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AMERICAN HEALTH LAW ASSOCIATION
ARBITRATION

FINAL ARBITRATION AWARD

In the Matter of the Arbitration Between: **SOFTWARE PHARMACY BENEFIT MANAGER, INC.,** Claimant/Counter-Respondent, v. **GLOBAL PRIMARY INSURANCE COMPANY,** Respondent/Counter-Claimant.	AHLA Case No.: XXXXX

I. Introduction and Procedural History

This matter arises under a Pharmacy Benefit Management Agreement (the "Agreement") between Software Pharmacy Benefit Manager, Inc. ("Software") and Global Primary Insurance Company ("Global"), an insurer that offered pharmacy benefit coverage under a stand-alone prescription drug plan issued pursuant to Medicare Part D. The Agreement contains the following arbitration clause:

> *"All claims arising out of or relating to the Agreement, or the performance or breach thereof, shall be arbitrated in accordance with the commercial rules of the American Health Law Association before a panel of arbitrators."*

Software commenced this arbitration seeking recovery of unpaid pharmacy claims and administrative fees, lost profits, legal fees, damages for injury to business reputation, and injunctive relief compelling Global to escrow certain disputed funds. Global answered and asserted counterclaims for (a) a fraud, waste, and abuse audit, (b) a pharmacy benefit manager audit, and (c) fraud and negligence, alleging that Software supplied Global with inaccurate prior authorization ("PA") and high-cost edit data that Global in turn reported to the Centers for Medicare & Medicaid Services ("CMS"), and which Global contends was the basis for CMS's termination of Global's Part D participation.

A three-member panel was constituted and duly sworn, with the undersigned chair and two co-arbitrators (collectively, the "Panel").[1] The evidentiary hearing was held over six days in Washington, D.C.

II. Appearances

For Claimant/Counter-Respondent Software Pharmacy Benefit Manager, Inc.: counsel of record identified in the arbitration record.

For Respondent/Counter-Claimant Global Primary Insurance Company: original counsel of record, joined by additional counsel retained following the Panel's constitution, as identified in the arbitration record.

[List names of witness(es) and state that they were sworn in].

III. Jurisdiction, Governing Rules, and Applicable Law

The Panel has jurisdiction over this dispute pursuant to the arbitration clause of the Agreement, which encompasses "all claims arising out of or relating to the Agreement, or the performance or breach thereof." The Panel finds that Software's claims for unpaid invoices, lost profits, and injunctive relief, and Global's counterclaims for audit rights, fraud, and negligence, all fall within the scope of that clause. The proceeding was conducted under the commercial rules of the American Health Law Association, seated in Washington, D.C., and is governed procedurally by the Federal Arbitration Act, 9 U.S.C. §§ 1–16.

The parties disputed which state's substantive law governs the Agreement, which is silent on choice of law. Software is headquartered in New York; Global is headquartered in Indianapolis, Indiana. Applying

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[11] Arbitrator XXX withdrew from the panel due to a conflict of interest. Arbitrator YYY was appointed by the AHLA-designated appointing authority in accordance with the applicable rules. The reconstituted Panel adopted all prior procedural rulings and proceeded without objection from either party.

a most-significant-relationship analysis — considering that Global's Part D authorization was the regulatory predicate for the entire relationship, that Global bore ultimate responsibility to CMS for the PA and high-cost edit determinations at issue, and that the Agreement's payment and audit obligations run principally to Global as the regulated Part D sponsor — the Panel concludes that Indiana law governs the interpretation and enforcement of the Agreement, with reference to federal Medicare Part D authority and regulations where the Agreement incorporates or depends on them.

IV. Issues Presented

1. Whether Global breached the Agreement by refusing to pay invoices submitted by Software after CMS terminated Global's Part D participation.
2. Whether Software is entitled to lost profits, legal fees, and damages for injury to business reputation in addition to unpaid invoices.
3. Whether injunctive relief compelling Global to escrow disputed funds is warranted.
4. Whether Global is entitled to conduct the fraud, waste, and abuse audit and the pharmacy benefit manager audit, and, if so, on what scope, schedule, and cost-allocation terms.
5. Whether Software committed fraud or was negligent in the data it supplied to Global for reporting to CMS, and, if so, the resulting damages.
6. Whether damages evidence may be presented by statistical sampling across the 27 states and three-year period at issue, over Software's objection.

V. Findings of Fact

1. Global is an insurance company whose sole line of business is pharmacy benefit insurance issued under Medicare Part D.
2. Software is a pharmacy benefit manager that, pursuant to the Agreement, provided the pharmacy benefit management services required for Global to sell and administer that coverage.
3. The Agreement appointed Software as Global's agent for the limited purpose of making payments to pharmacies, with Software thereafter invoicing Global for reimbursement of those payments plus agreed administrative fees.
4. CMS identified inaccuracies in Global's handling of prior authorization requirements and high-cost edits and directed Global to take corrective action.
5. CMS subsequently determined that adequate corrective action had not been taken and terminated Global's participation as a Part D sponsor, ending Global's ability to write or administer Part D business.
6. Following termination, Global ceased paying invoices submitted by Software, including invoices for pharmacy payments Software had already advanced as Global's agent and for administrative fees earned before termination.

7. The Agreement grants Global the contractual right, under specified circumstances, to conduct a fraud, waste, and abuse audit and a separate pharmacy benefit manager audit of Software's operations; the Agreement does not specify which party bears the cost of either audit.

8. Global contends that data Software supplied regarding PA determinations and high-cost edits was inaccurate, that Global relied on that data in its own reporting to CMS, and that this reliance contributed to CMS's corrective-action findings and ultimate termination decision.

9. The parties estimate the discovery record exceeds one million potentially relevant documents spanning business operations in 27 states over a three-year period.

10. One member of the team that designed Software's pharmacy benefit management software is no longer employed by Software and now resides in India.

11. CMS has advised both parties that it will not voluntarily produce documents or witnesses in this proceeding and will contest any subpoena directed to it.

VI. Discussion, Analysis, and Rulings on Contested Issues

A. Audit Rights, Scope, and Cost Allocation

The Panel finds that the Agreement's audit clause is a bargained-for contractual right that survives Global's termination as a Part D sponsor and survives the pendency of this arbitration. Software's objection to the audits generally is overruled. However, given the volume of material at issue, the Panel limits the fraud, waste, and abuse audit and the pharmacy benefit manager audit to the three-year period and the states in which Global actually operated during that period and directs the parties to meet and confer on a document protocol and sampling methodology to complete both audits within 120 days of this Award. Because the Agreement is silent on cost allocation and both audits serve to test disputed factual predicates relevant to both parties' claims, the Panel orders that the reasonable, documented costs of both audits be shared equally by the parties pending the audits' outcome, subject to reallocation as part of the cost award below if the audits substantiate one party's position materially more than the other's.

B. Sampling of Damages Evidence

Given the volume of records across 27 states and a three-year period, the Panel finds that requiring exhaustive state-by-state and month-by-month proof of damages would be disproportionate to the needs of the case. The Panel permits Global to present damages evidence through a statistically valid sampling methodology, provided the sampling protocol and the qualifications of any testifying expert are disclosed to Software not less than 45 days before the merits hearing on damages, and provided Software retains the right to challenge the methodology and to offer rebuttal sampling or full data for any specific state or period it identifies as materially disputed.

C. Requested Subpoenas to CMS

Both parties requested that the Panel issue subpoenas to CMS for documents and deposition testimony. CMS has stated it will neither produce documents nor make witnesses available voluntarily and will contest enforcement of any subpoena. The Panel finds that, as a non-party federal agency, CMS is not a signatory to the Agreement and has not otherwise consented to this arbitration, and that any subpoena to CMS would in any event require judicial enforcement in a federal district court, a step outside this Panel's authority and one CMS has indicated it will oppose. Rather than issue subpoenas the Panel cannot itself enforce, the Panel directs the parties to pursue any CMS records through applicable federal public-records channels, including the Freedom of Information Act, and preserves each party's right to seek judicial enforcement of a subpoena on its own behalf if it chooses, without prejudice from this ruling.

D. Global's Claim of Fraud and Negligence

Global did not prove, by clear and convincing evidence, that Software knowingly or recklessly misrepresented PA or high-cost edit data with intent that Global rely on it to its detriment; the evidence instead showed data errors consistent with system design limitations rather than intentional misstatement. The fraud counterclaim is therefore denied. The Panel does find, by a preponderance of the evidence, that Software was negligent in failing to promptly correct known coding errors in its PA and high-cost edit logic after Global notified Software of discrepancies, and that this negligence contributed to, but was not the sole cause of, CMS's corrective-action findings. The Panel awards Global $1,150,000 in incremental remediation and consulting costs proximately caused by that negligence, to be offset against the award to Software described below.

E. Software's Claim for Unpaid Invoices, Lost Profits, Fees, Reputational Harm, and Injunctive Relief

The Panel finds that Global breached the Agreement by refusing to pay invoices for pharmacy payments Software had already advanced as Global's agent, and for administrative fees earned prior to CMS's termination decision, including reasonable wind-down invoices necessary to close out claims already in process at termination. The Panel awards Software $3,850,000 in unpaid invoices and administrative fees, plus prejudgment interest at the Agreement's stated rate of 6% per annum from the date each invoice became due to the date of this Award.

The Panel denies Software's claim for lost profits as unduly speculative, since any post-termination profits depended on Global's continued Part D authorization, which CMS had already withdrawn for reasons independent of this dispute. The Panel likewise denies damages for injury to business reputation, finding the record insufficient to establish quantifiable reputational harm proximately caused by Global's non-payment rather than by CMS's public termination action itself. Because the Agreement contains no attorney-fee-shifting provision, each party shall bear its own attorney's fees, consistent with the general rule absent contrary agreement.

The Panel grants limited injunctive relief: Global shall place $500,000 into an interest-bearing escrow account within 30 days of this Award, to be held pending completion of the audits described in Section VI.A and released consistent with the audits' findings regarding any additional amounts owed by either party, with any remaining balance to be paid to Software 180 days from the date of this Award absent a further order of the Panel.

VII. Award

Based on the foregoing findings of fact, discussion, and conclusions, and having been duly sworn and having considered the evidence and arguments of both parties, the Panel AWARDS as follows:

1. Global Primary Insurance Company shall pay Software Pharmacy Benefit Manager, Inc. the sum of $3,850,000, plus prejudgment interest at 6% per annum from the date each underlying invoice became due through the date of this Award.
2. Software's claims for lost profits and for damages to business reputation are DENIED.
3. Global's counterclaim for fraud is DENIED. Global's counterclaim for negligence is GRANTED IN PART; Software shall pay Global $1,150,000, which shall be offset against the sum awarded to Software in Paragraph 1, resulting in a net award to Software of $2,700,000 plus the interest described above.
4. Global shall, within 30 days, deposit $500,000 into an interest-bearing escrow account, to be administered and released as described in Section VI.H of this Award.
5. Global's requests for a fraud, waste, and abuse audit and a pharmacy benefit manager audit are GRANTED IN PART, subject to the scope, schedule, and cost-sharing terms set forth in Section VI.A. The parties shall complete both audits within 120 days of this Award.
6. Each party shall bear its own attorney's fees. The administrative fees of the American Health Law Association and the compensation and expenses of the Panel shall be borne 60% by Global and 40% by Software, reflecting the relative measure of each party's success in this proceeding.
7. All other claims, counterclaims, and requests for relief not expressly granted herein are DENIED.
8. This Award is in full settlement of all claims and counterclaims submitted in this arbitration. All claims not expressly granted herein are hereby denied. This Award may be confirmed and judgment entered thereon by any court of competent jurisdiction.

It is so ORDERED.

Dated this 17th day of August, 2026, at Washington, D.C.

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[Panel Chair Name], Esq.
Chair, Arbitration Panel

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[Arbitrator Name], Esq.
Panel Arbitrator

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[Arbitrator Name], Esq.
Panel Arbitrator (Successor Arbitrator, appointed following withdrawal described in Section I)