

Quick Facts

- SB40: Insulin cost-sharing cap. Effective January 1, 2026 (Large Group) and January 1, 2027 (Individual and Small Group).
- SB41: Pharmacy Benefit Manager Reform – Effective January 1, 2026.
- AB144: Health System Trailer Bill – Immunization recommendations are effective immediately.
- AB224 & SB62: Essential Health Benefits (EHBs) – proposed changes to EHBs to be submitted to Health & Human Services (HHS) for approval.
- Governor Newsom announces insulin pen through CalRx® - Available January 1, 2026.

Background

California continues to advance health care affordability and access through sweeping legislative reforms. Governor Gavin Newsom signed several bills in October 2025 that will impact health plans, insurers, pharmacy benefit managers (PBMs), and health care providers. Below are highlights of key bills.

SB40 – Insulin Cost-Sharing Cap

SB40 authored by Senator Scott Wiener, addresses the affordability of insulin for Californians with diabetes. The bill sets a maximum cost-sharing amount of \$35 for a 30-day supply of insulin and prohibits step therapy requirements for insulin prescriptions.

Key Provisions

- Cost-Sharing Cap: Large group plans (starting January 1, 2026), Individual and small group plans (starting January 1, 2027)
- Step Therapy Prohibition: No requirement to try and fail other medications before covering insulin
- Formulary Requirements: At least one insulin per drug type must be included
- High Deductible Plans: Must comply unless federal law prohibits the \$35 cap

SB41 – Pharmacy Benefit Manager Reform

SB41, also authored by Senator Scott Wiener, introduces reforms to the operations of PBMs in California, aiming to increase transparency, reduce conflicts of interest, and eliminate spread pricing.

Key Provisions

- Licensure Requirement: PBMs must be licensed by January 1, 2027.
- Spread Pricing Ban: Applies to new contracts executed on or after January 1, 2026. If a preexisting contract between a PBM and a payer authorizes spread pricing, a subsequent amendment or renewal of that contract must not contain that authorization. Spread pricing contract terms will be void on and after January 1, 2029.
- Passthrough Pricing Model: 100% of rebates must be passed to payers as of January 1, 2026.
- Cost-Sharing Transparency: Enrollee cost-sharing cannot exceed actual rate paid as of January 1, 2026.
- Non-Discrimination Against Pharmacies: PBMs may not favor affiliated pharmacies as of January 1, 2026.

AB144 – Health System Modernization (Trailer Bill)

AB144 is a comprehensive health trailer bill that implements a wide range of changes across California’s health care system. It includes provisions related to immunization policy and health plan mandates.

Immunization and Preventive Service Updates

COVID-19 Testing, Immunization, and Therapeutics

Health plans and insurers are required to cover COVID-19 diagnostic testing, immunizations, and therapeutics. They cannot be subject to copayment, coinsurance, deductible or any other cost sharing. This applies to both in-network and out-of-network providers. Coverage includes services necessary to furnish the immunization or therapeutics.

COVID-19 immunization recommendations are based on the January 1, 2025, U.S. Preventive Services Task Force (USPSTF) A or B recommendations. The State Department of Public Health (CDPH) can adopt, modify or supplement these recommendations under new authority granted under AB144.

On September 17th, 2025, CDPH issued [guidance](#) regarding COVID-19, influenza and RSV immunizations as follows:

COVID-19

- Children: All children 6-23 months; All children 2-18 years with [certain risk factors](#); All children with close contact with others with risk factors; All children who choose protection
- Adults: All adults age 65 years or older; All adults ages 18-64 years with [certain risk factors](#); All adults with close contact with others with [risk factors](#); All adults who choose protection
- Pregnancy: All planning, pregnant, postpartum, or lactating

Influenza

- Children: All children 6 months or older
- Adults: All adults 18 years or older
- Pregnancy: All planning, pregnant, postpartum, or lactating

RSV

- Children: All children 8 months or younger; All children 8-19 months with [risk factors](#)
- Adults: All adults 75 years or older; All adults 50-74 years with [risk factors](#)
- Pregnancy: Pregnant between 32-36 weeks gestational age

Plans must begin covering these immunizations by October 8, 2025.

Preventive Services Mandate

Health plans and insurers are required to cover the USPSTF A and B preventive service recommendations, preventive care and screenings in the Health Resources and Services Administration (HRSA) guidelines, and immunizations recommended by the Advisory Committee on Immunization Practices (ACIP) that were in effect on January 1, 2025, with no cost-sharing allowed. Current lists are maintained for [all adults](#), for [women](#) and for [children](#) on the [HealthCare.gov](#) website.

Below are some of the more commonly known services recommended by the USPSTF.

- Breast cancer screening: every one to two years for women age 40 and older.

- Breast Cancer gene (BRCA) screening: if asymptomatic and no BRCA-related cancer diagnosis, but previously had other cancer; also when family history associated with increased risk of BRCA-related cancer.
- BRCA genetic counseling: after a positive BRCA screening.
- BRCA testing: if indicated after BRCA counseling
- Colonoscopy: including preparation medications, anesthesia, pathology, and polyp removal when performed during screening
- Human Immunodeficiency Virus (HIV) Screening and prevention: all aged 15 to 65, pregnant individuals of any age. Pre-exposure prophylaxis (PrEP) with antiretroviral therapy covered for high-risk individuals.
- Over the counter (OTC) items: only if prescribed by provider
- Weight-management services: screening for obesity and specific behavioral interventions, and obesity counseling
- Tobacco-cessation interventions: for adults, separate rules for children

Below are some of the more commonly known vaccines recommended by ACIP.

- COVID-19
- Diphtheria, Tetanus and Pertussis
- Hepatitis A and B
- Human Papillomavirus (HPV)
- Influenza
- Measles, Mumps, Rubella
- Polio
- Smallpox

Effective Date: These took effect immediately on September 17, 2025, when the Governor signed AB144.

AB224 and SB62 – Essential Health Benefits (EHBs)

Background

Current law requires an individual or small group health insurance policy issued, amended, or renewed on or after January 1, 2017, to include, at a minimum, coverage for EHBs per the Patient Protection and Affordable Care Act (PPACA). Current law requires a health insurance policy to cover the same health benefits as the benchmark plan, the Kaiser Foundation Health Plan Small Group Health Maintenance Organization (HMO) 30 plan, offered during the first quarter of 2014.

The Department of Health and Human Services (HHS) requires states to review and update their EHBs by 2027. [AB224](#) and [SB62](#) express the intent of the Legislature to review California’s EHB benchmark plan and establish a new benchmark plan for the 2027 plan year for health insurers.

Proposed Changes

If HHS approves a new EHB benchmark plan for the state, then health insurers would have to include certain additional benefits. These bills propose the addition of coverage for the following:

- Services to evaluate, diagnose, and treat infertility
- Durable medical equipment such as walkers, manual and power wheelchairs, scooters, continuous positive airway pressure (CPAP) machines, portable oxygen and hospital beds
- An annual hearing exam and one hearing aid per ear every three years.

CalRx Update

Background

Announced January 2019 by Governor Newsom in his first [executive order](#) and then signed into law through the California Affordable Drug Manufacturing Act of 2020 ([SB 852](#), Pan), CalRx® allows the State of California to develop, produce and distribute generic drugs and sell them at low cost. The first initiative was to invest \$50 million to develop a biosimilar insulin that would cost \$30 per vial, potentially saving patients \$2,000 - \$4,000 per year. California selected Civica, a nonprofit drug company, to manufacture the biosimilar insulin.

Insulin Pen

On October 16, 2025, Governor Newsom held a [press conference](#) to announce that California's CalRx® Insulin Glargine in pen form will be available beginning January 1, 2026. Through an agreement secured by Civica Rx with Biocon Biologics, Californians will have access to an interchangeable biosimilar insulin glargine pen under the CalRx brand and pricing. The CalRx insulin glargine pens are interchangeable with Lantus®, and will be available to California pharmacies for \$45, and to consumers for a suggested retail price of not more than \$55 per five-pack of pens (average cost of \$11 per pen).

Summary

These measures aim to improve access to care and lower costs for Californians. Other bills designed to add mandated coverage that would have increased premiums were vetoed by the Governor. In his **veto messages** the Governor noted that at a time when individuals are facing double-digit rate increases in their health care premiums across the nation, passing additional policies that would lead to further premium increases would be irresponsible.