California Senate Bill 41 (SB41), signed into law in October 2025, is a landmark reform targeting pharmacy benefit managers (PBMs) to lower prescription drug costs. It introduces strict licensing, transparency, and fiduciary requirements, bans spread pricing, and ensures rebates are passed directly to consumers and health plans. California joins a number of other states in attempting to regulate Pharmacy Benefit Managers (PBMs).

Summary of SB41:

- **Purpose:**
  SB41 is designed to reduce inflated prescription drug prices by regulating PBMs, which act as middlemen between drug manufacturers, insurers, and pharmacies.
- **Licensing & Oversight:**
  PBMs must now be licensed by California's Department of Managed Health Care (DMHC), giving the state direct oversight of their operations.
- **Transparency & Fiduciary Duty:**
  - PBMs are required to act in the best interest of health plans and consumers.
  - They must disclose pricing practices and rebate arrangements.
- **Ban on Spread Pricing:**
  PBMs can no longer charge health plans more for drugs than they reimburse pharmacies, a practice that inflated costs.
- **Rebate Pass-Through:**
  100% of manufacturer rebates must be passed through to health plans or consumers, rather than being retained by PBMs.
- **Anti-Steering & Access Protections:**
  PBMs are prohibited from steering patients to PBM-owned or affiliated pharmacies. The law also enforces an "any willing provider" standard, ensuring independent pharmacies can participate fairly.
- **Impact on Pharmacies & Patients:**
  - Independent pharmacies gain a level playing field.
  - Patients benefit from increased access and lower costs.
  - The bill is considered the most comprehensive PBM reform in the nation.

Why It Matters

Feature	Before SB41	After SB41
PBM Licensing	None	Required under DMHC
Spread Pricing	Allowed	Banned
Rebates	Often retained by PBMs	100% passed through
Transparency	Limited	Mandatory disclosures
Pharmacy Access	Restricted by PBM steering	"Any willing provider" standard

By reining in PBMs, the state aims to increase transparency, protect independent pharmacies, and ultimately lower costs for millions of residents.

Note:

The requirement that rebates are passed through doesn't mean the employer will receive them if this is a fully insured plan. It just means the PBM doesn't keep them. They would be passed through to the carrier on a fully insured plan.