

Date of Hearing: July 1, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

SB 1023 (Laird) – As Amended March 16, 2026

Policy Committee: Health

Vote: 11 - 0

Urgency: No

State Mandated Local Program: Yes

Reimbursable: No

SUMMARY:

This bill requires a health plan and health insurer (collectively, health plan) that covers non-self-administered antiretroviral (ARV) drugs, drug devices, or drug products for the prevention of HIV/AIDS as a medical benefit to also cover those items as an outpatient prescription drug benefit.

Specifically, this bill:

- 1) Requires a health plan that covers non-self-administered ARV drugs, drug devices, or drug products that are approved by the U.S. Food and Drug Administration (FDA) for the prevention of HIV/AIDS as a medical benefit to also cover the same drugs, drug devices, or drug products as an outpatient prescription drug benefit.
- 2) Specifies that the coverage outlined in item 1, above, applies regardless of whether an ARV drug, drug device, or drug product is self-administered.
- 3) Adds drug devices and drug products to existing prior authorization and step therapy exemptions for ARV drugs that are medically necessary for the prevention of HIV/AIDS.
- 4) Exempts specialized health plans that cover only dental, mental health, or vision benefits, and Medicare supplement contracts and policies.
- 5) Authorizes the California Department of Insurance (CDI) and the Insurance Commissioner to exercise the authority provided in law and the Administrative Procedures Act as specified, to implement and enforce this bill and the law it amends, and authorizes a hearing requested by an insurer when a penalty is assessed to be conducted by an administrative law judge or the administrative hearing bureau of CDI under specified procedures.

FISCAL EFFECT:

- 1) General Fund costs to the California Public Employees Retirement System of an unknown amount, likely exceeding \$150,000 per year, by increasing access to ARV treatment.
- 2) The Department of Managed Health Care (DMHC) and CDI estimate minor and absorbable costs.

COMMENTS:

- 1) **Purpose.** This bill is sponsored by the California Legislative LGBTQ Caucus, San Francisco AIDS Foundation, APLA Health, Equality California, Los Angeles LGBT Center, and Insurance Commissioner Ricardo Lara. According to the author:

[This bill] increases access to [HIV] Pre-Exposure Prophylaxis (PrEP) by requiring health plans that already cover the medication to offer reimbursement through their outpatient prescription drug benefit pathway.

PrEP is a highly effective clinical strategy that uses [ARV] medication to prevent HIV-negative individuals from acquiring the virus. Currently, plans may restrict reimbursement for PrEP to the medical benefit pathway. Medical benefit billing is often unsustainable for smaller healthcare providers due to administrative and financial barriers. [This bill] allows healthcare providers to secure timely reimbursement, increasing access to HIV PrEP for patients who receive care at small local clinics. Given the current volatility of federal grants, structural adjustments to the reimbursement process are necessary to ensure California's public health infrastructure supports HIV prevention efforts.

- 2) **Background.** Drugs that are administered under the supervision of a physician (such as in a physician's office, infusion center, or similar medical facility), along with a hospital stay or office visit, are generally covered through a health plan's medical benefit. In contrast, pharmacy benefits typically cover outpatient prescription drugs that a patient obtains from a retail pharmacy, a mail-order pharmacy, or a specialty pharmacy. The majority of ARV drugs are covered under a health plan's pharmacy benefit. However, certain long-acting injectable ARV drugs are typically covered only under the health plan's medical benefit, which requires health care providers to purchase, store, and manage inventory of expensive medications before being reimbursed by the health plan. The author explains many smaller, community-based health care providers, such as sexually transmitted infection clinics, are not equipped to manage the complex billing, storage, and financial requirements associated with using the medical benefit. If the drugs are available through the pharmacy benefit, as this bill requires, a specialty pharmacy may dispense the drugs and bill the health plan directly.
- 3) **Opposition.** The California Association of Health Plans (CAPH) and Association of California Life and Health Insurance Companies (ACLHIC) oppose this bill, arguing state law already requires health plans to cover ARV drugs for the prevention of HIV/AIDS without step therapy or prior authorization, and this bill establishes a troubling precedent by directing how health plans must structure their benefit designs—an area that has traditionally been within their purview. CAPH and ACLHIC state that health plans distinguish between medical and pharmacy benefits primarily based on the method and setting of administration, and this bill would require plans to categorize certain provider-administered drugs as outpatient prescription drug benefits, despite the fact that these medications are, by definition, not self-administered and are delivered in clinical settings. CAPH and ACLHIC further contend that reclassifying ARV drugs as required by this bill is inconsistent with longstanding industry standards and could create operational and administrative challenges.

- 4) **Prior Legislation.** AB 554 (Mark González), of the current legislative session, would have required a health plan to provide coverage for ARV drugs, devices, or products that are approved by the FDA for PrEP, without cost sharing and without prior authorization or step therapy, with some exceptions. Governor Newsom vetoed AB 554, citing increased costs.

SB 427 (Portantino), of the 2023-24 Legislative Session, was substantially similar to AB 554 and was held at the Assembly Desk.

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