

**BULLETIN 2005-1**  
**Licensing and Regulatory Requirements for**  
**Prescription Drug Plans (PDPs)**

Title I of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, commonly referred to as the Medicare Modernization Act (MMA), created requirements for a new type of organization called Prescription Drug Plans (PDPs). Base requirements for Contracts with PDP Sponsors include State licensure as a risk bearing entity in the jurisdictions where the entity proposes to serve Medicare beneficiaries. The purpose of this bulletin is to notify the public of licensing and regulatory requirements in the State of Utah for PDPs.

PDPs may be licensed and regulated as either a Utah domiciled health maintenance organization (HMO), a limited health plan (LHP), or an indemnity insurer. Specific regulatory requirements for a Utah domiciled HMO or a LHP are established by [Utah Code Annotated \(U.C.A.\) Title 31A, Chapter 8](#). Specific regulatory requirements for a Utah domiciled indemnity insurer are established by [U.C.A. Title 31A, Chapter 5](#). Specific regulatory requirements for a foreign indemnity insurer are established by [U.C.A. Title 31A, Chapter 14](#).

The minimum capital or permanent surplus requirement is \$400,000 for indemnity insurers and \$100,000 for an HMO. The minimum capital or permanent surplus requirement for a LHP may not be less than \$10,000 or exceed \$100,000. The Utah Insurance Commissioner sets the actual amount for a LHP after a hearing and in consideration of various factors. Risk-Based Capital (RBC) requirements, as outlined in [U.C.A. §31A-17-602](#), are also applicable regardless of the license type.

Applicants will need to determine which license is most appropriate for their underlying circumstances. Licensing procedures may differ depending on the license for which application is made. Please contact Beth Crim at (801) 538-3812 or via email at [bcrim@utah.gov](mailto:bcrim@utah.gov) for specific licensing requirements for each license.

PDPs are required to file the Health Quarterly and Annual Statement Blanks ("Orange Blank") in accordance with the instructions provided by the National Association of Insurance Commissioners (NAIC) and in accordance with Statutory Accounting Principles (SAP).

**DATED** this 17th day of March 2005.

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Neal T. Gooch  
Deputy Insurance Commissioner

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