



Home	Bill Information	California Law	Publications	Other Resources	My Subscriptions	My Favorites
------	------------------	----------------	--------------	-----------------	------------------	--------------

AB-910 Pharmacy benefit management. (2025-2026)

SHARE THIS:  

Date Published: 04/10/2025 09:00 PM

AMENDED IN ASSEMBLY APRIL 10, 2025

AMENDED IN ASSEMBLY MARCH 24, 2025

CALIFORNIA LEGISLATURE— 2025–2026 REGULAR SESSION

ASSEMBLY BILL

NO. 910

Introduced by Assembly Member Bonta

February 19, 2025

An act to amend ~~Section 1385.004 of, and to add Section 1385.007 to,~~ [Sections 1385.001, 1385.004, and 1385.005 of, and to add Sections 1385.007 and 1385.008 to,](#) the Health and Safety Code, relating to health care service plans.

LEGISLATIVE COUNSEL'S DIGEST

AB 910, as amended, Bonta. Pharmacy benefit management.

Existing law provides for the regulation of health care service plans by the Department of Managed Health Care. A willful violation of those provisions is a crime. Existing law requires health care service plans that cover prescription drug benefits and contract with pharmacy providers and pharmacy benefit managers to meet specified requirements, including requiring pharmacy benefit managers with whom they contract to register with the department and exercise good faith and fair dealing, among other requirements.

This bill would modify the above-described requirement that the pharmacy benefit manager exercise good faith and fair dealing to instead require the pharmacy benefit manager to hold a fiduciary duty in the performance of its contractual duties and carry out that duty in accordance with state and federal law. The bill would require the pharmacy benefit manager to remit 100% of specified rebates, fees, alternative discounts, and other remuneration received to the health care service plan and would prohibit the pharmacy benefit manager from entering into any contract for pharmacy benefit management services that is contrary to that requirement.

Existing law provides for the registration and regulation of pharmacy benefit managers, as defined, that contract with health care service plans to manage their prescription drug coverage. Under existing law, a pharmacy benefit manager is required to submit specified information to the department to apply to register with the department.

To apply to register with the department, this bill would additionally require a pharmacy benefit manager to submit the name, address, and relationship of any affiliated entity and group purchasing organization in which the pharmacy benefit manager has

ownership, control, financial interest, or a contractual relationship. The bill would impose various conditions of registration that a pharmacy benefit manager is required to comply with, including, among other things, prohibiting a pharmacy benefit manager, group purchasing organization, and any affiliated entity from deriving income from spread pricing. The bill would require compensation arrangements governed by these conditions to be open for inspection and audit by the department.

This bill would require a pharmacy benefit manager to, beginning October 1, 2026, annually report specified information to the department regarding the covered drugs dispensed at a pharmacy and specified information about the pharmacy benefit manager's revenue, expenses, health care service plan contracts, the scope of services provided to the health care service plan, and the number of enrollees that the pharmacy benefit manager serves. The bill would require the department to compile this reported information and make the report publicly available, as specified, but would exempt records other than the report from public disclosure. The bill would include in the requirements that health care service plans are required to impose on a pharmacy benefit manager with which they contract, the requirement that the pharmacy benefit manager comply with these reporting requirements. Because a willful violation of these provisions by a health care service plan would be a crime, this bill would impose a state-mandated local program.

This bill would define various terms for purposes of these provisions.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Existing constitutional provisions require that a statute that limits the right of access to the meetings of public bodies or the writings of public officials and agencies be adopted with findings demonstrating the interest protected by the limitation and the need for protecting that interest.

This bill would make legislative findings to that effect.

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: yes

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. *Section 1385.001 of the Health and Safety Code is amended to read:*

1385.001. For purposes of this article, ~~"pharmacy"~~ the following definitions apply:

(a) "Affiliated entity" means any of the following:

(1) *An applicable group purchasing organization, drug manufacturer, distributor, wholesaler, rebate aggregator or other purchasing entity designed to aggregate rebates, or associated third party.*

(2) *Any subsidiary, parent, affiliate, or subcontractor of a group health plan, entity that provides pharmacy benefit management services on behalf of a group health plan, or any entity described in paragraph (1).*

(3) *Any other entity as designated by the department.*

(b) "Group purchasing organization" means a group purchasing organization, including an out-of-state or international organization, that is affiliated with or under common ownership or control with an entity that provides pharmacy benefit management services.

(c) "Pharmacy benefit manager" means a person, business, or other entity that, pursuant to a contract with a health care service plan, manages the prescription drug coverage provided by the health care service plan, including, but not limited to, the processing and payment of claims for prescription drugs, the performance of drug utilization review, the processing of drug prior authorization requests, the adjudication of appeals or grievances related to prescription drug coverage, contracting with network pharmacies, and controlling the cost of covered prescription drugs. This definition shall not include a health care service plan licensed under this chapter or any individual employee of a health care service plan or its contracted provider, as defined in subdivision (i) of Section 1345, performing the services described in this section.

(d) (1) "Rebates" mean compensation or remuneration of any kind received or recovered from a pharmaceutical manufacturer by a pharmacy benefit manager, any affiliate, or any subcontractor, including, but not limited to, any group purchasing organization, directly or indirectly related to the purchase or utilization of any prescription drug by eligible members regardless of how the compensation or remuneration is categorized, including, but not limited to, incentive rebates, credits, market share incentives, promotional allowances, commissions, educational grants, market share of utilization, drug pull-through programs, implementation allowances, clinical detailing, rebate submission fees, and administrative or management fees.

(2) "Rebates" also include any bona fide fees, including manufacturer administrative fees or corporate fees that a pharmacy benefit manager, any affiliate, or any subcontractor, including, but not limited to, any group purchasing organization, receives from a pharmaceutical manufacturer for administrative costs including, but not limited to, formulary placement or access.

(3) "Rebates" do not include pharmacy purchase discounts and related service fees a pharmacy benefit manager, any affiliate, or any subcontractor receives from pharmaceutical companies that are attributable to or based on the purchase of product to stock, or the dispensing of products from a pharmacy benefit manager's affiliated mail order and specialty drug pharmacies.

(e) "Spread pricing" means the model of prescription drug pricing in which a pharmacy benefit manager charges a health care service plan a contracted price for prescription drugs and the contracted price for the prescription drugs differs from the amount the pharmacy benefit manager directly or indirectly pays the pharmacist or pharmacy.

SECTION 1. SEC. 2. Section 1385.004 of the Health and Safety Code is amended to read:

1385.004. (a) A health care service plan that contracts with a pharmacy benefit manager for management of any or all of its prescription drug coverage shall require the pharmacy benefit manager to do all of the following:

(1) Comply with Sections ~~1385.003 and 1385.007~~. 1385.003, 1385.007, and 1385.008.

(2) Register with the department pursuant to the requirements of this article.

(3) ~~Exercise good faith and fair dealing~~ Hold a fiduciary duty in the performance of its contractual duties to a health care service plan. plan and carry out that duty in accordance with state and federal law.

(4) (A) Remit 100 percent of rebates, fees, alternative discounts, and other remuneration received from any applicable entity that are related to the utilization of drugs or drug spending under the health care service plan to the health care service plan for the sole purpose of offsetting cost sharing, including copayments, deductibles, and coinsurance contributions, and reducing the premiums of enrollees.

(B) The pharmacy benefit manager shall not enter into any contract for pharmacy benefit management services on behalf of a health care service plan with an affiliated entity unless 100 percent of rebates, fees, alternative discounts, and other remuneration received under that contract that are related to the utilization of drugs or drug spending under the health care service plan is remitted to the health care service plan by the entity providing the pharmacy benefit management services.

~~(4)~~

(5) Comply with the requirements of Chapter 9.5 (commencing with Section 4430) of Division 2 of the Business and Professions Code, as applicable.

~~(5)~~

(6) Inform all pharmacists under contract with or subject to contracts with the pharmacy benefit manager of the pharmacist's rights to submit complaints to the department under Section 1371.39 and of the pharmacist's rights as a provider under Section 1375.7.

(b) A pharmacy benefit manager shall notify a health care service plan in writing of any activity, policy, or practice of the pharmacy benefit manager that directly or indirectly presents a conflict of interest that interferes with the discharge of the pharmacy benefit manager's duty to the health care service plan to exercise good faith and fair dealing in the performance of its contractual duties pursuant to subdivision (a).

SEC. 3. Section 1385.005 of the Health and Safety Code is amended to read:

1385.005. (a) A pharmacy benefit manager required to register with the department pursuant to Section 1385.004 shall complete an application for registration with the department that shall include, but not be limited to, all of the information required by subdivision (c).

(b) A pharmacy benefit manager registration obtained pursuant to this section is not transferable.

(c) The department shall develop an application form for pharmacy benefit manager registration. The application form for a pharmacy benefit manager registration shall require the pharmacy benefit manager to submit the following information to the department:

(1) The name of the pharmacy benefit manager.

(2) The address and contact telephone number for the pharmacy benefit manager.

(3) The name and address of the pharmacy benefit manager's agent for service of process in the state.

(4) The name and address of each person beneficially interested in the pharmacy benefit manager.

(5) The name and address of each person with management or control over the pharmacy benefit manager.

(6) The name, address, and relationship of any affiliated entity and group purchasing organization in which the pharmacy benefit manager has ownership, control, financial interest, or a contractual relationship.

(d) If the applicant is a partnership or other unincorporated association, a limited liability company, or a corporation, and the number of partners, members, or stockholders, as the case may be, exceeds five, the application shall so state, and shall further state the name, address, usual occupation, and professional qualifications of each of the five partners, members, or stockholders who own the five largest interests in the applicant entity. Upon request by the department, the applicant shall furnish the department with the name, address, usual occupation, and professional qualifications of partners, members, or stockholders not named in the application, or shall refer the department to an appropriate source for that information.

(e) The application shall contain a statement to the effect that the applicant has not been convicted of a felony and has not violated any of the provisions of this article. If the applicant cannot make this statement, the application shall contain a statement of the violation, if any, or shall describe the reasons that prevent the applicant from being able to comply with the requirements with respect to the statement.

(f) The department may set a fee for a registration required by this article. The application fee shall not exceed the reasonable costs of the department in carrying out its duties under this article.

(g) Within 30 days of a change in any of the information disclosed to the department on an application for a registration, the pharmacy benefit manager shall notify the department of that change in writing.

(h) For purposes of this section, "person beneficially interested" with respect to a pharmacy benefit manager means and includes the following:

(1) If the applicant is a partnership or other unincorporated association, each partner or member.

(2) If the applicant is a corporation, each of its officers, directors, and stockholders, provided that a natural person shall not be deemed to be beneficially interested in a nonprofit corporation.

(3) If the applicant is a limited liability company, each officer, manager, or member.

SEC. 2. ~~SEC. 4.~~ Section 1385.007 is added to the Health and Safety Code, immediately following Section 1385.006, to read:

1385.007. (a) (1) A pharmacy benefit manager subject to Sections ~~1385.004 and 1385.005~~ *1385.004, 1385.005, and 1385.008* shall report the information described in paragraph (2) to the department no later than October 1 of each year, beginning October 1, 2026.

(2) For all covered prescription drugs, including generic drugs, brand name drugs, and specialty drugs dispensed at a plan pharmacy, network pharmacy, or mail order pharmacy for outpatient use, all of the following shall be reported:

(A) A list of the 100 most costly drugs.

(B) The 100 most frequently prescribed drugs.

(C) The 100 highest revenue-producing drugs, grouped by generic, brand, specialty, and other.

(D) For each drug that falls into the above categories:

(i) The pharmacy type used to fill the drug prescription, such as integrated, chain, independent, specialty, and mail order pharmacies.

(ii) Pricing and rebate information, including *the net price paid for the prescription drug*, the amount of rebate the pharmacy benefit ~~manager~~ *manager, group purchasing organization, and any affiliated entity* receives from the manufacturer, the amount of rebate the pharmacy benefit manager passes on to the health plan, the amount the health plan pays the pharmacy benefit manager, and the amount the pharmacy benefit manager pays the pharmacy.

(E) The information provided under subparagraph (D) shall additionally include all of the following:

(i) The aggregate wholesale acquisition costs from a pharmaceutical manufacturer or labeler for each drug.

(ii) *The aggregate amount of rebates received by the pharmacy benefit manager, group purchasing organization, and any affiliated entity for each drug.*

(iii) *Any administrative fees received from the pharmaceutical manufacturer or labeler.*

(iv) *The aggregate of payments, or the equivalent economic benefit, made by the pharmacy benefit manager to pharmacies owned or controlled by the pharmacy benefit manager for each drug.*

(v) *The aggregate of payments made by the pharmacy benefit manager to pharmacies not owned or collected by the pharmacy benefit manager for each drug.*

(vi) *The amount paid to the pharmacy for each prescription, net of the aggregate amount of fees or other assessments imposed on the pharmacy, including point-of-sale and retroactive charges.*

(3) Pharmacy benefit managers shall also report all of the following information to the department:

(A) The health plans with which the pharmacy benefit ~~manager~~ *manager, group purchasing organization, and any affiliated entity* contracts, the scope of services provided to the health plan, and the number of enrollees served by the pharmacy benefit manager.

(B) The pharmacy benefit manager's revenue, including revenue from manufacturers, health plans, pharmacies, *its affiliated entities*, and other revenue.

(C) The pharmacy benefit manager's expenses, including payments to pharmacies, claims processing, special programs, administration, and other expenses.

(b) The department shall compile the information reported pursuant to subdivision (a) into a report for the public and legislators that demonstrates the overall impact of drug costs on health care premiums, to determine pharmacy benefit manager market impact, *the impact of rebates on the pharmacy costs, the impact of pharmacy benefit manager relationships with group purchasing organizations and affiliated entities*, and the value pharmacy benefit managers provide to consumers. The data in the report shall be aggregated and shall not reveal information specific to individual pharmacy benefit managers.

(c) For the purposes of this section, a "specialty drug" is one that exceeds the threshold for a specialty drug under the Medicare Part D program (Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (Public Law 108-173)).

(d) By January 1 of each year, beginning January 1, 2027, the department shall publish on its internet website the report required pursuant to subdivision (b).

(e) After the department publishes the report required pursuant to subdivision (b), the department shall include the report as part of the public meeting required pursuant to subdivision (b) of Section 1385.045.

(f) Except for the report required pursuant to subdivision (b), the department shall keep confidential all of the information provided to the department pursuant to this section, and the information shall be exempt from disclosure under the California Public Records Act (Division 10 (commencing with Section 7920.000) of Title 1 of the Government Code).

SEC. 5. *Section 1385.008 is added to the Health and Safety Code, to read:*

1385.008. *As a condition of registration with the department pursuant to Section 1385.004, a pharmacy benefit manager shall comply with all of the following:*

(a) *A pharmacy benefit manager, group purchasing organization, and any affiliated entity shall pass 100 percent of all prescription drug manufacturer rebates received to the health care service plan for the sole purpose of offsetting cost sharing, including copayments, deductibles, and coinsurance contributions, and reducing premiums of enrollees.*

(b) *A pharmacy benefit manager, group purchasing organization, and any affiliated entity shall not derive income from spread pricing.*

(c) (1) *A pharmacy benefit manager, group purchasing organization, and any affiliated entity shall not derive income from pharmacy benefit management services provided to a health care service plan in this state except for income derived from a bona fide service fee. The amount of any pharmacy benefit management bona fide service fee shall be set forth in the agreement between the pharmacy benefit manager and the health care service plan.*

(2) *For purposes of this subdivision, "bona fide service fee" means a fee that is equal to the fair market value of a bona fide itemized service that is actually performed on behalf of an entity that the entity would otherwise perform or contract for in the absence of the service arrangement, and that is not passed on in whole or in part to a client or customer, whether or not the entity takes title to the drug.*

(d) (1) The pharmacy benefit management fee charged by or paid to a pharmacy benefit manager by a health care service plan shall not be directly or indirectly based or contingent upon any of the following:

(A) The acquisition cost or any other price metric of a drug.

(B) The amount of savings, rebates, or other fees charged, realized, or collected by or generated based on the activity of the pharmacy benefit manager or its affiliates.

(C) The amount of premiums, deductibles, cost sharing, or other fees charged, realized, or collected by the pharmacy benefit manager or its affiliates from a patient or other persons on behalf of a patient.

(2) This subdivision does not preclude a health care service plan from paying flat performance bonuses to a pharmacy benefit manager that are both of the following:

(A) Not connected to the price of a drug.

(B) Related to services actually performed by the pharmacy benefit manager for a plan.

(3) Compensation arrangements governed by this section shall be open for inspection and audit by the department.

~~SEC. 3.~~SEC. 6. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

~~SEC. 4.~~SEC. 7. The Legislature finds and declares that Section-~~2~~ 4 of this act, which adds Section 1385.007 to the Health and Safety Code, imposes a limitation on the public's right of access to the meetings of public bodies or the writings of public officials and agencies within the meaning of Section 3 of Article I of the California Constitution. Pursuant to that constitutional provision, the Legislature makes the following findings to demonstrate the interest protected by this limitation and the need for protecting that interest:

In order to protect confidential and proprietary information submitted by pharmacy benefit managers, it is necessary for that information to remain confidential.