Office of Senate Floor Analyses
(916) 651-4171

THIRD READING

Bill No: AB 2011
Author: Hart (D), et al.
Amended: 8/13/26 in Senate
Vote: 21

SENATE HEALTH COMMITTEE: 8-2, 6/10/26
AYES: Weber Pierson, Caballero, Durazo, Menjivar, Padilla, Pérez, Rubio, Smallwood-Cuevas
NOES: Valladares, Grove
NO VOTE RECORDED: Gonzalez

SENATE APPROPRIATIONS COMMITTEE: 5-2, 8/13/26
AYES: Cervantes, Cabaldon, Grayson, Richardson, Wahab
NOES: Seyarto, Dahle

ASSEMBLY FLOOR: 54-10, 4/27/26 - See last page for vote

SUBJECT: Nonquantitative treatment limitations

SOURCE: Insurance Commissioner Ricardo Lara / California Department of Insurance
California Academy of Child and Adolescent Psychiatry
State Association of Psychiatrists
Steinberg Institute
The Kennedy Forum

DIGEST: This bill codifies by reference federal mental health and substance use disorder parity rules, regulations, and guidance that were in place on January 1, 2025, regarding nonquantitative treatment limitations (NQTL) on mental health and substance use disorder benefits in comparison to medical and surgical benefits.

ANALYSIS:

Existing federal law:

1) Establishes the Mental Health Parity and Addiction Equity Act (MHPAEA), which prohibits commercial health plans and issuers that offer mental health and substance use disorder benefits from placing limits on those benefits that are less favorable than the limits placed on medical and surgical benefits. Requires health plans and issuers to ensure that financial requirements, such as copayments, coinsurance, and deductibles, and treatment limitations, such as the number and frequency of visits that are applied to mental health and substance use disorder benefits are not more restrictive than the predominant requirements applied to most of the medical and surgical benefits. Prohibits health plans and insurers from imposing NQTLs such as medical necessity and utilization management on mental health and substance use disorder benefits that apply more restrictively than are applied to medical and surgical benefits. [42 U.S.C. Section 300gg-26]

2) Establishes the Consolidated Appropriations Act of 2021 (CAA), which among other provisions, amends MHPAEA to require group health plans and issuers that provide both medical and surgical benefits, and mental health or substance use disorder benefits, to perform and document comparative analyses of the design and application of NQTLs that apply to mental health or substance use disorder benefits. Requires plans and issuers to make their analyses available to the Department of Treasury, Department of Labor, and the Department of Health and Human Services (HHS) [Departments] or applicable State authorities, upon request, effective February 10, 2021. Sets forth a process by which the Departments must evaluate the requested NQTL comparative analyses and enforce the comparative analyses requirements and requires the Departments to submit annually to Congress and make publicly available a report summarizing the comparative analyses requested for review by the Departments. [42 U.S.C. Section 300gg-26 (a)(8)(A)-(C)]

Existing state 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) and the California Department of Insurance (CDI) to regulate health insurers under the Insurance Code. [Health and Safety Code (HSC) §1340, et seq. and Insurance Code (INS) §106, et seq.]

2) Requires a health plan contract to provide all covered mental health and substance use disorder benefits in compliance with MHPAEA and all rules, regulations and guidance issued pursuant to MHPAEA. [HSC §1374.76 and INS §10144.4]

This bill:

1) Requires large, small, and individual health plan contracts and insurance policies to comply with MHPAEA rules, regulations, and guidance that existed on January 1, 2025.

2) Requires, to the extent that a provision of this section is determined to impose requirements that conflict with or materially differ from federal regulations, the provision to be reviewed by DMHC or CDI, and in collaboration with each other, DMHC and CDI to issue guidance on compliance with the conflict or material difference.

3) Exempts guidance issued pursuant to this bill from specified provisions of the Administrative Procedures Act.

4) Authorizes this bill to be implemented utilizing existing resources or upon appropriation of sufficient funds in the annual Budget Act or another measure providing funding.

Background

CAA Final Rules. The 2024 Final Rules amended the 2013 Final Rules, and added additional NQTL comparative analyses requirements and emphasize that plans must not design or apply financial requirements and treatment limitations that impose greater burden on access that are more restrictive to mental health and substance use disorder benefits than are imposed on access to medical and surgical benefits in the same classification of benefits. The 2024 Final Rules add new definitions for evidentiary standards, factors, processes and strategies. The 2024 Final Rules require coverage to provide meaningful benefits for the condition or disorder in every classification in which meaningful medical and surgical benefits are provided. The 2024 Final Rules require six content elements for comparative analysis.

2024 Final Rules Process. Under the 2024 Final Rules, the process for reviews, requires after an initial request for comparative analysis, the plan or issuer must submit it to the relevant Secretary within 10 business days, if it is determined insufficient additional information will be requested which must be provided within 10 business days. If there is an initial determination of noncompliance, the plan or issuer has 45 calendar days to specify if it will take action to comply and provide additional comparative analysis. If the Secretary makes a final determination of noncompliance, the plan or issuer must notify all participants, and

enrollees not later than seven business days after the determination. Plans and insurers must make a copy of the comparative analysis available when requested by any applicable state authority, a participant, beneficiary, or enrollee who has received an adverse benefit determination related to mental health and substance use disorder benefits, and participants and beneficiaries in Employment Retirement Income Security Act (ERISA) plans at any time.

2024 Final Rules challenged. On January 17, 2025, an association of employers (ERISA Industry Committee [ERIC]) filed suit in the U.S. District Court for the District of Columbia challenging provisions of the 2024 Final Rules on multiple issues including vague and undefined terms, onerous and unclear requirements and that the rule is contrary to law. On May 15, 2025, the Departments issued a statement that the ERIC litigation be held in abeyance while the Departments reconsider the 2024 Final Rules, including whether to rescind or modify the regulation. The Departments will not enforce the 2024 Final Rules or pursue enforcement actions, based on failure to comply prior to a final decision in the litigation and 18 months after the litigation is resolved. This enforcement relief applies only with respect to those portions of the 2024 Final Rules that are new in relation to the 2013 Final Rules. The Departments indicate that MHPAEA's statutory obligations, as amended by the CAA, continue to be in effect. HHS encourages states that are the primary enforcers of MHPAEA with respect to issuers to adopt a similar approach to enforcement. HHS will not consider a state to be failing to substantially enforce MHPAEA, as amended, because the state adopts such an approach.

Comments

According to the author of this bill:

This bill addresses a serious risk patients face when seeking mental health or substance use disorder care. Access to care is at risk for millions of Californians because the Trump administration has recklessly decided to stop enforcing federal protections that require insurers provide equal access to mental health care as they do with traditional medical treatment. This bill will enshrine protections in state law, ensuring that state regulators can continue to enforce these parity requirements on insurers, regardless of the changes that occur at the federal level. At a time when our state is working to expand behavioral health, this bill ensures that the promise of equal access becomes a reality for Californians.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: Yes

According to the Senate Appropriations Committee, unknown costs, likely minor for DMHC and CDI for state administration.

SUPPORT: (Verified 8/14/26)

Insurance Commissioner Ricardo Lara / California Department of Insurance (co-source)
California Academy of Child and Adolescent Psychiatry (co-source)
California State Association of Psychiatrists (co-source)
Steinberg Institute (co-source)
The Kennedy Forum (co-source)
Board of Behavioral Sciences
California Academy of Family Physicians
California Agents and Health Insurance Professionals
California Alliance of Child and Family Services
California Association of Alcohol and Drug Program Executives, INC.
California Association for Behavior Analysis
California Behavioral Health Association
California Chapter of the American College of Emergency Physicians
California Children's Hospital Association
California Chronic Care Coalition
California Coalition for Behavioral Health
California Consortium of Addiction Programs and Professionals
California Medical Association
California Peer Watch
California Psychological Association
Coalition for Developmental Approaches
County Behavioral Health Directors Association
Greenhouse Therapy Center
Health Access California
Inseparable
Milliman Care Guidelines Health
Mental Health America of California
National Alliance on Mental Illness
National Health Law Program
National Union of Healthcare Workers
Rural County Representatives of California
The California Association of Local Behavioral Health Boards and Commissions
Urban Counties of California

OPPOSITION: (Verified 8/14/26)

America's Health Insurance Plans
Association for Behavioral Health and Wellness
Association of California Life & Health Insurance Companies
California Association of Health Plans

ARGUMENTS IN SUPPORT: Insurance Commissioner (IC) Ricardo Lara, a co-sponsor of this bill, writes that the 2024 Final Rules clarify how existing statutory parity obligations must be evaluated and enforced, including standards for demonstrating compliance both as written and in operation, and that these regulations did not create new parity requirements; rather, they provided needed clarity to support consistent enforcement of existing law. The IC indicates this bill codifies federal standards into California statue to ensure continuity and enforceability, regardless of future federal administrative or judicial actions. The California Academy of Child and Adolescent Psychology, California State Association of Psychiatrists, the Steinberg Institute, and the Kennedy Forum are also co-sponsors, and they write that this bill does not create new benefit mandates, expand coverage, or impose new obligations on state regulators, and that regulators are already enforcing parity consistent with these standards under existing authority. The cosponsors say this bill simply affirms and preserves those practices in state law. The California Academy of Family Physicians writes this bill helps remove barriers to treatment, allowing family physicians to deliver the care their patients need without unnecessary restrictions or delays. The California Alliance of Child and Family Services indicate many organizations struggle with mental health parity issues, including network adequacy and reimbursement practices, and they support legislation that ensures stability for mental health providers and continued access to mental health and substance use care. Sponsors and supporters indicate that California has long been a national leader in advancing mental health parity, calling SB 855 the most comprehensive and expansive parity law in the country, which has set the standard for ensuring mental health and substance use disorder care are treated on par with physician health care, and this bill continues that leadership

ARGUMENTS IN OPPOSITION: The Association for Behavioral Health and Wellness (ABHW) is concerned that this bill will create confusion and further complicate the legal patchwork of laws attempting to enforce parity by codifying requirements that are unsettled at the federal level and could be invalidated or modified. ABHW requests that this bill not advance until the federal parity landscape is settled and a clear, stable compliance framework is established. ABHW raises concerns that provisions in the 2024 Final Rules may not sufficiently account for clinically appropriate variation. ABHW also believes this bill would increase compliance obligations and expand reporting and enforcement

exposure for regulated entities. The California Association of Health Plans (CAHP) and ACLHIC have significant concerns about moving forward with legislation while there is unresolved federal litigation, non-enforcement, and statutory interpretation disputes, indicating these concerns warrant extreme caution rather than codification. CAHP/ACLHIC argue that the 2024 Final Rules exceed statutory authority and introduce an outcomes-based compliance standard that does not meaningfully improve parity enforcement or patient access. CAHP/ACLHIC indicate updating comparative analyses to meet new standards that are highly resource-intensive and may not result in substantive changes but will significantly increase compliance burdens and legal risk.

ASSEMBLY FLOOR: 54-10, 4/27/26
AYES: Addis, Aguiar-Curry, Ahrens, Alvarez, Arambula, Ávila Farías, Bauer-Kahan, Bennett, Berman, Calderon, Caloza, Carrillo, Castillo, Connolly, Elhawary, Fong, Garcia, Gipson, Mark González, Haney, Harabedian, Hart, Irwin, Jackson, Kalra, Krell, Lee, Lowenthal, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Pellerin, Quirk-Silva, Ramos, Ransom, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schiavo, Schultz, Solache, Soria, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas
NOES: Davies, DeMaio, Dixon, Jeff Gonzalez, Hadwick, Hoover, Johnson, Lackey, Ta, Tangipa
NO VOTE RECORDED: Alanis, Bains, Boerner, Bonta, Bryan, Chen, Ellis, Flora, Gabriel, Gallagher, Macedo, Patterson, Petrie-Norris, Celeste Rodriguez, Sharp-Collins, Stefani

Prepared by: Teri Boughton / HEALTH / (916) 651-4111
8/17/26 10:47:35

****** END ******