SENATE COMMITTEE ON APPROPRIATIONS
Senator Anna Caballero, Chair
2025 - 2026 Regular Session

AB 554 (Mark González) - Health care coverage: antiretroviral drugs, drug devices, and drug products

Version: July 17, 2025
Urgency: No
Hearing Date: August 18, 2025
Policy Vote: HEALTH 9 - 0
Mandate: Yes
Consultant: Agnes Lee

Bill Summary: AB 554 would expand requirements for health plans and insurers regarding the coverage of antiretroviral drugs, drug devices, or drug products for the prevention of HIV/AIDS, as specified.

Fiscal Impact:

- The Department of Managed Health Care (DMHC) estimates costs of approximately $55,000 in 2026-27 and $133,000 in 2027-28 and annually thereafter for state administration (Managed Care Fund).

- The California Department of Insurance (CDI) estimates costs of $13,000 in 2025-26, $25,000 in 2026-27, and $2,000 in 2027-28 and ongoing thereafter for state administration (Insurance Fund).

- Unknown potential General Fund costs due to increases in CalPERS plan premiums.

Background: According to the California Health Benefits Review Program (CHBRP), preexposure prophylaxis (PrEP) and postexposure prophylaxis (PEP) are antiretroviral drugs used by the HIV-negative population to prevent contraction of the virus. PrEP, a long-term regimen, is taken prior to possible HIV exposure to reduce the risk of transmission. There are two FDA-approved oral medications for use as PrEP, one FDA-approved injectable medication for use as PrEP, and one injectable medication under FDA review. PEP is a short-term, daily therapy and is taken after a potential exposure to prevent the risk of transmission. The PEP regimen must be started within 72 hours of suspected HIV exposure and is only taken for 28 days. Antiretroviral drugs are also used to treat HIV infection, prevent HIV transmission to other people, and prevent progression to AIDS.

California law requires health plans and insurers to provide coverage, without cost sharing or prior authorization, for preventive services with Grade A and B recommendations from the United States Preventive Services Task Force (USPSTF). The USPSTF currently has a Grade A recommendation for the prescription of PrEP with effective antiretroviral therapy to decrease the risk of acquiring HIV in adolescents and adults who do not have HIV and are at increased risk of contracting the virus.

Current law prohibits health plans and insurers from subjecting antiretroviral drugs that are medically necessary for the prevention of AIDS/HIV, including PrEP and PEP, to

prior authorization or step therapy, except that if the United States Food and Drug Administration (FDA) has approved one or more therapeutic equivalents of a drug, device, or product for the prevention of AIDS/HIV, health plans and insurers are not required to cover all of the therapeutically equivalent versions without prior authorization or step therapy, if at least one therapeutically equivalent version is covered without prior authorization or step therapy.

Proposed Law: Specific provisions of the bill would:

- Clarify that, for purposes of the existing provision that does not require a health plan/insurer to cover all of the therapeutically equivalent versions without prior authorization or step therapy if at least one therapeutically equivalent version is covered without prior authorization or step therapy, a long-acting drug, drug device, or drug product is not therapeutically equivalent to a long-acting drug, drug device, or drug product with a different duration.

- Require health plans and insurers to provide coverage, and prohibit from imposing any cost sharing, for antiretroviral drugs, drug devices, or drug products that are approved by the FDA for HIV PrEP, as specified.

- Prohibit health plans and insurers from imposing cost sharing on a nonformulary antiretroviral drug, drug device, or drug product covered pursuant to an exception request if the nonformulary antiretroviral drug, drug device, or drug product is therapeutically equivalent to a formulary antiretroviral drug, drug device, or drug product that is covered by the health plan/insurer without cost sharing.

- Require health plans and insurers that cover non-self-administered antiretroviral drugs, drug devices, or drug products that are approved by the FDA for the prevention of HIV/AIDS as a medical benefit to also include those non-self-administered antiretroviral drugs, drug devices, or drug products that are approved by the FDA for the prevention of HIV/AIDS as an outpatient prescription drug benefit.

Related Legislation: SB 427 (Portantino, 2023) was similar to this bill. SB 427 remained in the Assembly without further action.

Staff Comments: According to the CHBRP analysis of AB 554 (March 3, 2025 version), in the first year, the bill would result in an additional $30.5 million in net annual expenditures in large-group DMHC-regulated plans and CDI-regulated policies. This includes costs of approximately $5,924,000 due to increases in premiums for CalPERS plans.

Based on the July 17, 2025 version of AB 554, the CHBRP indicates that the amended language narrows the mandate to require coverage without cost sharing for only PrEP, which would result in a decrease in the projected fiscal impact from CHBRP's earlier analysis. In addition, amended language defines a long-acting drug, drug device, or drug product as not therapeutically equivalent to a long-acting drug, drug device, or drug product with a different duration. Although there are currently a limited number of antiretroviral drugs formulated with the same ingredients but with different durations, there are extended duration formulations of antiretroviral drugs in development. In the long-term, if these developments are successful, the amended language would prohibit

these extended duration formulations from being subject to prior authorization and step therapy and would increase the fiscal impact from CHBRP's earlier analysis.

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