

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: 07/17/2025

POSITION: Oppose

SPONSOR: California Pharmacists Association, California
Chronic Care Coalition, San Francisco AIDS
Foundation, and Los Angeles LGBT Center

BILL NUMBER: SB 41

AUTHOR: Wiener, Scott

RELATED BILLS: SB 966 (2024,
Weiner); Chapter
21, Statutes of 2025
(AB 116)

BILL SUMMARY: Pharmacy benefits.

This bill implements practice reform for pharmacy benefit managers (PBMs) including, but not limited to, clarifying a PBM's fiduciary duties and prohibiting spread pricing and discrimination against or for use of nonaffiliated pharmacies. This bill also requires PBMs to operate under a passthrough pricing model and to direct 100 percent of drug rebates to payers or programs and allows for performance incentives based on premium reductions.

In addition, this bill authorizes the Department of Managed Health Care to investigate and audit PBM practices, including referrals provided by the California State Board of Pharmacy, and clarifies that a complaint by an insured shall be considered by the Department of Insurance to be a complaint against an insurer. Any violation of this bill would be subject to an injunction and liable for a civil penalty to be assessed and recovered in civil action by the Attorney General.

FISCAL SUMMARY

The Department of Managed Health Care (DMHC) estimates the cost of this bill to be \$2,817,000 and 9 positions in 2026-27, \$3,319,000 and 12 positions in 2027-28, and \$3,282,000 and 12 positions in 2027-28 and ongoing thereafter from the fee supported Managed Care Fund (MCF). This estimate does not reflect costs incurred by DMHC to reimburse the DOJ for legal and investigation workload or for health plans to meet the requirements of this bill.

Generally, and depending on final enrollment data, a one million dollar increase to the MCF could result in a two-cent increase per enrollee per year on assessments to full-service health plans and a one-cent increase per enrollee per year to specialized health plans. To the extent this bill and others result in an additional assessment on health plans, there could be an impact to consumers in the form of increased premiums.

The Department of Justice (DOJ) estimates total costs of implementing this bill to be significant and unquantifiable. However, DOJ preliminarily estimates costs in the millions of dollars in 2025-26 and in the low tens of millions of dollars in 2026-27 and ongoing from the Legal Services Revolving Fund and Fingerprint Fees Account to implement the requirements of this bill. DOJ also anticipates unknown but significant costs related to investigation of potential violations and notes that such costs may be billed to DMHC or recovered through an award of attorney's fees and costs.

The California Department of Insurance estimates the fiscal impact to be \$541,000 in 2025-26, \$1,038,000 in 2026-27, and \$935,000 in 2027-28 from the Insurance Fund.

Analyst/Principal (512) Donaldson, Joseph	Date	Program Budget Manager Manriquez , Guadalupe	Date 08/15/2025
Department Deputy Director			Date
Governor's Office:	By:	Date:	Position Approved _____ Position Disapproved
BILL ANALYSIS			Form DF-43 (Rev 03/95 Buff)

AUTHOR

AMENDMENT DATE

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SB 41

FISCAL SUMMARY (continued)

The Department of Health Care Access and Information estimates the fiscal impact for this bill to be minor and absorbable.

The California Public Employees' Retirement System does not anticipate a significant impact for this bill; however a specific cost estimate is unavailable at this time.

Covered California estimates no fiscal impact from this bill.

Any requests for additional resources will be evaluated during the annual budget process.

COMMENTS

The Department of Finance is opposed to this bill because, although the provisions of this bill complement policies established in Chapter 21, Statutes of 2025, the health omnibus trailer bill (AB 116), it results in ongoing special fund costs not accounted for in the state's fiscal plan.

A similar bill, SB 966 (2024, Weiner), would have required the Department of Insurance to implement licensing, oversight and practice reform of PBMs and was vetoed by the Governor. The Governor's veto message stated that PBMs must be held accountable so that prescription drugs remain accessible, and, as such, directed the California Health and Human Services Agency to develop an approach to gather more granular information to understand the cost drivers in the prescription drug market.

In response to the Governor's veto message, AB 116 established new requirements for PBMs that contract with California licensed health plans and insurers to register and obtain licensure from DMHC. PBMs are required to submit quarterly finance statements and other information to DMHC, as well as report information to HCAI regarding pricing and payments for prescription drugs. The bill also established the Pharmacy Benefit Manager Fund and the Pharmacy Benefit Manager Administrative Fines and Penalties Fund to collect PBM assessments and specified fines or penalties collected from PBMs not in compliance with the new requirements.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)						Fund Code
	LA	(Dollars in Thousands)						
	CO	PROP						
	RV	98	FC	2025-2026	FC	2026-2027	FC	2027-2028
4150/MngedHltCare	SO	No	B	0	C	2,817	C	3,319
4800/Exchange	SO	No		----	No/Minor Fiscal Impact	----		3175
4140/HCAI	SO	No		----	No/Minor Fiscal Impact	----		0143
0820/Justice	SO	No	C	1,000-10,000	C	10,000-50,000	C	10,000-50,000
0845/Insurance	SO	No	C	541	C	1,038	C	935
0933								0217
<u>Fund Code</u>	<u>Title</u>							
0143	Hlth Data and Planning Fund, CA							
0217	Insurance Fund							
0933	Managed Care Fund							
3175	Health Trust Fund, California							
9731	Legal Services Revolving Fund							