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Pharmacy Benefit Manager Licensure – Frequently Asked Questions

1. What California laws apply to Pharmacy Benefit Managers?

Assembly Bill 116 (Committee on Budget, Ch. 21, Stats. 2025) and Senate Bill 41 (Wiener, Ch. 605, Stats. 2025) establish new licensure requirements for pharmacy benefit managers (PBMs). AB 116 prohibits PBMs from operating in the state of California without first obtaining a license from the Department of Managed Health Care (DMHC). AB 116 further outlines application requirements of PBMs to become licensed by the DMHC. Additional reporting requirements are established by AB 116 which require PBMs to submit information to the DMHC and the Department of Health Care Access and Information (HCAI). PBMs must continue to provide updates or additional information to the DMHC after any changes to the information contained in its initial application. SB 41 outlines various requirements and prohibitions applicable to the operation of PBMs.

2. What types of PBMs are required to obtain a license?

Health and Safety Code section 1385.001 defines a PBM as a person, business, or other entity that, either directly or through an intermediary, affiliate, or both, acts as a price negotiator or group purchaser on behalf of a payer, or manages the prescription drug coverage provided by the payer, 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, or controlling the cost of covered prescription drugs. This includes an entity performing duties under common ownership with, or control by, a payer.
Any PBM engaged in business as a PBM for a DMHC licensed health plan or California Department of Insurance (CDI) licensed health insurer within the state of California.

The following entities are **not** required to obtain a license:

- an entity providing services pursuant to a contract authorized by Section 4600.2 of the Labor Code;

- a fully self-insured employee welfare benefit plan under the Employee Retirement Income Security Act of 1974 (Public Law 93-406), as amended (29 U.S.C. Sec. 1001 et seq.);
- a licensed health care service plan or an individual employee of a health care service plan;
- a health insurer licensed to provide health insurance, as defined in Section 106 of the Insurance Code, or an individual employee of a health insurer;
- a city or county that develops or manages drug coverage programs for uninsured patients for which no reimbursement is received;
- an entity exclusively providing services to patients covered by Part 418 (commencing with Section 418.1) of Subchapter B of Chapter IV of Title 42 of the Code of Federal Regulations;
- the State Department of Health Care Services, including any contracts between the State Department of Health Care Services and another entity related to the negotiation and collection of drug or medical supply rebates; or
- a PBM that contracts only with a licensed Medicare Advantage Plan.

3. Does a PBM need to obtain a license if it is already registered with the DMHC?

Yes. Requirements for PBM registration will become inoperative January 1, 2027. Effective January 1, 2027, PBMs will be required to operate under a license issued by the DMHC. Existing PBMs must submit an application for licensure on July 1, 2026.[1]

4. Is there a licensing fee for PBMs?

Yes. Health and Safety Code section 1385.0016 requires a PBM applying for licensure to reimburse the director for the actual cost of processing the application, including overhead, up to an amount not to exceed $25,000. A license will not be issued to an applicant before receiving payment in full for all amounts charged.

PBMs can pay this fee by The Electronic Fund Transfer (EFT) which allows PBMs to make an Automated Clearing House (ACH) Debit transaction to pay DMHC invoices. This program allows a PBM to electronically transfer funds from its bank account to the DMHC bank account. The PBM will maintain total control to initiate a transaction by specifying the amount and date of its withdrawal.

If your PBM administrator has authorized you to make payments for your PBM, log into the Web Portal to make payments.

[1] For more information on PBM application requirements, see ALL 26-010.

If you need assistance, contact the DMHC Accounting Office at 916-445-2282 between the hours of 8 a.m. to 4:30 p.m. (Pacific Standard Time, Monday through Friday, excluding holidays).

5. Will my PBM application be available to the public?

The Director is not required to disclose certain records filed by PBMs, including any application, and all records that are submitted with the application that are necessary for the purposes of the application. At this time PBM applications will be kept confidential and not subject to public disclosure. Please note, the Director may determine to disclose this information at a further date as permitted under Health and Safety section 1385.0021

6. Whom do I contact with questions about the PBM application process?

For any questions regarding PBM licensure, please contact the Office of Plan Licensing at 916-324-9046 or at pbm.licensing@dmhc.ca.gov. Plans should contact their assigned licensing reviewer.

7. Where can I find more information on PBM licensing?

The DMHC maintains a website with information on PBM licensure including relevant laws and resources. Please visit https://www.dmhc.ca.gov/LicensingReporting/PharmacyBenefitManagerLicensing.aspx