SENATE COMMITTEE ON APPROPRIATIONS
Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

AB 1970 (Harabedian) - Health care coverage: mental health or substance use disorders

Version: June 29, 2026
Urgency: No
Hearing Date: August 3, 2026
Policy Vote: HEALTH 9 - 0
Mandate: Yes
Consultant: Agnes Lee

Bill Summary: AB 1970 would prohibit health plans and insurers 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, as specified.

Fiscal Impact:

- The Department of Managed Health Care (DMHC) estimates minor and absorbable costs for state administration.
- The California Department of Insurance (CDI) estimates costs of $11,000 in 2026-27 and $23,000 in 2027-28 for state administration (Insurance Fund).
- Unknown ongoing General Fund costs, potentially high tens of thousands, due to increases in CalPERS plan premiums.
- The Department of Health Care Services (DHCS) expects a negligible fiscal impact to the Medi-Cal program. Medications that would be prescribed for serious mental illnesses and substance use disorders are existing benefits under either the medical or pharmacy benefit, regardless of prior authorization or step therapy protocols.

Background: Current law requires every health plan and disability insurance policy that provides hospital, medical, or surgical coverage to provide coverage for medically necessary treatment of mental health and substance use disorders, under the same terms and conditions applied to other medical conditions, as specified. Current law defines “medically necessary treatment of mental health or substance use disorder” to include that the service or product is in accordance with generally accepted standards of mental health or substance use disorder care, and clinically appropriate in terms of type, frequency, extent, site, and duration.

Prior authorization is a form of utilization review or utilization management used by health plans and insurers to determine whether to authorize, modify, or deny health care services. Utilization review can occur prospectively, retrospectively, or concurrently and a plan or insurer can approve, modify, delay or deny in whole or in part a request based on its medical necessity. Step therapy is a type of utilization management that also may be applied to prescription drugs by health plans and insurers. Step therapy may require an enrollee/insured to try and fail one or more medications prior to receiving coverage for the initially prescribed medication. Step therapy protocols usually recommend starting with a medication that is less expensive. Current law authorizes a health 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.

Proposed Law: Specific provisions of the bill would:

- Prohibit health plans and insurers 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, except as provided; and provide that if there is more than one therapeutic or clinical equivalent approved by the United States Food and Drug Administration, this provision does not require a health plan/insurer to cover all therapeutic or clinical equivalents without step therapy if at least one therapeutic or clinical equivalent is available without step therapy.

- Apply these provisions to Medi-Cal managed care plan contracts only to the extent that the Department of Health Care Services (DHCS) obtains any necessary federal approvals, and federal financial participation under the Medi-Cal program is available and not otherwise jeopardized; and specify these provisions do not require or authorize a health plan that contracts with the DHCS to provide services to Medi-Cal beneficiaries to provide coverage for prescription drugs that are not required pursuant to those programs or contracts, or to limit or exclude any prescription drugs that are required by those programs or contracts.

Staff Comments: According to the California Health Benefits Review Program (CHBRP) analysis of AB 1970 (March 24,2026 version), for DMHC-regulated plans and CDI-regulated policies, the bill would increase total premiums paid by employers and enrollees for newly covered benefits by approximately $2,440,000. This includes an increase of $116,000 for CalPERS plan premiums. CHBRP indicates that with the June 29, 2026 amendments, it is likely that fewer individuals would have coverage subject to the bill.

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