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ALL PLAN LETTER

DATE: June 9, 2025

TO: All Full-Service Health Plans¹

FROM: Sarah Ream
Chief Counsel

SUBJECT: APL 25-012 - Closure of Rite Aid Pharmacies

In May 2025, Rite Aid announced it would be closing numerous pharmacies across multiple states as it moves through bankruptcy proceedings. This APL reminds health plans that they have an ongoing obligation to ensure their enrollees have timely access to prescription drugs. The APL also requires health plans to file with the DMHC a description of how the plans will ensure on-going access to prescription drugs within the access standards required by the Knox-Keene Health Care Service Plan Act (Knox-Keene Act).

I. Background

The Knox-Keene Act's geographic access requirements require a plan to have contracted or plan-operated pharmacies within a "reasonable distance" from the plan's primary care providers.² The plan must include its contracted pharmacies in its provider directories³ and must include in the plan's formularies "instructions on how to locate and fill a prescription through a network retail pharmacy, mail order pharmacy, and specialty pharmacy, as applicable."⁴ A health plan's obligation to comply with these requirements is not waived when the plan has delegated the performance of the obligation to a contracted entity, such as a pharmacy benefit manager (PBM) or another entity.⁵

¹ The APL applies to all full-service commercial plans. It also applies to full-service Medi-Cal managed care plans to the extent the services described herein have not been excluded from coverage under the contract between the Medi-Cal plan and the California Department of Health Care Services. This APL does not apply to Medicare Advantage plans.

² California Code of Regulations, title 28, section 1300.51.

³ Health and Safety Code section 1367.27(h)(8)(F).

⁴ California Code of Regulations, title 28, section 1300.67.205(d)(12).

⁵ Health and Safety Code section 1367(j).

To the extent a plan contracts with Rite Aid for the provision of prescription drugs to the plan's enrollees, the closure of Rite Aid pharmacies will require the plan to ensure it has contracted or plan-operated pharmacies within a reasonable distance of the plan's primary care providers. Additionally, the plan will need to update its provider directories and formularies to give enrollees accurate information as to where enrollees can obtain prescription drugs.

Finally, pursuant to Rule 1300.52(f) and Section 1367.27(r), a plan must identify whether it has experienced a 10 percent or greater change in the number of named providers included in its eFiling provider network exhibits since the most recent time the DMHC reviewed the network via an amendment or material modification filing. This includes the list of named in-network Pharmacies listed on the Exhibit I-3: Other Contracted Providers.

When calculating the percentage of change in names, the plan should add the total number of added providers to the total number of deleted providers and then divide this sum by the total number of unique providers available within the network at the time of the DMHC's most recent eFiling review. The percentage change in the names of the providers within the service area should be calculated separately for each exhibit.

If the plan determines that one or more of the above exhibits has experienced a 10 percent or greater change in the names included in the exhibit, it must file an Amendment to its Application pursuant to Rule 1300.52(f).

The DMHC expects health plans to take reasonable steps to inform enrollees who may experience disruption in obtaining prescription drugs about how those enrollees can continue to receive their prescription drugs in a timely fashion. Such steps may include, but are not limited to, contacting enrollees directly, informing contracted primary care providers about where enrollees can now pick up their prescriptions, and placing information on enrollee-facing health plan websites.

II. Required filing

The DMHC directs each full-service health plan subject to this APL to submit the following information to the DMHC through the eFiling portal:

1. Does the plan currently have a contract with Rite Aid for the provision of prescription drugs to health plan enrollees? Does the plan contract with an intermediary (e.g., a PBM) and does that intermediary contract or otherwise direct enrollees to Rite Aid pharmacies for the provision of prescription drugs?
2. If the answer to Question 1 is "yes," approximately how many enrollees does the plan anticipate will be impacted by the closure of Rite Aid pharmacies?
3. If the answer to Question 1 is "yes," describe the steps the plan is taking to ensure its enrollees continue to have timely access to prescription drugs.

4. Does the health plan anticipate it will need to file updated Exhibit I-3s due to the closure of Rite Aid pharmacies?

Plans must submit the information requested above in an Exhibit E-1 titled “Pharmacy Access—APL 25-012.” Plans must submit the filing by no later than June 13, 2025.

If you have questions regarding this APL, please contact your health plan’s assigned reviewer in the DMHC’s Office of Plan Licensing.