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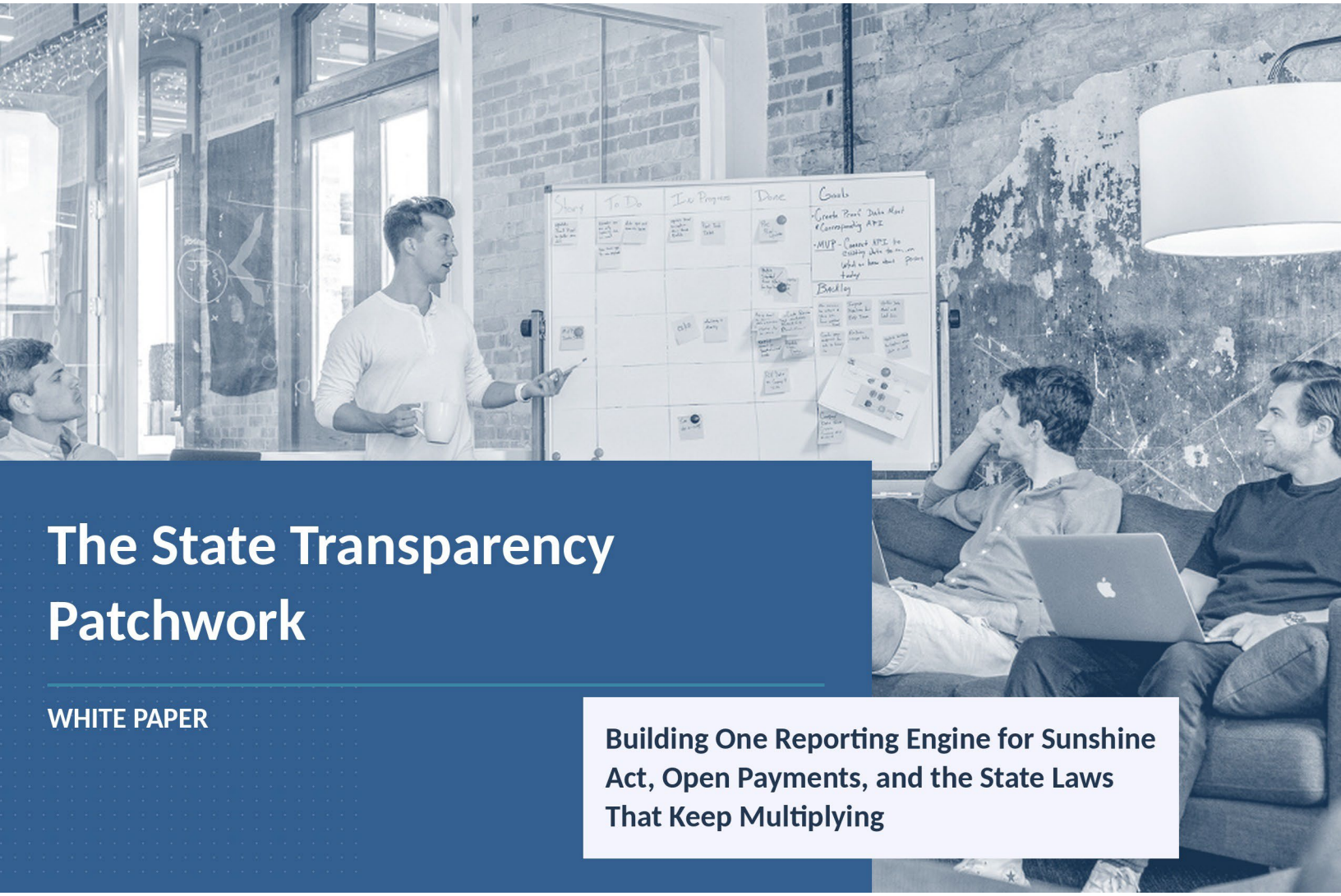

The State Transparency Patchwork

WHITE PAPER

Building One Reporting Engine for Sunshine Act, Open Payments, and the State Laws That Keep Multiplying

Abstract

Federal transparency reporting under the Physician Payments Sunshine Act was supposed to give pharmaceutical and device manufacturers one clear rulebook for disclosing payments to providers. It never preempted state law, and the states did not wait for an invitation. California, Connecticut, and Nevada require compliance certification. Washington, D.C., Maine, and West Virginia require itemized disclosure. Massachusetts, Minnesota, and Vermont ban most gifts outright and require disclosure of what remains, with Massachusetts reaching any physician licensed in the state no matter where the payment happened. Layer a separate, faster-growing set of state drug price transparency laws on top, each with its own dollar thresholds and filing calendars, and a compliance function built to satisfy CMS's Open Payments program, which alone captured $13.18 billion in reported payments last program year, is still only partway done. This white paper maps the real shape of that patchwork, lays out a best-practices-based approach for reconciling federal and state transparency obligations into a single reporting engine, and shows how compliance, legal, and commercial teams can stop rebuilding their reporting process every time a new state law passes.

Transparency Reporting Has Stopped Being One Rule

The Physician Payments Sunshine Act took effect in 2012 with a simple premise: manufacturers report what they pay physicians and teaching hospitals, CMS publishes it, and patients and regulators get one national picture of industry-provider financial relationships. For the most recent program year, that picture came to $13.18 billion in publishable payments and ownership interests across 16.16 million records, submitted by 1,798 applicable manufacturers and group purchasing organizations, covering nearly 652,000 physicians and 1,288 teaching hospitals.[i] It is, by any measure, a mature federal reporting regime with a well-understood submission cycle and a 45-day pre-publication dispute window built into the process.[i]

What Sunshine Act reporting was never designed to do is preempt state law, and the states have used that opening. Nine jurisdictions now run their own payment transparency regimes that sit on top of the federal requirement, not in place of it, and they fall into three genuinely different categories rather than one loose patchwork. California, Connecticut, and Nevada require manufacturers to certify that they have adopted a compliance program consistent with the PhRMA Code or equivalent guidance, with no separate public payment disclosure. The District of Columbia, Maine, and West Virginia require itemized annual disclosure of physician payments and direct-to-consumer advertising costs. Massachusetts, Minnesota, and Vermont go further still, prohibiting most gifts, meals, and entertainment outright and requiring disclosure of whatever payments remain permitted.[ii] Vermont's Attorney General administers that state's version directly, requiring manufacturers to file disclosures on a schedule set independently of the federal Sunshine Act calendar.[iv]

None of this accounts for the separate and faster-moving category of state drug price transparency laws, which now number roughly 23 states, twelve of which have paired their reporting requirement with a Prescription Drug Affordability Board empowered to review the filings.[iii] These statutes track price increases rather than payments to providers, with thresholds ranging from a wholesale acquisition cost of $100 in Louisiana to $950 for a 30-day supply in Oregon, and they operate on entirely different filing calendars than either Sunshine Act reporting or state payment disclosure.[iii] A national academic analysis of these laws published this year found substantial variation in how rigorously states actually enforce their own reporting requirements once enacted, which means the legislative count alone understates how uneven the real compliance burden is from state to state.[v] A compliance team that has solved for Open Payments has solved for exactly one of at least three overlapping reporting obligations, and the other two are multiplying faster than the first ever did.

Why the Patchwork Resists a Simple Fix

The instinctive response to multiplying state requirements is to build a superset spreadsheet: capture every field any state might ask for, and export whatever subset a given filing needs. That approach breaks down for three reasons specific to this patchwork, not to reporting complexity in general.

The first is that the states do not agree on what counts as reportable in the first place. Washington, D.C. exempts food and beverages under $25 per physician per day. Maine aggregates all food costs to a single physician across an entire reporting period with no daily exemption at all. A manufacturer's own compliance system has to apply two contradictory food-exemption rules to the same underlying expense report, and the answer is not the same number twice.

The second is allocation logic for costs that were never incurred state by state to begin with. Direct-to-consumer advertising is bought nationally or regionally, not state by state, yet Maine and D.C. require manufacturers to allocate a share of that national spend to their jurisdiction specifically. West Virginia uses a population-based formula to make that allocation, which by design produces a number that has little relationship to what the manufacturer actually spent reaching West Virginia residents. The resulting disclosures are legally compliant and only loosely connected to the underlying economics.[ii]

The third is reach that follows the person, not the transaction. Massachusetts' gift ban and disclosure rule applies to any physician licensed in Massachusetts, regardless of where the interaction with the sales representative actually took place. A conference dinner in Chicago can trigger a Massachusetts disclosure obligation if the attendee list includes a Massachusetts-licensed physician who happens to be practicing in Illinois that week. Getting that right requires knowing prescriber licensure, not just prescriber location, which most CRM and spend-capture systems were never built to track.

A Best-Practices Framework for One Reporting Engine

This approach answers a specific question compliance and legal teams keep asking after the third or fourth state law lands on their desk: is there a way to build this once, instead of rebuilding a piece of the reporting process every time a new jurisdiction acts? It does not depend on a single software product. It is a design framework, grounded in established data governance and reconciliation practices, for the data model, governance, and monitoring capability underneath whatever reporting or spend-capture platform a manufacturer already runs. Five components make up the framework.

1. **Jurisdictional Mapping.** A living registry of every jurisdiction with a transparency, gift-ban, or price-reporting requirement that touches the company, tagged to the category of law involved: certification, itemized disclosure, gift-ban-and-disclosure, or price transparency. Most manufacturers can name their federal obligation instantly and struggle to produce this list for state law without a multi-week legal research exercise.
2. **A Superset Data Model.** One transaction record schema built to capture every field any applicable jurisdiction might require, with each field tagged to the rule that requires it. A payment gets recorded once, with enough metadata attached that any downstream filing, federal or state, can derive its own version of the truth from the same source record instead of a parallel data entry process.
3. **Threshold and Exemption Logic as Configuration, Not Code.** The D.C. versus Maine food-exemption conflict, the West Virginia DTC allocation formula, and every other jurisdiction-specific rule live in a configurable rules layer rather than hardcoded logic. When a state amends its threshold, as several did in 2025, updating the reporting output should be a configuration change measured in days, not a development project measured in quarters.
4. **Licensure-Based Reach Tracking.** A prescriber master file that tracks license state, not just practice location, so a Massachusetts-licensed attendee at an out-of-state event triggers the right disclosure regardless of where the dinner happened. This is the piece most spend-capture systems are missing entirely, and it is also the piece most likely to produce an unpleasant surprise during an audit.
5. **Legislative Change Monitoring.** A standing process, not an annual project, for tracking new and amended state transparency and price-reporting law, with a defined path for routing a new requirement into the jurisdictional map and rules layer before its first filing deadline arrives rather than after.

The point of building all five components around one shared data model is that a state legislature passing a tenth transparency law should not require a new project. It should require adding one row to a registry and one set of rules to a configuration layer, because the underlying data was already being captured correctly the first time.

What This Buys You, and Where It Gets Hard

Advantages

- **One source of truth:** Federal, state disclosure, and state price-reporting filings all trace back to the same underlying transaction record, which cuts down the reconciliation work that eats up the weeks before every filing deadline.
- **Faster response to new law:** A jurisdictional mapping and configurable rules layer turn a new state requirement into a data governance task instead of a systems overhaul, which matters given how quickly this category of legislation is moving.
- **Fewer disputed records:** CMS built a 45-day pre-publication dispute window into Open Payments for a reason; a single clean source record reduces the version-of-truth conflicts that generate disputes in the first place.[i]
- **Defensible audit trail:** When a state agency asks why a particular payment was or was not disclosed, a framework built around explicit, jurisdiction-tagged rules gives a specific, documented answer instead of an explanation reconstructed after the fact.

Risks and Barriers

- **Data model migration cost:** Moving from parallel, jurisdiction-specific spreadsheets to one superset schema is a real project with real cost, and it competes for budget against initiatives with a clearer, faster return.
- **Licensure data is genuinely hard to get right:** Building and maintaining a prescriber master file tied to license state, not practice address, requires data sources and update cadences most compliance teams have not previously needed.
- **Enforcement penalties still vary widely:** California has fined manufacturers a combined $72.1 million for price-transparency reporting failures since 2019, while other states have issued far smaller penalties for comparable lapses, which makes it hard to build a single risk-weighted business case that applies evenly across jurisdictions.[iii]
- **Organizational ownership gaps:** Price transparency, payment disclosure, and Sunshine Act reporting often sit with three different functions inside one company. A unified framework only works if those functions agree to share a data model, which is a governance conversation before it is a technical one.

Case in Point: A Preventable Massachusetts Gap

A mid-size specialty manufacturer with a strong federal Open Payments process, built around a well-run CRM-integrated spend capture tool, assumed that process covered its state obligations by extension. It did not track physician license state separately from practice address, on the reasonable assumption that the two were usually the same. During a routine internal audit ahead of a Massachusetts filing, the compliance team discovered that roughly six percent of attendees at national speaker programs over the prior eighteen months held Massachusetts

licenses while practicing in neighboring states, meaning the company's Massachusetts gift-ban and disclosure obligations had been under-captured for that entire period. The fix required going back through eighteen months of event records manually to identify affected transactions, a remediation effort trade press coverage of similar cases has pointed to as a predictable consequence of treating state sunshine laws as smaller versions of the federal one instead of what they actually are: a different rule set with different reach.

The root cause was not a compliance failure in the traditional sense. Every payment had been correctly captured and correctly reported under the federal program. The gap existed entirely in the space between systems, where a state law's actual reach, tied to license rather than location, was not represented anywhere in the underlying data model. That is precisely the failure mode a jurisdictional mapping and licensure-based reach component is built to close before it becomes an audit finding instead of an internal discovery.

Recommendations for Compliance and Legal Teams

1. **Build the jurisdictional map before the next state law passes.** Inventory every current obligation by category, certification, disclosure, gift-ban, or price transparency, and assign clear ownership for each. Most organizations discover this list has never existed in one place.
2. **Separate the data model from the filing.** Design one transaction record schema that captures the superset of fields any jurisdiction might need, tagged by rule, rather than building or buying a new point solution for each new state requirement.
3. **Add license state to the prescriber master file now.** This is the single highest-leverage data fix available, given how much of the Massachusetts-style extraterritorial exposure traces back to conflating license state with practice location.
4. **Move exemption and threshold logic into configuration.** Any rule likely to change with new legislation, a dollar threshold, an exemption amount, an allocation formula, belongs in a rules layer a compliance analyst can update, not in code that requires an engineering ticket.
5. **Assign standing ownership for legislative monitoring.** Treat tracking new and amended state transparency law as an ongoing operational function with a named owner, not an annual research project assigned to whoever has bandwidth.
6. **Rehearse the audit before a regulator asks for it.** Periodically test whether the organization can produce a defensible answer for why a specific payment was or was not disclosed under a specific state's rule, before that question comes from an examiner instead of an internal reviewer.

Measuring Success: KPIs for a Unified Reporting Function

- **Time to onboard a new jurisdiction:** how long it takes from a new state law's passage to a fully configured reporting rule set, measured in days rather than the quarters a rebuild would take.
- **Reconciliation variance:** the gap between federal Open Payments totals and the aggregate of state filings for the same reporting period, which should trend toward zero as the underlying data model consolidates.
- **Dispute rate:** the share of reported records disputed during CMS's pre-publication review window, tracked against the industry's broader trend as a proxy for underlying data quality.[i]

- **Licensure data completeness:** the percentage of the prescriber master file with a verified license-state field, distinct from practice address, updated on a defined cadence.
- **Audit findings tied to jurisdictional gaps:** the count of compliance findings that trace back to a missed or misapplied state rule rather than a captured-but-miscategorized payment, which should decline as the framework matures.

Conclusion

The Sunshine Act gave the industry a single national reporting regime and a reasonable assumption that state law would mostly follow its lead. That assumption stopped holding years ago, and the states show no sign of converging back toward one standard. Nine jurisdictions run their own payment transparency regimes today, spanning three genuinely different regulatory approaches, and a separate, faster-growing set of roughly two dozen states now require drug price transparency filings on top of that. Each new law that passes makes the spreadsheet-and-tribal-knowledge approach to compliance a little more expensive to maintain and a little more likely to produce the kind of gap that only surfaces during an audit.

The organizations handling this well are not the ones with the most compliance staff. They are the ones that stopped treating each new state law as its own project and built one data model, one jurisdictional map, and one configurable rules layer that absorbs the next requirement instead of requiring a new system for it. That is the shift this best-practices approach is built to support, and it is a shift worth making before, not after, the tenth state law arrives.

About OmniTek & Contact Information

OmniTek Consulting is a trusted partner for organizations seeking to enhance governance, operational agility, and decision-making. We specialize in modernizing business processes with a blend of human-centered design, technology expertise, and hands-on change management.

For compliance and legal teams managing transparency obligations across a growing number of jurisdictions, OmniTek brings this best-practices framework as a practical starting point: a jurisdictional map of your actual exposure, a data model built to absorb new state requirements without a rebuild, and the governance structure to keep both current as legislatures keep legislating. Whether your organization is consolidating a fragmented state reporting process for the first time or responding to a gap an audit already found, OmniTek can help you build a transparency function that scales with the patchwork instead of chasing it.

Contact us today to explore how OmniTek can support your transformation journey and drive lasting results.

McLean, VA | Serving clients nationwide
info@omnitekconsulting.com
omnitekconsulting.com

Click here to book a 15-minute call to see how OmniTek can help your team put these insights into practice.

Endnotes

[i] Centers for Medicare & Medicaid Services, Open Payments Fiscal Year 2025 Report to Congress, 2025, available at https://www.cms.gov/files/document/open-payments-fy-2025-report-congress.pdf

[ii] Contract Pharma, "Are State Aggregate Spend Laws Here To Stay?", 2025, available at https://www.contractpharma.com/are-state-aggregate-spend-laws-here-to-stay-/

[iii] Goodwin, "State Drug Transparency Laws — 2025 Update", 2025, available at https://www.goodwinlaw.com/en/insights/publications/2025/06/alerts-lifesciences-state-drug-transparency-laws

[iv] Office of the Vermont Attorney General, "Disclosures by Manufacturers of Prescription Drugs, Biological Products and Medical Devices", 2025, available at https://ago.vermont.gov/disclosures-manufacturers-prescription-drugs-biological-products-medical-devices

[v] Rahim et al., "National Analysis of the Requirements and Implementation of State Prescription Drug Price Transparency Laws", The Milbank Quarterly, 2025, available at https://onlinelibrary.wiley.com/doi/10.1111/1468-0009.70023