducted by the Division and that such alleged violations shall be addressed independently from this Order.

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, in the best interests of the parties, and is for settlement purposes only of the controversy between the parties. By the signatures affixed below, the Respondent affirmatively states that it freely agrees to the entry and execution of this Order, it waives the right to a contested case hearing on all matters underlying this Order, including the Findings of Fact and Conclusions of Law contained herein, and that no threats or promises of any kind have been made by the Commissioner, the Division, or any agent or representative thereof. The Respondent expressly reserves, and does not waive, the right to a contested case hearing on any findings of the Final Report that are not specifically addressed by this Consent Order and that relate in any way to alleged violation of Tenn. Code Ann. § 56-7-3118(d). 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 _____, 2026.

_____

Carter Lawrence, Commissioner
Department of Commerce and Insurance

ADDITIONAL SIGNATURES ON FINAL AND LAST PAGE

APPROVED FOR ENTRY AND EXECUTION:

_____	_____
Scott McAnally Assistant Commissioner for Insurance Tennessee Department of Commerce and Insurance	Caremark, LLC; Caremark PhC, L.L.C; and CaremarkPCS Health, L.L.C. Name: _____ Title: _____

RESPECTFULLY SUBMITTED:

_____

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

The original document, signed and dated August 6, 2026, is available upon request.