

BILL ANALYSIS

Senate Research Center
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S.B. 1122
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Health & Human Services
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

In December 2020, the Supreme Court of the United States, in a unanimous 8-0 opinion, affirmed that states can act to protect local businesses and their patients from pharmacy benefit manager (PBM) overreach. Importantly, the ruling clarified that states can regulate certain activities of employer-sponsored self-funded health plans, also known as ERISA plans, and their PBMs that were previously thought to be outside of state jurisdiction.

In February 2025, Texas Attorney General Ken Paxton released KP-0480, which asserts that Texas has the authority to regulate PBM practices impacting its residents and local pharmacies, even when ERISA-governed plans are involved.

S.B. 1122 builds upon the landmark PBM reforms passed in recent years by extending the applicability of patient and pharmacy protections already in law to all PBM activity in the state, regardless of the health plan types.

As proposed, S.B. 1122 amends current law relating to applicability of certain prescription drug insurance laws to health benefit plans and pharmacy benefit managers.

RULEMAKING AUTHORITY

Rulemaking authority previously granted to the commissioner of insurance is rescinded in SECTION 3 of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter L, Chapter 1369, Insurance Code, by adding Section 1369.5515, as follows:

Sec. 1369.5515. APPLICABILITY OF SUBCHAPTER. (a) Requires a pharmacy benefit manager, except as provided by this subsection, to comply with the provisions of Subchapter L (Affiliated Providers), Chapter 1369 (Benefits Related to Prescription Drugs and Devices and Related Services), with respect to each health benefit plan administered by the pharmacy benefit manager, regardless of whether a provision of this subchapter is specifically made applicable to the plan. Provides that a pharmacy benefit manager is not required to comply with a provision of this subchapter with respect to a plan expressly excluded by this subchapter from the applicability of the provision.

(b) Provides that this subchapter applies to a health benefit plan provided to a resident of this state, regardless of whether the plan, policy, agreement, or contract is delivered, issued for delivery, or renewed within or outside this state and to the pharmacy benefit manager for that plan.

SECTION 2. Amends Section 1369.602, Insurance Code, by adding Subsections (d) and (e), as follows:

(d) Requires a pharmacy benefit manager, except as provided by this subsection, to comply with the provisions of Subchapter M (Contracts With Pharmacists and Pharmacies), Chapter 1369, with respect to each health benefit plan administered by the

pharmacy benefit manager, regardless of whether a provision of this subchapter is specifically made applicable to the plan. Provides that a pharmacy benefit manager is not required to comply with a provision of this subchapter with respect to a plan expressly excluded by this subchapter from the applicability of the provision.

(e) Provides that this subchapter applies to a health benefit plan provided to a resident of this state, regardless of whether the plan, policy, agreement, or contract is delivered, issued for delivery, or renewed within or outside this state and to the pharmacy benefit manager for that plan.

SECTION 3. Requires the commissioner of insurance, as soon as practicable after the effective date of this Act, to repeal all rules that are inconsistent with the changes in law made by this Act.

SECTION 4. Makes application this Act prospective to January 1, 2026.

SECTION 5. Effective date: September 1, 2025.