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## SENATE COMMITTEE ON HEALTH

Senator Akilah Weber Pierson, Chair

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**BILL NO:** AB 1970  
**AUTHOR:** Harabedian  
**VERSION:** March 24, 2026  
**HEARING DATE:** June 24, 2026  
**CONSULTANT:** Teri Boughton

**SUBJECT:** Health care coverage: mental health or substance use disorders

**SUMMARY:** Prohibits, notwithstanding any other law, a health plan contract or health insurance policy issued, amended, or renewed on or after January 1, 2027, from imposing step therapy as a prerequisite to authorizing coverage of any prescription drug used for the treatment of a serious mental illness or substance use disorder.

**Existing law:**

- 1) Establishes the Department of Managed Health Care (DMHC) to regulate health plans under the Knox-Keene Health Care Service Plan Act of 1975 (Knox-Keene Act); California Department of Insurance (CDI) to regulate health and other insurance; and the Department of Health Care Services (DHCS) to administer the Medi-Cal program. [HSC §1340, et seq., INS §106, et seq., and WIC §14000, et seq.]
- 2) Authorizes a plan or insurer to impose step therapy if there is more than one drug that is clinically appropriate for the treatment of the medical condition. [HSC §1367.206 and INS §10123.201]
- 3) Requires a health plan or insurer to expeditiously grant a request for a step therapy exception within the applicable time limit if a prescribing provider submits necessary justification and supporting clinical documentation that the required prescription drug is inconsistent with good professional practice for provision of medically necessary covered services, taking into consideration the enrollee's or insured's needs and medical history. Permits the basis of the provider's determination to include, but not be limited to, any of the following criteria:
  - a) The prescription drug required by the plan or insurer is contraindicated or is likely, or expected, to cause an adverse reaction or physical or mental harm in comparison to the requested prescription drug;
  - b) The required prescription drug is expected to be ineffective based on the known clinical characteristics of the enrollee or insured and the known characteristics and history of the enrollee's or insured's prescription drug regimen;
  - c) The enrollee or insured has tried the required prescription drug while covered by their current or previous health coverage or Medicaid, and that prescription drug was discontinued due to lack of efficacy or effectiveness, diminished effect, or an adverse reaction. Permits the plan or insurer to require the submission of documentation demonstrating that the enrollee or insured tried the required prescription drug before it was discontinued;
  - d) The required prescription drug is not clinically appropriate for the enrollee or insured because the required drug is expected to do any of the following, as determined by the prescribing provider:
    - i) Worsen a comorbid condition;
    - ii) Decrease the capacity to maintain a reasonable functional ability in performing daily activities; or,

- iii) Pose a significant barrier to adherence to, or compliance with, the enrollee's drug regimen or plan of care.
  - e) The enrollee or insured is stable on a prescription drug selected by the prescribing provider for the medical condition under consideration while covered by their current or previous health coverage or Medicaid. [HSC §1367.206 and INS §10123.201]
- 4) Authorizes a health care provider or prescribing provider, enrollee, insured, or their designee or guardian to appeal a denial of an exception request for coverage of a nonformulary drug, prior authorization request, or step therapy exception request consistent with the plan's or insurer's current utilization management process. [HSC §1367.206 and INS §10123.201]
  - 5) Authorizes a health plan or insurer or utilization review organization to require an enrollee or insured to try an AB-rated generic equivalent, biosimilar, or interchangeable biological product before providing coverage for the equivalent branded prescription. This does not prohibit or supersede a step therapy exception request. [HSC §1367.206 and INS §10123.201]
  - 6) Defines "step therapy" as a type of protocol that specifies the sequence in which different prescription drugs for a given medical condition and medically appropriate for a particular patient are to be prescribed. [INS §10123.201]
  - 7) Defines "step therapy" as a process, specifying the sequence in which different prescription drugs for a given medical condition and medically appropriate for a particular patient are prescribed. Permits the plan to require the enrollee to try one or more drugs to treat the enrollee's medical condition before the health plan will cover a particular drug for the condition pursuant to a step therapy request. Requires, if the enrollee's prescribing provider submits a request for step therapy exception, the plans to make exceptions to step therapy when the criteria are met. [Cal. Code Regs. Tit. 28 §1300.67.205 (d)(2)(Q)]
  - 8) Defines "serious mental disorder" as a mental disorder that is severe in degree and persistent in duration, which may cause behavioral functioning that interferes substantially with the primary activities of daily living, and which may result in an inability to maintain stable adjustment and independent functioning without treatment, support, and rehabilitation for a long or indefinite period of time. Serious mental disorders include, but are not limited to, schizophrenia, bipolar disorder, post-traumatic stress disorder, as well as major affective disorders or other severely disabling mental disorders. [WIC §5600.3]

**This bill:**

- 1) Prohibits, notwithstanding any other law, a health plan contract or health insurance policy issued, amended, or renewed on or after January 1, 2027, from imposing step therapy as a prerequisite to authorizing coverage of any prescription drug used for the treatment of a serious mental illness or substance use disorder.
- 2) Prohibits the ban on step therapy from applying when the U.S. Food and Drug Administration (FDA)-labeled indications and usage of a drug indicate that some prior medication must be taken.
- 3) Defines "serious mental illness" as having the same meaning as serious mental disorders defined in existing law, as specified.

- 4) Defines “substance use disorder” as a substance-related and addictive disorder, as defined in the most recent edition of the Diagnostic and Statistical Manual of Mental Disorders.
- 5) Applies to Medi-Cal managed care plan contracts only to the extent DHCS obtains any necessary federal approvals, and federal financial participation under the Medi-Cal program is available and not otherwise jeopardized.
- 6) Indicates this bill does not require or authorize a health plan that contracts with DHCS to provide services to Medi-Cal beneficiaries to provide coverage for prescription drugs that are not required by those programs or contracts.
- 7) Exempts specialized health plan contracts and insurance policies that cover only dental or vision benefits or a Medicare supplement contract.

**FISCAL EFFECT:** According to the Assembly Appropriations Committee:

- 1) California Health Benefits Review Program (CHBRP) estimates this bill will increase premiums for DMHC-regulated health plans in the California Public Employees Retirement System (CalPERS) by \$96,000. The state's share would be about \$50,000 (General Fund). There would also be an increase of an unknown, but likely smaller, amount, to the state's share of premiums for CDI-regulated insurance policies in CalPERS.
- 2) DMHC anticipates minor and absorbable costs.
- 3) CDI estimates costs of \$11,000 in fiscal year (FY) 2026-27 and \$23,000 in FY 2027-28 for policy form reviews and corresponding prescription drug formularies (Insurance Fund).
- 4) DHCS anticipates negligible costs to the Medi-Cal program.

**PRIOR VOTES:**

Assembly Floor:	69 - 0
Assembly Appropriations Committee:	14 - 0
Assembly Health Committee:	15 - 0

**COMMENTS:**

- 1) *Author’s statement.* According to the author, people living with serious mental illness and substance use disorders should not have to “fail first” on medications that may not work before receiving the treatment their doctor recommends. Step therapy policies can delay access to effective care, putting patients at risk of relapse, hospitalization, homelessness, or involvement with the criminal justice system. For individuals already navigating instability, even short delays in treatment can have devastating consequences. This bill puts doctors in charge of treatment, not insurers. This bill removes unnecessary barriers so patients can be prioritized and have access to the medications they need to stabilize, recover, and stay connected to care and their communities.
- 2) *CHBRP report.* AB 1996 (Thomson, Chapter 795, Statutes of 2002) requests the University of California to assess legislation proposing a mandated benefit or service and prepare a written analysis with relevant data on the medical, economic, and public health impacts of proposed health plan and health insurance benefit mandate legislation. CHBRP was created

in response to AB 1996 and reviewed this bill. Key findings include:

- a) *Coverage impacts and enrollees covered.* CHBRP finds that 72% of enrollees in state regulated plans do not currently have step therapy in place for drugs used to treat serious mental illness and substance use disorders.
  - b) *Medical effectiveness.* According to CHBRP, there is some evidence that step therapy requirements decrease utilization of prescription drugs for serious mental illness and increased hospitalizations. CHBRP indicates these findings should be interpreted with caution because some of the studies analyzed older atypical antipsychotic drugs that are no longer subject to step therapy. CHBRP did not identify any direct evidence on the effect of step therapy requirements for prescription drugs used to treat serious mental illness. There were few studies that directly compare branded versus generic drugs for serious mental illness. CHBRP found some evidence that branded atypical antipsychotics are less effective than generic atypical antipsychotics at reducing symptoms of bipolar disorder and schizophrenia. CHBRP did not identify studies regarding step therapy for or comparative effectiveness of prescription drugs for substance use disorder.
  - c) *Utilization.* Immediate utilization impact is projected to be a small shift from generic to branded drugs for serious mental illness and substance use disorder among a narrow subset of affected enrollees. Approximately 26,000 enrollees are using prescription drugs for serious mental illness or substance use disorder currently subject to step therapy. An estimated 300 enrollees accessing drugs currently subject to step therapy would shift from generic to branded drugs. CHBRP estimates approximately 668,000 commercially insured adults have serious mental illness and 1,781,000 have substance use disorder.
  - d) *Medi-Cal.* Medi-Cal enrollees have pharmacy drug coverage through Medi-Cal Rx, and not through Medi-Cal managed care plans. However, CHBRP indicates Medi-Cal does not have a step therapy requirement and estimates this bill would have no impact on Medi-Cal.
  - e) *Impact on expenditures.* An additional \$2,440,000 in total annual premiums would be paid by employers (\$1,581,000) and enrollees (\$415,000) due to the use of higher-cost drugs. Individual market premiums for people without employer subsidized insurance would increase by \$444,000 and enrollee cost-sharing would increase by a total of \$158,000. For commercial insurance, the premium impact per member per month is between \$.014 and \$.016. In Covered California, the increase per member per month is between \$.015 and \$.017. CalPERS increases per member per month are \$.012. Unit cost of drugs subject to step therapy is \$1,100 compared to \$20 for drugs not subject to step therapy.
  - f) *Public health.* This bill is not expected to have an impact on public health outcomes.
  - g) *Essential health benefits (EHBs).* There is no impact on EHBs.
- 2) *Prior legislation.* SB 40 (Wiener, Chapter 737, Statutes of 2025) prohibits health plans and health insurers from imposing step therapy as a prerequisite to authorizing coverage of insulin, except if at least one insulin in each drug type is covered without step therapy. Prohibits a health plan contract and health insurance policy from imposing a copayment, coinsurance, deductible, or any other cost-sharing on an insulin prescription drug that

exceeds \$35 for a 30-day supply. Requires at least one insulin for a given drug type in all forms and concentrations to be on the prescription drug formulary.

SB 339 (Wiener, Chapter 1, Statutes of 2024) prohibits a health plan or insurer from subjecting to prior authorization or step therapy drugs, devices, or products for the prevention of HIV/AIDS, except if the FDA has approved one or more therapeutic equivalents of a drug, device, or product for the prevention of HIV/AIDS, the plan or insurer has to cover at least one therapeutically equivalent version without prior authorization or step therapy.

AB 1842 (Reyes, Chapter 633, Statutes of 2024) requires a group or individual health plan or health insurer to provide coverage without prior authorization or step therapy, or utilization review for at least one medication approved by the FDA in each of four specified categories. Indicates this bill does not prohibit a health plan or insurer from selecting an AB-rated generic equivalent, biosimilar, as defined in the United States Code, or interchangeable biological product, as defined in the United States Code, to meet the requirements of this bill.

SB 621 (Caballero, Chapter 495, Statutes of 2023) authorizes a health plan, health insurance policy, or utilization review organization to require an enrollee or insured to try a biosimilar before providing coverage for the branded prescription drug. SB 621 clarifies that a requirement to try a biosimilar, generic, or interchangeable drug does not prohibit or supersede a step therapy exception request.

AB 347 (Arambula, Chapter 742, Statutes of 2021) requires a health plan or health insurer to expeditiously grant a step therapy exception if specified criteria are met, including that the health care provider submit necessary justification and supporting clinical documentation supporting the provider's determination that the required prescription drug is inconsistent with good professional practice for provision of medically necessary covered services, as specified. AB 347 authorizes an enrollee or insured or their designee, guardian, health care provider or prescribing provider to appeal a denial of an exception request for coverage of a nonformulary drug, prior authorization request or step therapy exception request by filing a grievance, as specified. AB 347 deems a prior authorization request or step therapy exception request approved for the duration of the prescription, including refills, if a health plan, health insurer, or contracted physician group, or utilization review organization fails to notify a prescribing provider of its coverage determination within a specified timeframe.

- 3) *Support.* The California Behavioral Health Association (CBHA), this bill's sponsor, writes that this bill prioritizes vulnerable populations while addressing the costly downstream consequences of delayed care, ensuring that small, upfront investments help avoid far more expensive emergency, inpatient, and crisis interventions. The California State Association of Psychiatrists writes for patients with serious behavioral health conditions, timely access to the medication their provider prescribes is critical and because psychiatric medications are not interchangeable and responses vary widely, delays associated with step therapy can worsen symptoms, trigger relapse, or lead patients to disengage from treatment altogether. The California Psychological Association writes this bill assures that patients can begin treatment with the medication their provider determines is most appropriate, and by removing unnecessary administrative barriers, this bill will improve continuity of care, reduce crises and hospitalizations, and support better outcomes for some of California's most vulnerable residents. The California Consortium of Addiction Programs and Professionals writes for individuals with substance use disorders or serious mental health conditions, delays in accessing the right medication can lead to relapse, hospitalization, overdose, or

other preventable crises, and step therapy is particularly dangerous in this context because treatment needs can change rapidly, and clinical decisions must be based on individualized assessments, not rigid insurance protocols.

- 4) *Opposition.* The California Association of Health Plans and the Association of California Life and Health Insurance Companies write this bill would undermine important patient safety protections and increase costs for consumers at a time when health care affordability remains a critical concern. Opponents indicate step therapy is a narrowly used, clinically grounded utilization management tool designed to ensure patients receive safe and appropriate treatment based on their medical needs. It is also used to promote affordability, such as trying to use therapeutically equivalent generic medication before a significantly more expensive branded drug. The number of drugs subject to step therapy is limited and generally applies only where multiple therapeutic alternatives exist to treat the same condition. Opponents provide an example of an add-on therapy to antidepressants for the treatment of major depressive disorder and for the treatment of schizophrenia that has not been found to offer any clinically significant advantages over alternatives that have costs of \$1,400 compared to multiple therapeutically equivalent alternatives available for \$15-\$20 per prescription.
- 5) *Policy comments and questions.*
  - a) Current law allows for the use of step therapy and creates opportunities for exceptions from plan or insurer step therapy requirements. CHBRP's analysis indicates that more than 70% of enrollees in state regulated plans are not subject to step therapy for serious mental disorder or substance use disorder. CHBRP also indicates that this bill will result in a shift from generic to brand name drugs and CHBRP found some evidence that branded atypical antipsychotics are less effective than generic versions at reducing symptoms of bipolar disorder and schizophrenia.
  - b) Current law prohibits step therapy requirements for products for the prevention of HIV/AIDS, medication assisted treatment and insulin. However, those laws also limit the step therapy prohibition so that if there are therapeutic equivalents, step therapy would be allowed on therapeutic equivalents if at least one therapeutic equivalent is available without step therapy.
  - c) Policymakers have goals of ensuring access to affordable health care coverage for Californians. Consistent with this goal, SB 1094 (Weber Pierson) has been introduced to promote more take-up of clinically equivalent generics, biosimilars, and interchangeable biologics in place of more expensive branded products. This bill conflicts with SB 1094.
- 7) *Amendment.* The Chair has requested an amendment to reconcile conflicts.

### **SUPPORT AND OPPOSITION:**

**Support:** California Behavioral Health Association (sponsor)  
 Advantage Healthcare Services  
 AIDS Healthcare Foundation  
 Alliance for Patient Access  
 Association of Community Human Service Agencies  
 Biocom California  
 Bleeding Disorders Council of California  
 California Academy of Family Physicians  
 California Access Coalition

California Association of Social Rehabilitation Agencies  
California Chronic Care Coalition  
California Community Foundation  
California Consortium of Addiction Programs and Professionals  
California Federation of Labor Unions  
California Hospital Association  
California Life Sciences Association  
California Long Term Care Ombudsman Association  
California Medical Association  
California Peer Watch  
California Primary Care Association Advocates  
California Psychological Association  
California State Association of Psychiatrists  
California Teachers Association  
Chronic Disease Coalition  
Disability Rights California  
Drug Policy Alliance  
Hillsides Pasadena  
Mental Health America of California  
National Alliance on Mental Illness California  
National Association of Social Workers California  
National Health Law Program  
Stars Behavioral Health Group  
Sycamores  
The Village Family Services  
UNITE HERE International Union  
Western Center on Law & Poverty, INC.

**Oppose:** Association of California Life & Health Insurance Companies  
California Association of Health Plans

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