



**STATE OF TENNESSEE**  
**DEPARTMENT OF COMMERCE AND INSURANCE**

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**REPORT ON AUDIT**  
**OF**  
**HUMANA PHARMACY SOLUTIONS, INC.**  
**PHARMACY BENEFIT MANAGER**  
**LOUISVILLE, KENTUCKY**

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**FOR THE YEAR ENDED**  
**DECEMBER 31, 2023**

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Louisville, Kentucky  
September 17, 2025

Honorable Carter Lawrence  
Commissioner  
Tennessee Department of Commerce and Insurance  
500 James Robertson Parkway  
Nashville, Tennessee 37243

Dear Commissioner:

In accordance with your instructions and pursuant to Tennessee Code Annotated (“Tenn. Code Ann.”) § 56--7--3101 and Tenn. Comp. R. & Regs. § 0780-01-95-.11, a statutory audit, as of December 31, 2023, has been made of the condition and affairs of:

**HUMANA PHARMACY SOLUTIONS, INC., A PHARMACY BENEFIT MANAGER**

500 West Main Street  
Louisville, KY 40202

Hereinafter referred to as (“Humana”) or (the “Company”) and a report thereon is submitted as follows:

**INTRODUCTION**

This audit was conducted by the Tennessee Department of Commerce and Insurance (“TDCI”) or (the “Department”) and was conducted by duly authorized representatives of the Department.

**SCOPE OF AUDIT**

This is the first audit of the Company. This audit covers the period January 1, 2023, through December 31, 2023, and includes any material transactions and/or events occurring subsequent to the audit date, which were noted during the course of the audit.

The audit was conducted in accordance with rules and procedures as prescribed by the statutes of the State of Tennessee, and in accordance with the *NAIC Market Regulation Handbook* (“Handbook”), as deemed appropriate. The audit was planned and performed to evaluate the Company’s compliance with Tennessee statutes and regulations, for the year ended December 31, 2023.

## COMPANY HISTORY

The Company was incorporated in 2011 in Louisville, Kentucky. The entity then went through the following changes:

- 2011 – The Company was founded in Louisville, Kentucky.
- 2012 –The Company entered into a contract with Humana Insurance Company to provide pharmacy benefit management services.

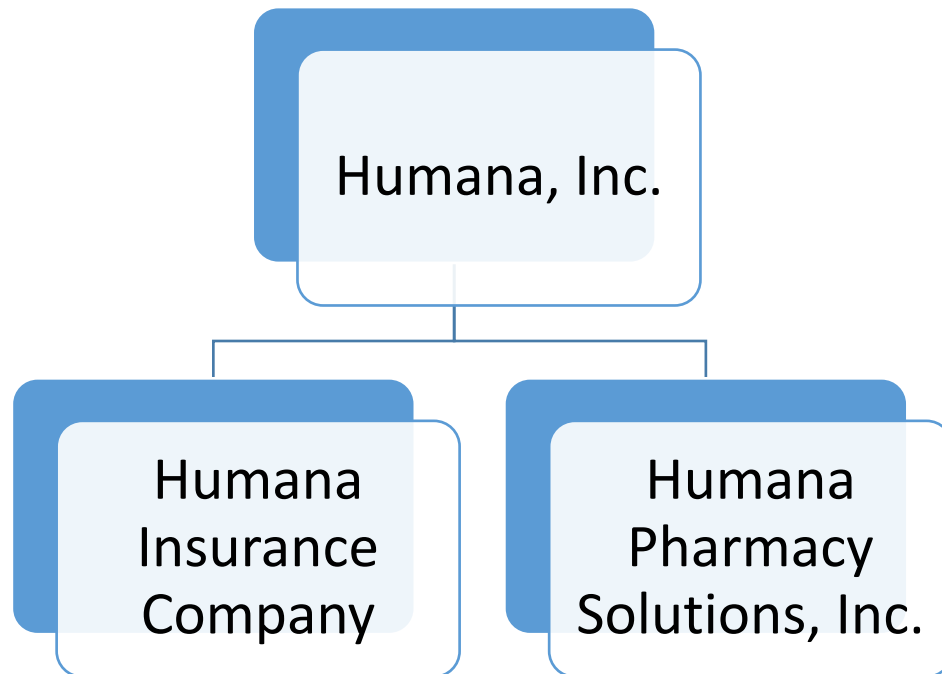
On January 1, 2019, the Company received its license as a pharmacy benefit manager (“PBM”). This license was in force throughout the period under audit.

The Company is a wholly owned subsidiary of Humana, Inc. and provides PBM services through agreements between the Company and its affiliates. The services provided by the Company and its affiliates include development of drug formularies, pharmacy trend management, consumer education, benefit design, access to network pharmacies, medication therapy management, plan design services, prior authorization, appeal, and exception services, ‘True Out-of-Pocket cost services’, coordination of benefits, transition fill services, and pharmaceutical rebate services.

## ORGANIZATIONAL CHART

The management of the Company is vested in Humana Inc.’s Board of Directors (“Board”). The Board and committees hold regular meetings relative to the following areas: Audit, Clinical Quality, Investment, Nominating, Governance & Sustainability, Organization and Compensation, and Technology. Management of the Company is structured as follows:

<b><u>Name</u></b>	<b><u>Officer Title</u></b>
Bethanie L. Stein	President
Joseph M. Ruschell	Vice President, Associate General Counsel & Corp. Secretary
Robert M. Marcoux	Vice President and Treasurer
Sean M. Lysinger	Vice President, Chief Financial Officer
Daniel K. Feld	Director, Tax
Courtney D. Durall	Assistant Corporate Secretary, Director of ESG Strategy
Joseph M. Ruschell	Director
William K. Fleming	Director
Bruce D. Broussard	Director



## **PBM OPERATIONS, FINDINGS, AND RECOMMENDATIONS**

A statutory audit was conducted of the Company as of December 31, 2023, addressing the following areas:

### **Dispensing Fee**

Auditors reviewed and analyzed the Company's claims data relative to the payment of low-volume dispensing (LVD) fees for Company-identified LVD pharmacies to determine whether the Company reimburses LVD pharmacies as set forth in Tenn. Code. Ann. § 56-7-3206(f).

Additionally, the audit team requested Company policies and procedures related to low-volume pharmacy dispensing fee reimbursements to determine compliance with Tenn. Code Ann. § 56-7-3206(f) and Tenn. Comp. R. & Regs. 0780-01-95-.10. No issues were noted.

### **Fair Reimbursement**

Testwork was completed to determine whether the Company engaged in a pattern or practice of reimbursing pharmacies or pharmacists in this state less than the amount that the Company reimburses an affiliate for providing the same drug or dispensed product or service as set forth in Tenn. Code Ann. § 56-7-3118(d).

Auditors analyzed the claims data provided by Humana to evaluate whether the Company compensated its affiliated pharmacy, Centerwell Mail Pharmacy, at a higher rate than non-affiliated pharmacies. The analysis focused on comparing the per-unit ingredient costs paid for affiliated versus non-affiliated claims within the dataset. The volume of claims processed by CenterWell pharmacies was minimal, accounting for approximately one percent (1%) of total claims, which limits the statistical reliability of any conclusions.

In this regard, although auditors observed variances where affiliated pharmacies were paid more than non-affiliated pharmacies, given the relatively low volume of affiliated claims and the overall number of instances of this pricing differential, auditors could not conclude that the Company engaged in a prohibited pattern or practice of paying affiliate pharmacies more than non-affiliate pharmacies. Instances of noncompliance by the Company with Tenn. Code Ann. § 56-7-3118(d) were determined to be inconclusive.

### **Spread Pricing**

A sample of pharmacy claims was reviewed to determine if the Company charged a covered entity an amount greater than the reimbursement paid by the Company to a contracted pharmacy for prescription drugs or devices as required by Tenn. Code Ann. § 56-7-3206(b). No issues were identified with respect to the Company's use of spread pricing. However, auditors' review and findings were significantly limited due to the Company's failure to provide plan or issuer payment information, which was also not included in the claim samples submitted for review.

Auditors made multiple requests for this information. In response, the Company provided the following written reply on October 9, 2024:

We were unable to identify any financial information that would provide the requested plan-to-Humana payment details. We would like to clarify a statement made during the call with auditors on 10/2. Humana Pharmacy Solutions (the PBM) utilizes a pass-through reimbursement model for claims and rebates.

The lack of plan or issuer payment details hindered auditors' ability to fully evaluate the Company's practices regarding spread pricing and related financial arrangements.

### **Initial Appeals**

Testwork was performed to determine whether the Company timely and properly adjudicated initial appeals, if an appeal was resolved in favor of the appealing pharmacy, adjusted the appealing pharmacy rate of reimbursement for the item that was the subject of the appeal and allowed the pharmacy to reverse and bill the claim, and, if necessary, applied the findings from the appeal as to the rate of reimbursement and actual cost for the particular drug or medical product or device to other similarly situated pharmacies as

required by Tenn. Code Ann. § 56-7-3206 and Tenn. Comp. R. & Regs. 0780-01-95-.03 through .05.

### ***Finding #1***

It was determined that during the period covered by the audit, the Company did not have an effective process in place for identifying similarly situated pharmacies, to ensure that reimbursement was made when applicable in compliance with Tenn Code Ann. § 56-7-3206(c)(3)(A)(vi). The Company did not notify similarly situated pharmacies that received the challenged rate of reimbursement for the particular drug or medical product or device that was at issue in the initial appeal resolved in favor of the appealing pharmacy, as required by Tenn. Comp. R. & Regs. 0780-01-95-.04(4)(a)1. As a result, the Company did not pay similarly situated pharmacies the difference between the original rate of reimbursement received and the adjusted rate of reimbursement that resulted from the initial appeal resolved in favor of an appealing pharmacy, as required by Tenn. Comp. R. & Regs. 0780-01-95-.04(4)(a)2.

***Recommendation:*** It is recommended that the Company adopt and develop procedures to ensure that it fully complies with Tenn. Code Ann. § 56-7-3206(c)(3)(A)(vi) and Tenn. Comp. R. & Regs. 0780-01-95-.04.

### ***Finding #2***

In 1 of the 6 initial appeals files tested (16.7%), the Company failed to make a final determination resolving the pharmacy's initial appeal within seven business days of the Company's or covered entity's receipt of an initial appeal that includes all information required by Tenn. Comp. R. & Regs. 0780-01-95-.05(2). This is a violation of Tenn. Comp. R. & Regs. 0780-01-95-.05(1)(b).

***Recommendation:*** It is recommended that the Company review and revise their policies and procedures to ensure timely initial appeals handling, in compliance with the requirements of Tenn. Comp. R. & Regs. 0780-01-95-.05(1)(b).

## **External Appeals**

Tenn. Code Ann. § 56-7-3206(g)(2) requires the Department to institute an external appeals process for any appeal denied by a PBM. Tenn. Comp. R. & Regs. 0780-01-95-.06 establishes the requirements for the external appeals process to be followed by the Department, appealing pharmacies, and PBMs. No testwork could be performed in this area, as the Company did not identify any external appeals during the audit period.

## **Audits of Pharmacies**

Testwork was completed to determine if the Company complied with standards for timing

and notice concerning pharmacy audits, standards for the conduct of the audits, and the proper determination of and handling of recoupments as a result of a pharmacy audit found in Tenn. Code Ann. § 56-7-3103 and Tenn. Comp. R. & Regs. 0780-01-95-.09.

No instances of noncompliance by the Company with Tenn. Code Ann. § 56-7-3103 and Tenn. Comp. R. & Regs. 0780-01-95-.09 were noted. However, the Company heavily redacted some documents asserting that the redacted information related to Medicaid Part D claims. Additionally, the Company asserted that the requested information was outside the scope of the audit, and other information provided for review was incomplete. These limitations impaired auditors' ability to fully assess compliance with regulatory requirements over the audits of pharmacies and may have affected the findings.

## CONCLUSION

Rules and procedures as prescribed by the statutes of the State of Tennessee and guidance from the *NAIC Market Regulation Handbook*, as deemed appropriate, have been followed in connection with the audit of Humana Pharmacy Solutions, Inc.

The courteous cooperation of the officers and employees of the Company, extended during the course of the audit, is hereby acknowledged.

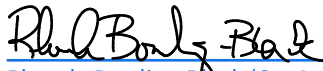
In addition to the undersigned, multiple contract examiners and pharmacists of the firm Lewis & Ellis LLC, participated in the work of the audit.

Respectfully submitted,



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Dave Dillon, MCM, FSA, MAAA  
Audit Supervisor  
Lewis & Ellis LLC  
Representing the State of Tennessee



[Rhonda Bowling-Black \(Oct 9, 2025 09:38:20 CDT\)](#)

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Rhonda Bowling-Black, CFE, ARe, APIR, MCM  
Department Designee  
State of Tennessee

## CERTIFICATION

The undersigned certifies and says that he has duly executed the attached audit report of Humana Pharmacy Solutions, Inc., located in Louisville, Kentucky, dated September 17, 2025, and made as of December 31, 2023, on behalf of the Tennessee Department of Commerce and Insurance. The undersigned further says she is familiar with such instrument and the contents thereof, and the facts therein set forth are true to the best of her knowledge, information, and belief.



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Dave Dillon, MCM, FSA, MAAA  
Audit Supervisor  
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Rhonda Bowling-Black (Oct 9, 2025 09:38:20 CDT)

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Rhonda Bowling-Black, CFE, ARe, APIR, MCM  
Department Designee  
State of Tennessee