Subpart I—Organization Compliance with State Law and Preemption by Federal Law

§ 423.401 General requirements for PDP sponsors.

(a) General requirements. Each PDP sponsor of a prescription drug plan must meet the following requirements:

(1) Licensure. Except in cases where there is a waiver as specified at § 423.410 or § 423.415, the sponsor is organized and licensed under State law as a risk bearing entity eligible to offer health insurance or health benefits coverage in each State in which it offers a prescription drug plan. If not otherwise licensed, the sponsor obtains certification from the State that the organization meets a level of financial solvency and other standards as the State may require for it to operate as a PDP sponsor.

(2) Assumption of financial risk for unsubsidized coverage. The PDP sponsor assumes financial risk on a prospective basis for benefits that it offers under a prescription drug plan and that is not covered under section 1860D–15(b) of the Act.

(b) Reinsurance permitted. The PDP sponsor may obtain insurance or make other arrangements for the cost of coverage provided to any enrollee to the extent that the sponsor is at risk for providing the coverage.

(c) Solvency for unlicensed sponsors. In the case of a PDP sponsor that is not described in § 423.401(a)(1) and for which a waiver is approved under § 423.410 or § 423.415, the sponsor must meet the requirements in § 423.420.

§ 423.410 Waiver of certain requirements to expand choice.

(a) Authorizing waiver. In the case of an entity that seeks to offer a prescription drug plan in a State, CMS waives the licensure requirement at § 423.401(a)(1), which requires that the entity be licensed in that State if CMS determines, based on the application and other evidence presented, that any of the grounds for approval of the application described in paragraphs (b), (c), or (d) of this section are met.

(b) Grounds for approval of waivers. Subject to the waiver requirements specified in § 423.410(e), waivers may be granted under any of the following conditions:

(1) Failure to act on licensure application on a timely basis. The State failed to complete action on the licensing application within 90 days of the date that the State received a substantially completed application.

(2) Denial of application based on discriminatory treatment. The State denied the license application on either of the following bases—

(i) The State imposed material requirements, procedures, or standards (other than solvency requirements) not generally applied by the State to other entities engaged in a substantially similar business; or

(ii) The State required, as a condition of licensure, that the organization offer any product or plan other than a prescription drug plan.

(3) Denial of application based on application of solvency requirements. The State denied the license application in whole or in part, on the basis of the PDP sponsor’s failure to meet solvency requirements and

(i) The solvency requirements are different from the solvency standards CMS establishes in accordance with § 423.420; or

(ii) CMS determines that the State imposed, as a condition of licensing, any documentation or information requirements relating to solvency that are different from the standards CMS establishes in accordance with § 423.420.

(4) Grounds other than those required by Federal Law. The application by a State of any grounds other than those required under Federal law.

(c) Waiver when licensing process not in effect. The grounds for approval specified in paragraph (b)(1) of this section are deemed met if CMS determines that the State does not have a licensing process in effect for PDP sponsors.

(d) Special waiver for plan years beginning before January 1, 2008. For plan years beginning before January 1, 2008, if the State has a prescription drug plan or PDP sponsor licensing process in effect, CMS grants a waiver upon a demonstration that an applicant to become a PDP sponsor has submitted a substantially completed application for licensure to the State.