

STATE OF RHODE ISLAND
PROVIDENCE, SC.

SUPERIOR COURT

STATE OF RHODE ISLAND, by and
through Attorney General Peter F. Neronha
Plaintiff,

v.

Prime Therapeutics LLC,
Defendant.

C.A. No.: PC-2026-_____

ASSURANCE OF VOLUNTARY COMPLIANCE AND CONSENT JUDGMENT

1. This Assurance of Voluntary Compliance and Consent Judgment (“AVC”) is a consent agreement between the State of Rhode Island, by and through Rhode Island Attorney General Peter F. Neronha (“RIAG”), and Prime Therapeutics LLC (“Prime”) and is entered into and executed with the full knowledge that the allegations of fact and law contained herein constitute allegations of violations of R.I. Gen. Laws § 5-19.1-35 (the “Pharmacy Audit Act” or “Act”), which establishes requirements that health insurance carriers and their intermediaries must follow when conducting audits of pharmacies in Rhode Island. This AVC shall not be considered any finding or admission of any violation for any purpose.

AUTHORITY

2. The RIAG has the authority to enforce and ensure compliance with the Pharmacy Audit Act. R.I. Gen. Laws § 5-19.1-35(h).

3. The RIAG has the authority, pursuant to R.I. Gen. Laws § 5-19.1-35(h), to accept an AVC in full settlement of this matter with respect to alleged violations of the Pharmacy Audit Act.

JURISDICTION

4. Prime transacts business in Rhode Island and/or has the requisite minimum contacts with Rhode Island necessary to constitutionally permit the Court to exercise jurisdiction, with such jurisdiction also being proper under Rhode Island's long-arm statute, R.I. Gen. Laws § 9-5-33.

REGULATORY BACKGROUND

5. Under the Pharmacy Audit Act, health insurance carriers and their intermediaries must comply with various requirements related to on-site audits of pharmacies in Rhode Island. These requirements include but are not limited to: providing fourteen (14) days advanced written notice of an audit and the range of prescription numbers involved in the audit (*Id.* § 5-19.1-35(c)); limiting the number of prescriptions subject to audit to one hundred fifty (150) prescription claims and their applicable refills (*Id.*); allotting pharmacies adequate time to collect all audited samples (*Id.*); limiting the period covered by an audit to two (2) years (*Id.* § 5-19.1-35(e)(5)); and permitting a pharmacy at least one opportunity to reschedule with the auditor if the scheduled audit presents a scheduling conflict for the pharmacist (*Id.* § 5-19.1-35(e)(6)).

6. The Pharmacy Audit Act contains the following exceptions:

- a. R.I. Gen. Law § 5-19.1-35(b) provides that “[t]his section does not apply to any audit, review, or investigation that is initiated based on or involving suspected or alleged fraud, willful misrepresentation, or abuse.”
- b. R.I. Gen. Law § 5-19.1-35(g)(1) states that “[t]he provisions of this chapter do not apply to an investigative audit of pharmacy records when:
 - i. Fraud, waste, abuse, or other intentional misconduct is indicated by physical review or review of claims data or statements; or
 - ii. Other investigative methods indicate a pharmacy is or has been engaged in criminal wrongdoing, fraud, or other intentional or willful misrepresentation.”

7. The purpose of the Pharmacy Audit Act is to mitigate the administrative burden and disruption to patient care that Rhode Island pharmacies face when audited by carriers and their intermediaries, and to provide certain basic procedural protections so that pharmacies can adequately prepare for and respond to audits.

8. Effective June 30, 2025, an amendment to the Pharmacy Audit Act was enacted by the Rhode Island General Assembly and signed by the Governor to further strengthen the Pharmacy Audit Act by delegating enforcement authority to the RIAG and limiting the number of permissible on-site audits of a pharmacy to one per year. R.I. Gen. Law §§ 5-19.1-35(g)(2), (h).

STATE'S ALLEGATIONS

Introduction

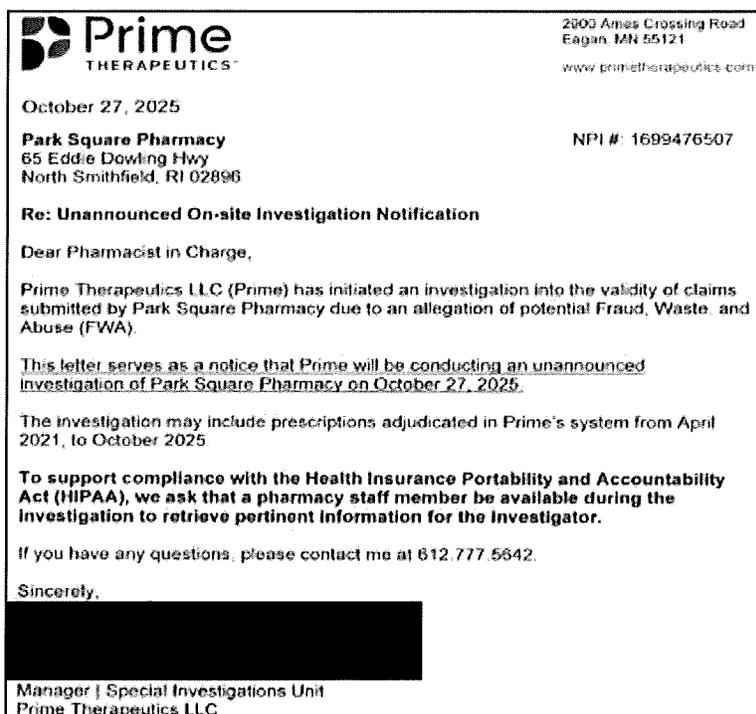
9. Prime is a foreign limited liability company registered with the Rhode Island Secretary of State. Prime's principal place of business is located at 2900 Ames Crossing Road, Suite 200, Eagan, Minnesota, 55121.

10. Prime is a pharmacy benefit manager (PBM) licensed to conduct business in the state of Rhode Island. In its capacity as PBM, Prime conducts audits and investigations of pharmacies as an intermediary on behalf of carriers within the meaning of R.I. Gen. Law § 5-19.1-35(a).

11. Beginning on October 27, 2025, the RIAG's position is that Prime conducted unannounced on-site audits with respect to multiple pharmacies in Rhode Island and that Prime did not provide 14 days advanced written notice prior to initiating the on-site audits, did not provide pharmacies with advanced notice of the range of prescription numbers involved in the audit, requested documentation for a period which exceeded 2 years, and did not provide an opportunity to reschedule the audits. *See* R.I. Gen. Laws §§ 5-19.1-35(c), (e)(5)-(6).

Prime's Alleged Unannounced On-Site Audits

12. On October 27, 2025, representatives of Prime showed up unannounced at the premises of three Rhode Island pharmacies: (a) Atwood Pharmacy, 1302 Atwood Avenue, Unit 2, Johnston, RI 02919; (b) Park Ave Pharmacy, 1375 Park Ave, Suite 1, Cranston, RI 02920; and (c) Park Square Pharmacy, 65 Eddie Dowling Hwy, North Smithfield, RI 02896. The Prime representatives presented pharmacy staff with identical letters dated October 27, 2025, an example of which follows:



13. The RIAG contends that the text of each letter confirms the pharmacies were given no advance notice or opportunity to reschedule these audits, nor were they given notice of the range of prescription numbers involved. The RIAG contends that the period under audit also exceeded the maximum two years afforded by the Pharmacy Audit Act.

14. After presenting these notices, Prime's representatives entered the premises of each pharmacy to interview and request documentation from pharmacy staff. The audits occurred during a period

when patients were actively visiting the pharmacies to receive vaccines. The RIAG contends that the audits required pharmacy staff to redirect their attention away from patients.

15. The RIAG contends that the lack of notice to the pharmacies increased the degree of disruption to patient care and pharmacy operations and imposed additional documentation burden on the pharmacists.

16. Prime also requested additional follow-up documentation be sent by the pharmacies in the days following the on-site visit.

17. The three pharmacies have received no notice of termination or closure of the audits.

The RIAG Alleges that Prime Failed To Establish an Exemption from Audit Requirements

18. On November 4, 2025, the RIAG served Prime with a notice describing Prime's apparent violations of the Pharmacy Audit Act. To the extent Prime was seeking to rely on an exemption from the Pharmacy Audit Act, the RIAG notice called on Prime to provide supporting documentation to RIAG establishing a basis for exemption.

19. On November 6, 2025, Prime responded denying any violations and claiming that "these on-site visits were conducted based on suspected fraud, willful misrepresentation, and abuse and, in accordance with R.I. Gen. Laws § 5-19.1-35(b) and R.I. Gen. Laws § 5-19.1-35(g)(1), are not subject to the standard pharmacy audit requirements within R.I. Gen. Laws § 5-19.1-35."

20. Prime's claim of exemption from the Pharmacy Audit Act was based on an emailed "Fraud Tip Hotline" complaint that Prime received on March 17, 2025—over seven months before the on-site audits—from one of its health care payor clients. The complaint email referred to one pharmacy, Atwood Pharmacy, as "showing up on a monthly report for dual plan members who have medication filled early." The complaint continued: "I have reported this pharmacy in the past for questionable prescribing and since then, they have opened a second pharmacy, Park Square Pharmacy NPI

1699476507. I heard they are considering opening a 3rd pharmacy in Coventry Rhode Island.” The email then listed the names of the pharmacies’ owners.

21. The complaint did not reference Atwood Pharmacy’s or any other pharmacy’s administration of vaccines or issues with supporting documentation related to vaccine administration. However, when Prime initiated its on-site visits of the three pharmacies on October 27, 2025, the scope of Prime’s review had shifted to focus on whether the pharmacies had the necessary standing orders on file to administer certain vaccines. The RIAG alleges that this issue is not reasonably related to the complaint Prime received and that this issue therefore provided an insufficient basis for exemption from the Pharmacy Audit Act.

22. Nonetheless, Prime contacted a physician’s office on October 7, 2025 to ask if the physician had a collaborative practice agreement with Atwood Pharmacy. The RIAG contends that staff at the physician’s office appeared confused by Prime’s request and initially responded that no such agreement existed. However, the physician later contacted Prime to confirm that a standing order for Atwood Pharmacy did exist. On October 8, 2025 Prime received a copy of a vaccine standing order for Atwood Pharmacy, but Prime believed it was expired based on 216-RICR-40-15-1.11.1(D)(3). Prime also claimed that the manner by which it received the standing order was suspicious because the document came from a different email address than it was expecting.

23. Based on the foregoing, Prime initiated on-site visits of the three pharmacies on October 27, 2025.

24. It is the RIAG’s position that the information cited by Prime as the basis for its on-site audits does not establish the audits were credibly based on alleged or suspected fraud, willful misrepresentation, or abuse.

25. The March 17th complaint was received seven-months prior to the onsite visit and unrelated to vaccine standing orders, yet it is the RIAG’s position that Prime’s belief that Atwood Pharmacy

lacked a valid standing order for vaccinations was the proximate cause for its on-site visits of Atwood Pharmacy and the two other commonly owned pharmacies (Park Square Pharmacy and Park Ave Pharmacy).

26. The March 17th complaint made only a reference to Park Square Pharmacy as being commonly owned with Atwood Pharmacy. It is the RIAG's position that common ownership alone is not a sufficient basis for exemption from the requirements of the Pharmacy Audit Act. Accordingly, the RIAG contends that Prime lacked supporting documentation to establish an exemption from the Act with respect to its unannounced on-site visit of Park Square Pharmacy.

27. The RIAG contends that the March 17th complaint made no reference whatsoever to Park Ave Pharmacy. The RIAG's position is that Prime's on-site audit included Park Ave Pharmacy because it shared common ownership with Atwood Pharmacy. The RIAG's position is that common ownership alone is not a sufficient basis for exemption from the requirements of the Pharmacy Audit Act.

28. Based on the foregoing, it is RIAG's position that the on-site visits initiated by Prime on October 27, 2025 were subject to the Pharmacy Audit Act, which Prime repeatedly violated when it conducted an unannounced on-site visit of Atwood Pharmacy, Park Square Pharmacy, and Park Ave Pharmacy.

DEFENDANT'S STATEMENT

29. Prime's position is that it has not violated the Pharmacy Audit Act in any way and that there is insufficient evidence of the alleged violations. Furthermore, Prime contends that the activities that are the subject of the complaints herein were undertaken as part of a bona fide investigation of fraud, willful misrepresentation, and abuse, and that pharmacy fraud, willful misrepresentation, and abuse was indicated in a review of claims data and in statements. It is Prime's position that its investigation

was initiated based on or involving suspected or alleged fraud, willful misrepresentation, or abuse, as part of meaningful services to ensure the integrity of health care expenditures.

30. On or about March 17, 2025, Prime contends it received a fraud tip hotline complaint about questionable claims activity from two identified pharmacies, which were also identified in the complaint as being commonly owned.

31. Additionally, Prime contends that on September 25, 2025, it received a second tip pertaining to Atwood Pharmacy as well as Park Avenue Pharmacy and initiated a claims review. Prime contends the claims review identified an unusually high volume of claims for vaccines, all authorized by a single provider.

32. On October 7, 2025, Prime contacted the prescriber identified by the pharmacy as having issued the standing order authorizing the vaccines. Prime contends that a representative of the prescriber verbally validated that a standing order did not exist between the prescriber and the pharmacy. Prime contends that contemporaneous investigator call notes state that during the phone call the prescriber's office denied having contact with the pharmacy.

33. On October 8, the pharmacy sent to Prime a copy of its standing order. However, Prime's position is that the standing order had expired on April 6, 2023 based on 216-RICR-40-15-1.11.1(D)(3). Additionally, the same evening that the standing order was provided by the pharmacy, Prime received an email from the prescriber that Prime contends contradicted the original statement provided in the earlier phone call with Prime's investigator.

34. Prime also confirmed through its pre-visit review that two of the identified pharmacies were commonly owned, and a third pharmacy had similar immunization practices involving the same prescriber. Prime contends that its claims review, undertaken as part of its investigation, identified that the prescriber was primarily associated with vaccine claims at the three identified pharmacies and that only one of the three pharmacies had submitted claims for medications other than the immunizations.

35. Based on the totality of the circumstances surrounding the three pharmacies (Fraud Tip Hotline, conflicting information, high volume of immunization claims all authorized by the same prescriber coupled with a lack of medication claims, and an expired standing order), Prime's position is that it included all three pharmacies in site visits conducted on October 27, 2025, in good faith, as part of its complaint investigation.

36. Prime contends that during the onsite visits, only one of the three pharmacies had patients in the pharmacy and investigators were careful to not interfere with patient care.

COMPROMISE OF DISPUTED CLAIMS

37. This AVC is a compromise of disputed claims. For the purposes of avoiding the uncertainty and expenses associated with contested litigation, and despite the parties' legal disagreement about the applicability of the fraud, willful misrepresentation, and abuse exemption to the Pharmacy Audit Act, the parties have agreed to this AVC as a mutual settlement, final judgment, and resolution of all claims asserted in the Complaint.

38. Upon final approval of this AVC, RIAG agrees to release and discharge any and all claims and/or alleged violations of the Pharmacy Audit Act asserted or that could have been asserted against Prime arising out of the specific matters described in this AVC. RIAG further waives any right to bring any further action against Prime now or in the future regarding the specific matters described in this AVC.

39. The parties agree that the AVC embodies a compromise and settlement of disputed claims and defenses and that nothing herein shall be deemed to constitute any admission of any wrongdoing. Prime expressly denies any violation of the Pharmacy Audit Act.

40. The parties agree that the AVC does not constitute a finding or adjudication of a violation of law, disciplinary action, fine, or penalty against Prime.

CESSATION OF CURRENT INVESTIGATIONS OF THE THREE PHARMACIES

41. Prime agrees to terminate the audit activities related to the unannounced on-site visits initiated on October 27, 2025 with respect to: (a) Atwood Pharmacy, 1302 Atwood Avenue, Unit 2, Johnston, RI 02919; (b) Park Ave Pharmacy, 1375 Park Ave, Suite 1, Cranston, RI 02920; and (c) Park Square Pharmacy, 65 Eddie Dowling Hwy, North Smithfield, RI 02896.

42. Prime agrees that, to the extent Prime conducts an on-site audit with respect to any pharmacy in Rhode Island in future, such audit shall be consistent with R.I. Gen. Laws § 5-19.1-35 and the compliance provisions set forth in this AVC.

COMPLIANCE PROVISIONS

43. To ensure compliance with the requirements of the Pharmacy Audit Act, Prime agrees as follows:

- a. To the extent any audit, review, or investigation of a pharmacy located in Rhode Island is initiated based on suspected or alleged fraud, willful misrepresentation, abuse, or any other circumstances described in R.I. Gen. Laws § 5-19.1-35(g)(1) (hereafter “Exempt Audit”), such Exempt Audit shall be strictly limited in scope to the issue(s) directly giving rise to the suspicions or allegations.
- b. Before conducting an Exempt Audit, Prime shall produce an internal memorandum that memorializes the basis for any exception to the requirements of the Pharmacy Audit Act (hereafter “Exemption Record”). Such Exemption Record shall include a description of the specific issue(s) under review and facts giving rise to the Exempt Audit. The scope of any Exempt Audit undertaken thereafter must be consistent with the Exemption Record. To the extent Prime seeks to broaden the scope of such Exempt Audit, Prime must first amend the Exemption Record in writing. Prime shall

maintain copies of all Exemption Records on file and shall make them available to the RIAG upon request.

- c. Subject to Section 29(d) below, Prime shall not use a finding of common control or common ownership alone as a basis for conducting an Exempt Audit with respect to a pharmacy.
- d. To the extent Prime relies on an allegation or suspicion of fraud, willful misrepresentation, or abuse to conduct an Exempt Audit, such Exempt Audit shall not include other commonly owned pharmacies unless Prime first conducts an Exempt Audit of the pharmacy(ies) specifically referenced in the allegation or specifically suspected of fraud, willful misrepresentation, or abuse. If thereafter, Prime reasonably confirms the presence of fraud, willful misrepresentation, or abuse, Prime shall document it accordingly in the Exemption Record and may only then expand the scope of its Exempt Audit to include commonly owned pharmacies.
- e. Prime shall conduct all Exempt Audits in good faith and shall ensure its reliance on any exception to R.I. Gen. Laws § 5-19.1-35 is based on an objectively credible allegation or suspicion of fraud, willful misrepresentation, or abuse.
- f. Prime shall adopt compliance policies and procedures to carry out the provisions herein and shall make these policies and procedures available to the RIAG upon request.

OTHER TERMS

44. Prime, without admitting any violations of law or regulations, agrees that this AVC shall be binding on Prime and that this AVC will be entered as a Consent Order.

45. The parties agree that the Superior Court of Rhode Island shall have jurisdiction over this AVC and the parties hereto for the limited purpose of enabling the RIAG and/or Prime to apply to

this Court at any time for orders and directions as may be necessary or appropriate to enforce or clarify compliance with, or to seek any remedies for any violations of, this AVC.

46. Acceptance of this AVC by the RIAG shall not be deemed approval by the RIAG of any practices or procedures of Respondent not required by this AVC, and Prime shall make no representations to the contrary.

NOTICE

47. Prime may receive notice via its counsel, Mark Bina at Quarles & Brady LLP, 155 N. Wacker Drive, Suite 3200, Chicago, Illinois 60606 or mark.bina@quarles.com; and Joseph V. Cavanagh, III, Blish & Cavanagh LLP, 30 Exchange Terrace, Providence, RI 02903 or jvc3@blishcavlaw.com.

48. Prime shall notify the Attorney General of any change of business name or address within twenty (20) days by mailing a notice to:

Health Care Unit
Rhode Island Office of the Attorney General
150 South Main Street
Providence, RI 02903

EFFECTIVE DATE

49. This AVC shall take effect immediately upon execution by the parties.

APPROVAL BY COURT

SO ORDERED this ____ day of _____, 2026.

Entered:

By Order:

/s/ Joseph J. McBurney
Associate Justice

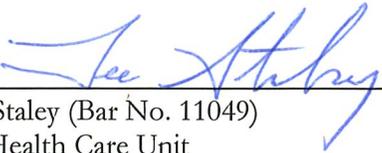
/s/ Victoria Reakes-Higgins
Deputy Clerk I

February 2, 2026

Respectfully submitted,

**STATE OF RHODE ISLAND,
PETER F. NERONHA
ATTORNEY GENERAL**

By its Attorneys,

By: 
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Date: January 27, 2026

Approved by:

Signed by:

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Name/Title: Mitchell Scott, Sr Dir SIU & Pharmacy Audit
On behalf of Prime Therapeutics LLC

/s/ Joseph V. Cavanagh, III
Joseph V. Cavanagh, III
Blish & Cavanagh LLP
30 Exchange Terrace
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Rhode Island attorney for Defendant

CERTIFICATE OF SERVICE

I, the undersigned, do hereby certify that on January 28, 2026, I filed this document electronically and it is available for viewing and/or downloading from the Rhode Island Judiciary's Electronic Filing System.

/s/ Meghan Spooner