

September 12, 2025

Honorable Gavin Newsom
Governor, State of California
1021 O Street, Suite 9000
Sacramento, CA 95814

Via Email: leg.unit@gov.ca.gov

Re: SB 41 - Pharmacy benefit managers – NCPA supports

Dear Governor Newsom:

The National Community Pharmacists Association is writing in strong support of SB 41, legislation seeking to address some of the many egregious business practices of Pharmacy Benefits Management (PBM) companies. We urge you to sign the bill into law.

NCPA represents the interest of America's community pharmacists, including the owners of more than 19,400 independent community pharmacies across the United States and approximately 1,829 independent community pharmacies in the State of California. These pharmacies employed nearly 20,000 Californians and they filled nearly 110 million prescriptions in 2023.

Community pharmacists have long known that opaque PBM practices not only hamper patients' ability to obtain pharmacy services from their trusted community pharmacists, but those practices can also lead to higher drug costs for both patients and plan sponsors. Due to the massive consolidation and vertical integration in the health insurance market¹, the three largest PBM's control 80% of the prescription drug market² giving them the power to engage in abusive practices which limit patient access, increase drug costs and threaten the viability of small business pharmacies.

NCPA strongly supports SB 41's provisions to address wasteful spread pricing by requiring passthrough pricing. These provisions will improve transparency and save money. Spread pricing can end up costing plan sponsors millions of dollars in overcharges, as officials in Ohio, Kentucky, and other states have found after investigating the PBMs serving state-funded benefit plans.³ A 2024 groundbreaking study from Washington State identified potentially rampant spread pricing in the commercial market.⁴

¹ <https://ncpa.org/sites/default/files/2023-01/verical-bus-chart.jpg>

² [Drug Channels: The Top Pharmacy Benefit Managers of 2021: The Big Get Even Bigger](#)

³ Auditor of State of Ohio, *Auditor's Report: Pharmacy Benefit Managers Take Fees of 31% on Generic Drugs Worth \$208M in One-Year Period*, (Aug. 16, 2018) <https://ohioauditor.gov/news/pressreleases/Details/5042>. Kentucky Department for Medicaid Services, *Medicaid Pharmacy Pricing: Opening the Black Box* 5, 8 (Feb. 19, 2019), https://chfs.ky.gov/agencies/ohda/Documents1/CHFS_Medicaid_Pharmacy_Pricing.pdf.

⁴ <https://www.3axisadvisors.com/projects/2024/6/25/understanding-drug-pricing-from-divergent-perspectives-state-of-washington-prescription-drug-pricing-analysis-jh92>

Meanwhile, reports abound about the spread pricing identified in state Medicaid programs.⁵ In short, these transparency provisions will ensure payers' and patients' health care dollars are actually going towards their care, instead of into PBMs' pockets. This wise and common sense policy is further bolstered by the fiduciary duty assigned to PBMs in the bill, another provision we support.

We also support SB 41's prohibition of reimbursing pharmacies less if they are not owned or affiliated with a PBM. If implemented effectively and enforced, this will have added the benefit of disincentivizing patient steering. It is not uncommon for a PBM to require patients to utilize a PBM-owned or affiliated pharmacy, often a mail-order pharmacy. The PBM is then free to reimburse its pharmacy at higher rates, thereby forcing patients and plan sponsors to pay higher costs to the PBM.

As a foundation for reforming PBMs, NCPA strongly supports the licensing of PBMs with appropriate oversight and enforcement authority. And although most states have passed legislation to address some of the most egregious PBM business practices, many states are now revisiting their laws to add stronger enforcement provisions to empower their designated oversight body. We appreciate the attention given to enforcement in the bill. We offer our Best Practices for PBM Enforcement issue brief as a resource.⁶

In closing, we urge you to sign SB 41 into law. We have appreciated Senator Wiener's steadfast leadership on this legislation. If you have any questions, please don't hesitate to contact me at joel.kurzman@ncpa.org or (703) 600-1186. Thank you.

Respectfully,

A handwritten signature in black ink that reads "Joel Kurzman". The signature is written in a cursive style and is centered within a light gray rectangular box.

Joel Kurzman
Director, State Government Affairs

⁵ <https://ncpa.org/sites/default/files/2025-01/Medicaid%20Managed%20Care%20Reforms%201-1-25.pdf>

⁶ <https://ncpa.org/sites/default/files/2024-07/ncpa-best-practices-pbm-enforcement.pdf>