



Insights

The Indiana General Assembly recently enacted significant new legislation that will impact both pharmacy benefit managers and health care providers doing business in Indiana

June 27, 2025

By: Catherine M. Stowers

Regulation of Pharmacy Benefit Managers

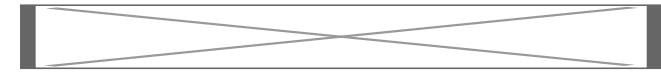
Senate Bill 140 (SB 140), which was signed into law by Governor Braun on May 6, 2025, imposes wide-ranging reforms on pharmacy benefit managers (PBMs) operating in Indiana, and will thus be impactful to self-funded group health plans offering pharmacy benefits.

The law addresses pharmacy network adequacy and prohibits PBMs from entering network contracts that would prevent pharmacists from advising patients about lower cost options. The law requires all pharmacy networks to be “reasonably adequate and accessible,” mandating at minimum that insured individuals have access to a non-mail-order pharmacy within 30 miles of their residence to the extent a pharmacy is available. Insurers and PBMs will also be required to submit annual reports regarding network adequacy to the Indiana Department of Insurance, which will directly oversee compliance. And while insurers and PBMs may still promote their in-network providers, any communication regarding the network must be accurate and inclusive of all eligible pharmacies.

Perhaps the most significant impact of SB 140 on employer plans is a new prohibition applicable to insurers and third-party administrators (TPAs). Currently, many large insurers and TPAs require employers under a certain size threshold to contract with a PBM that is owned by the TPA or insurer. For those employers who are allowed to “carve out” to a different PBM, a significant administrative fee applies. Under the provisions of SB 140, PBMs are prohibited from requiring the employer to enter a contract with a particular PBM. In other words, PBM carve outs must be allowed. The new law also prohibits charging a carve out fee to employers who choose a different PBM. This will allow much needed flexibility for Indiana employers to choose a new PBM regardless of the TPA administering the group health plan. This provision is effective for plan years beginning on or after January 1, 2026.

Additional Regulation of Hospital Transparency and Pricing

Beginning with the federal Transparency in Coverage law and the Consolidated Appropriations Act in 2021, regulatory focus on hospital price transparency has been high. Pricing transparency is viewed, among other things, as creating competition and ultimately bringing down the cost of health care. Along those lines, in a highly publicized new Indiana law, House Bill 1004 imposes added price transparency requirements and price controls on Indiana nonprofit hospitals intended to lower the cost of hospital care. Effective July 1, 2026, nonprofit hospitals will have to submit audited financial statements, federal tax forms, and related data to the Indiana Department of Health on an annual basis. In addition, Indiana’s Office of Management and Budget will be required to conduct a study and report on inpatient and outpatient hospital pricing, with the goal being to determine the statewide average cost of care. On or before June 30, 2029, nonprofit hospitals will be required



to align their pricing to be at or below the statewide average or risk losing nonprofit status. While not directly impacting group health plans in the near future, the amount that plans are required to pay for inpatient and outpatient care in Indiana should start going down in the longer term if these pricing requirements work as expected.

Krieg DeVault will continue to monitor these and other regulatory developments as they evolve. Please reach out to Catherine M. Stowers or any member of Krieg DeVault's Employee Benefits and Executive Compensation practice.

Disclaimer. The contents of this article should not be construed as legal advice or a legal opinion on any specific facts or circumstances. The contents are intended for general informational purposes only, and you are urged to consult with counsel concerning your situation and specific legal questions you may have.