

Gary Feldman, MD
President

September 4, 2024

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EXECUTIVE OFFICE

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

Re: Support for SB 966

Dear Governor Newsom,

The Coalition of State Rheumatology Organizations (CSRO) is a national organization composed of over 30 state and regional professional rheumatology societies, including our member society that represents providers of rheumatology care in California. CSRO was formed by physicians to ensure excellence and access to the highest quality care for patients with rheumatologic, autoimmune, and musculoskeletal disease. It is with this in mind that we write to you in support of SB 966.

As you consider SB 966, CSRO urges you to sign this important measure into law as it is significant and necessary reform in the regulation of Pharmacy Benefit Managers (PBMs), addressing crucial issues related to transparency, fairness, and patient access to medications.

SB 966 is a critical step toward ensuring that PBMs operate with greater transparency and accountability. The legislation's key provisions, which include the requirement for PBMs to adopt a passthrough pricing model to pass 100% of manufacturer rebates directly to health plans, insurers, or programs, will contribute to reducing the overall cost of medications and improving patient care.

Specifically, the following aspects of SB 966 are particularly noteworthy and align with CSRO's goals:

- **Passthrough Pricing Model:** By mandating that PBMs pass all manufacturer rebates to health plans and insurers, this bill addresses the opacity and potential conflicts of interest inherent in the current rebate system. This model will help ensure that savings intended for patients and healthcare systems are not diverted to PBMs.

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- **Increased Oversight and Transparency:** The bill's provisions for PBM licensure, reporting, and regulatory oversight by the California Department of Insurance (CDI) will enhance transparency. The requirement for detailed annual reports on drug costs and PBM practices will provide invaluable insights into the impact of PBMs on drug pricing and access.
- **Protections Against Patient Steering and Discrimination:** The legislation's measures to prevent PBMs from steering patients to affiliated pharmacies and from discriminating against non-affiliated pharmacies are essential. These protections will help ensure that patients have access to the medications they need without unnecessary restrictions.
- **Regulatory Authority and Enforcement:** Granting CDI the authority to enforce compliance, conduct audits, and impose penalties will ensure that PBMs adhere to the new regulations. This robust framework for oversight is crucial for maintaining the integrity of the reforms introduced by this bill.

The CSRO firmly believes that SB 966 will bring much-needed reform to the PBM industry, fostering a more transparent, fair, and patient-centered approach to prescription drug management. We urge you to sign this important bill into law.

Respectfully,



Gary Feldman, MD, FACR
President
CSRO



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