
SENATE COMMITTEE ON HEALTH

Senator Dr. Akilah Weber Pierson, Chair

BILL NO: SB 1089
AUTHOR: Richardson
VERSION: March 24, 2026
HEARING DATE: April 15, 2026
CONSULTANT: Teri Boughton

SUBJECT: Preventive Treatment Health Care Act

SUMMARY: Requires the California Health and Human Services Agency to make a variety of glucagon-like peptide-1 (GLP-1) weight loss medications and future chronic weight disease products available to state and local government employers and determine if those medications should be made available to all Californians at the cost that Medi-Cal previously paid or federal most favored nation pricing. Requires a health benefit plan contract with the California Public Employees' Retirement System to offer optional coverage for chronic weight disease management, including nutritional information and pens, vial injections, pills, and patches of a variety of GLP-1 weight loss medications and future chronic weight disease products, as part of one of its health plan options. Sunsets these provisions on January 1, 2032.

Existing law:

- 1) Establishes the California Health and Human Services Agency (CHHSA), which consists of the following departments and offices: Aging, Child Support Services, Community Services and Development, Developmental Services, Health Care Access and Information (HCAI), Health Care Services, Managed Health Care (DMHC), Public Health, Rehabilitation, Social Services, State Hospitals, the Center for Data Insights and Innovation, the Emergency Medical Services Authority, the Office of Technology and Solutions Integration, the Office of Law Enforcement Support, the Office of the Surgeon General, the Office of Youth and Community Restoration, and the State Council on Developmental Disabilities. [GOV §12803 and §12806]
- 2) Requires CHHSA or its departments, under the California Affordable Drug Manufacturing Act of 2020, to enter into partnerships to increase competition, lower prices, and address shortages in the market for generic prescription drugs, to reduce the cost of prescription drugs, as specified, and to increase patient access to affordable drugs. This program is referred to as CalRx. [HSC §127692(a)]
- 3) Requires CalRx to enter into partnerships resulting in the production, procurement or distribution of generic drugs, with the intent that these drugs be made widely available to public and private purchasers, providers and suppliers, and pharmacies. Requires the generic drugs to be produced or distributed by a drug company or generic drug manufacturer that is registered with the U.S. Food and Drug Administration (FDA). Requires CalRx to only enter into partnerships to produce generic drugs at a price that results in savings, targets failures in the market for generic drugs, and improves patient access to affordable medications. [HSC §127693(a) and §127693(b)]
- 4) Requires, in identifying generic prescription drugs to be produced, CHHSA to consider reports on prescription drug costs published by DMHC and the Department of Insurance (CDI), and pharmacy spending data from Medi-Cal and other entities for which the state pays the cost of generic prescription drugs. Requires the partnerships to include the production of

at least one form of insulin, provided that a viable pathway for manufacturing a more affordable form of insulin exists. [HSC §127693(c)(1) and (2)]

- 5) Authorizes CalRx, subject to appropriation, to enter into partnerships to increase competition, lower prices, and address supply shortages for: over-the-counter naloxone products; generic or brand name drugs to address emerging health concerns, including reproductive health care or gender affirming health care; development, production, procurement, or distribution of vaccines, as specified; and, the manufacture, purchase, or distribution of medical supplies or medication devices. [HSC §127697]
- 6) Establishes the Public Employees' Medical and Hospital Care Act and the Board of Administration of the Public Employees' Retirement System (CalPERS) to provide health care, retirement, and other benefits to state and other government employees and retirees. [GOV §22750-§22755]
- 7) Requires a health benefit plan or contract to provide coverage for an FDA-approved vaccine for AIDS, contraceptives and related services, and vasectomies and related services, consistent with laws that apply to health plans regulated by DMHC and insurers regulated by CDI. [GOV §22853.1, §22853.3, and 22853.4]

This bill:

- 1) States intent to increase access to the California workforce, starting with state and local employees to identify, counsel, and treat chronic weight disease, and ensure treatments available through CalRx, including pens, vial injections, pills, and patches of GLP-1 semaglutide, GLP-1 receptor agonist (GLP-1RA), glucose-dependent insulinotropic polypeptide plus GLP-1 (GIP+GLP-1) tirzepatide, and future chronic weight disease products are available at the former Medi-Cal 2025 price, most favored nation price, or a better price.
- 2) Requires, commencing January 1, 2027, a health benefit plan or contract that contracts with CalPERS to offer optional coverage for chronic weight disease management, including nutritional information and pens, vial injections, pills, and patches of GLP-1 semaglutide, GLP-1RA, GIP+GLP-1 tirzepatide, and future chronic weight disease products, as part of one of its health plan options.
- 3) Requires chronic weight disease management as described in 2) above to be offered at the cost previously provided to Medi-Cal beneficiaries in the year 2025, the most favored nation pricing, as set forth in a May 12, 2025, federal Executive Order, or better pricing.
- 4) Requires chronic weight disease management as described above to follow FDA label indications for usage.
- 5) Requires CHHSA to make chronic weight disease management medications described in 2) above to state and local government employers and determine if those medications should be made available to all Californians, as specified, at the cost described in 3) above.
- 6) Sunsets 2) through 5) above on January 1, 2032.
- 7) Requires CalRx to enter into partnerships resulting in the acquisition of brand name prescription drugs and requires CalRx to include the acquisition or production of pens, vial

injections, pills, and patches of GLP-1 semaglutide, GLP-1RA, GIP+GLP-1 tirzepatide, and future chronic weight disease products.

- 8) Requires CalRx to consider the cost previously provided to Medi-Cal beneficiaries in the year 2025 or a lower cost, and the cost previously provided as the most favored nation pricing as set forth in a May 12, 2025, federal Executive Order, or better pricing.
- 9) Requires any CalRx partnerships to consider guaranteeing access to supply of pens, vial injections, pills, and patches of GLP-1 semaglutide, GLP-1RA, GIP-GLP-1 tirzepatide, and future chronic weight disease products, and creating a state brand of those same products.

FISCAL EFFECT: This bill has not been analyzed by a fiscal committee.

COMMENTS:

- 1) *Author's statement.* According to the author, chronic weight disease is a serious problem in the United States. There are approximately 24.5 million adults between the ages of 18-64 years living in California. According to UCLA's California Health Interview Survey, nearly 61% of California adults fall into the combined overweight/obese category, which is associated with 200 morbid conditions, including 13 types of cancer. Chronic weight management can be related to reduced labor participation and earnings, increased early mortality, absenteeism, disability and healthcare costs exceeding \$1 billion and a 2.6% reduction in the California Gross Domestic Product. CalPERS health insurance covers more than 1.5 million public employees. As the largest purchaser of public employee health benefits in California, the program provides coverage for over 1,200 public agencies and schools. This bill will require CalPERS to offer GLP-1s as an optional benefit through their health plan to reduce chronic weight management and reduce overall employer costs. Federal Executive Order authorized the Most-Favored-Nation Prescription Drug Pricing. This included offering GLP-1 medications at negotiated rate of \$149 - \$350 per month. These lower prices will be available through the Trump Rx platform. With CalRx offering affordable cost of \$245 per month, 20% of California adults will reduce costs and employees will be more productive creating workforce savings.
- 2) *Most favored nation (MFN).* In response to President Trump's May 12, 2025 Executive Order, the federal Health and Human Services Department's Center for Medicare and Medicaid Services (CMS) announced that the Secretary expects each drug manufacturer to commit to aligning U.S. pricing for all brand products across all markets that do not currently have generic or biosimilar competition with the lowest price of a set of economic peer countries. Specifically, the target price is the lowest price in an Organization for Economic Cooperation and Development country with a Gross Domestic Product per capita of at least 60% of the U.S. GDP per capita.
- 3) *Trump Rx.* The TrumpRx.gov website indicates that it lists discounted drug prices from manufacturers that have agreed to MFN pricing. The site indicates that Americans can use the site to purchase drugs in cash, outside of their insurance, and these drugs can be obtained at participating pharmacies using coupon cards displayed on the site or directly through manufacturers' websites. However, the site also says that it does not sell or dispense drugs, and that patients can access drugs through instructions shown for each individual drug offer. The site indicates commonly prescribed brand-name drugs are listed on the site, such as fertility and weight loss drugs. The site also indicates pharmacy payment will depend on how each manufacturer chooses to provide its discounted pricing. One of the GLP-1 drugs listed

on the site indicates that it is available only to patients with commercial insurance or who are paying cash, but not patients enrolled in Medicare, Medicaid, or other government programs. The offer details indicate that the product is available at \$149 each month until August 31, 2026, and then the price increases to \$199 per month. The offer is subject to change or discontinuation without notice, is valid only at participating pharmacies (which are not listed), and cannot be combined with other offers or discounts. A telephone number and website of the manufacturer are listed for questions.

- 4) *Medicaid and Medicare.* The Medicaid Drug Rebate Program provides a rebate to states for a portion of the Medicaid payment for each drug. The rebate is shared with the federal government. In return most manufacturer's drugs are covered under state Medicaid programs. Some drugs or classes of drugs may be excluded from coverage, including drugs for weight loss. As of January 2026, 13 states covered GLP-1s for obesity treatment under Medicaid. Medicare beneficiaries in Part D prescription drug plans or Medicare Advantage plans may have coverage for GLP-1s for weight loss through CMS' Better Approaches to Lifestyle and Nutrition for Comprehensive hEalth (BALANCE) Model beginning in January 2027 and short-term demonstration Medicare GLP-1 Bridge beginning July 2026. Participation in the BALANCE Model is optional for group retiree health plans. As of April 2026, CMS has defined a specified market wide enrollment threshold of 80% for implementation of the program. If that threshold is not obtained, the program will not be implemented.
- 5) *Medi-Cal Rx.* Beginning in 2022, California consolidated pharmacy benefits under one system called Medi-Cal Rx, where the state pays for all drug claims on a fee-for-service basis, including for people in Medi-Cal managed care plans. Because of significant growth in the state's pharmacy spending including for GLP-1 Agonists, in October 2025 pursuant to the enacted 2025-26 California state budget, Medi-Cal Rx announced that it will continue to cover GLP-1 medication when used for indications approved by the FDA, such as treating type 2 diabetes, atherosclerotic cardiovascular disease, and chronic kidney disease, subject to inclusion of a clinically appropriate International Classification of Diseases – 10 Revision diagnostic code, utilization controls, and medical necessity requirements. Three drugs for weight loss or weight-loss indications would no longer be covered effective January 1, 2026. Coverage would continue for certain FDA-approved indications and for people younger than 21 years of age pursuant to the federal Early and Periodic Screening, Diagnostic, and Treatment benefit. An analysis by the Legislative Analyst's Office (LAO) points out that actual data on federal and state rebates are limited, mostly because drug-level-rebate information is confidential, which makes it difficult to assess Medi-Cal pharmacy spending. The Budget Act of 2025 included General Fund savings of \$85 million, increasing to \$680 million annually by 2028-29 from the elimination of Medi-Cal coverage of GLP-1 drugs.
- 6) *CalRx.* HCAI's Office of Health Care Affordability (OHCA) administers the CalRx program, which currently produces Insulin Glargine at \$55 for a five-pack of 3mLpens and leverages the state's purchasing power to buy naloxone at a reduced cost (twin pack of over-the-counter naloxone nasal spray for \$19). CalRx also plans to launch a centralized ordering system to supply California schools with albuterol inhalers and single-use disposable spacers at no cost over a three-year period beginning this Summer. HCAI reported, through its 2023 CalRx Report to the Legislature, that it selected a nonprofit generic drug company, Civica Rx, as its partner to bring to market the three most popular insulin products (glargine, aspart, and lispro) under a CalRx branded label within the next two to three years. CalRx insulin prices are estimated to be about 90% lower than existing branded products, to save patients

using insulin between \$2,000 and \$4,000 annually, and to provide much needed financial relief for people living with diabetes, especially those who are uninsured or underinsured and need insulin to maintain their health and quality of life. The report concluded that the entry of CalRx products into the drug market will likely increase price competition and help shift the industry from obscure, rebate-pricing towards more transparent, low pricing. Additionally, the report indicated it will be important for Civica to distribute CalRx insulin through both the existing supply chain as well as alternative distribution methods, such as sales channels that reach consumers more directly. In a 2025 CalRx Report to the Legislature, HCAI identified several challenges for the state in manufacturing generic drugs such as the high capital requirements, need for technical expertise, navigating complex regulatory requirements, dependency on vendors, contending with established global pharmaceutical companies, and decreased flexibility due to the need to commit funds to specific manufacturing capabilities. The report recommended that CalRx continue partnering with existing manufacturers on white label solutions (a drug manufacturer manufacturing products under the CalRx label) or focused investments. At an April 9, 2026, Senate Budget Health and Human Services Subcommittee hearing HCAI's director indicated that GLP-1 antiobesity medications are among the drugs CalRx is considering for future inclusion.

- 6) *California Health Benefits Review Program (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. CHBRP assumes this bill will require the CalPERS Premium Preferred Provider Organization (PPO) to cover the medications described in this bill (it is the only plan offered statewide) and that it will obtain the MFN pricing. CHBRP also indicates that there is no mechanism by which it will be possible to obtain MFN pricing so if MFN pricing is not obtained the estimated premium impacts will be higher. Key findings specific to the CalPERS requirements include:
- a) *Overweight vs. Obese.* Adults with body mass index (BMI) between 25 to 30 are categorized as overweight and those with a BMI of 30 or higher are categorized as obese. Total medical expenditures attributed to obesity in California are equal to \$7.1 billion in 2025. This includes direct costs of public and private health expenditures and out-of-pocket costs. CHBRP estimates that 22.8% of CalPERS Basic non-Medicare enrollees (approximately 280,000) have obesity and 5.5% of CalPERS Basic non-Medicare enrollees (approximately 67,000) have BMIs between 27 and 30 with a weight-related comorbidity).
 - b) *GLP-1s.* Currently, there are four GLP-1 medications approved for chronic weight management, and they are all available as subcutaneous injections with varying recommendations of frequency of administration. Oral formulations are likely to be available in the near future.
 - c) *Barriers.* Rates of obesity vary by race and ethnicity, with Black (37.1%), Latino (39.4%), and American Indian/Alaska Native adults (45.6%) adults having higher rates compared to White (24.8%) and Asian (11.1%) adults. CHBRP cites studies that show people with obesity face stigma that makes them less likely to engage in the health care system. Many have financial barriers or are less likely to be prescribed treatment, and people in rural areas may have difficulties finding a provider who specializes in obesity treatment.
 - d) *Coverage impacts and enrollees covered.* In 2027, approximately 1.2 million Californians would obtain health insurance through CalPERS. CHBRP estimates

enrollment in a plan that newly includes coverage for GLP-1s would increase from 15.3% at baseline to 24% (approximately 10,000 CalPERS enrollees would switch into the PPO plan). CHBRP indicates one CalPERS HMO carrier voluntarily began offering a GLP-1 for weight management beginning in 2026, however there is no requirement for this to continue in 2027, and the HMO's geographic coverage is geographically limited. CHBRP assumed a unit cost of \$550 for the GLP-1s covered by this existing CalPERS HMO, and CHBRP estimated 187,000 CalPERS are in this plan. CHBRP also assumes that there are no impacts for Medicare beneficiaries in this analysis.

- e) *Medical effectiveness.* There is very strong evidence that FDA-approved GLP-1 medications for chronic weight management are effective when used as adjuncts to usual care (which includes standard diet and activity and lifestyle recommendations) for adults. Use of these medications increases the amount of weight loss and percentage of body weight loss, and reduces BMI, compared to placebo or usual care alone. There is strong evidence that GLP-1s improve weight loss in children and adolescents. There is very strong evidence that, for adults, gastrointestinal adverse events such as nausea, vomiting, indigestion, loss of appetite, headaches, abdominal pain, constipation, and diarrhea were more commonly experienced by GLP-1 groups than control groups. One medication was also associated with higher rates of gallbladder-related and pancreatic adverse events. For children and adolescents, there is very strong evidence that gastrointestinal events such as nausea, vomiting, and diarrhea are common while serious events are rare.
- f) *Utilization.* 17,335 enrollees will use coverage for GLP-1s with this bill (which includes 4,912 who already had coverage). The 17,335 includes 9,237 enrollees who currently self-pay, and 3,186 who would start because of new coverage in this bill. CHBRP applied a 20% annual discontinuance rate of GLP-1 medications, which reflects an average of discontinuation over several years. It is estimated that this bill would increase utilization of obesity treatment by 3,187 people per year. Assuming an average weight loss of 11.3%, this would translate into an approximate decrease in lost productivity of 2,679 days per year or \$324,000 to \$649,000 per year. These savings would grow over time.
- g) *Impact on expenditures.* CHBRP assumed MFN pricing of \$245 per month, and self-pay pricing of \$274 per month. Total premiums paid by employers and employees will increase by \$330 per member or \$35 million (a 26% increase) in the PPO plan annually because of this bill, this includes \$52.31 annual premium increase for enrollees. This increase will apply to all enrollees in this PPO plan, including those who are not using GLP-1s. CHBRP projects cost offsets of \$454 annually per GLP-1 user due to improved health status and reductions in other health care utilization. Total annual cost-sharing would increase by almost \$3 million (9,237+3,186 x \$240). Those who previously self-paid (9,237) would save \$30 million (9,237x\$274x12) or \$3,048 (\$3,288-240) annually. Their cost-sharing for GLP-1s through the PPO plan would be \$240 per year (\$20 per month).
- h) *Public health.* Enrollees newly using GLP-1s would experience an average of 4.8% to 17.8% reduction in body weight and improvements in related health improvements over time.
- i) *Long-Term Impacts.* Over time, utilization of GLP-1s among CalPERS enrollees would be expected to increase and therefore premium impacts would increase in the long term. Cost offsets from reduced obesity-related medical expenditures (cardiovascular events diabetes management, kidney disease, joint replacement) are expected to grow over time as enrollees maintain therapy. Competition from new entrants, biosimilars, and evolving pricing of GLP-1s may also affect long-term unit costs.

- j) *Other states.* As of March 2025, 16 states covered GLP-1 medications for weight loss under their state employee health plan. At least four states have terminated coverage due to the high costs associated with use of GLP-1 medications.
- 7) *Double referral.* This bill is double referred. Should this bill pass out of this committee, it will be referred to the Committee on Labor, Public Employment & Retirement.
- 8) *Prior legislation.* SB 535 (Richardson of 2025) would have required health plans and health insurers that provide coverage for outpatient prescription drug benefits to include coverage for intensive behavioral therapy, bariatric surgery, and at least one FDA-approved anti-obesity medication. *SB 535 was held on the Assembly Appropriations Suspense File.*

AB 575 (Arambula of 2025) was similar to SB 535. *AB 575 was never heard in the Assembly Health Committee.*

SB 1008 (Bradford of 2024) was substantially similar to SB 535. *SB 1008 was held in the Senate Appropriations Committee.*

SB 839 (Bradford of 2023) was substantially similar to AB 575, except that SB 839 did not prohibit prior authorization and prohibited cost-sharing from being different or separate from other illnesses, conditions, or disorders. *SB 839 was not heard in the Senate Health Committee.*

AB 116 (Committee on Budget, Chapter 21, Statutes of 2025) expands authority for CalRx to enter into partnerships to increase competition, lower prices, and address supply shortages for generic or brand name drugs to address emerging health concerns including reproductive health care, gender affirming health care, vaccines, medical supplies, and medical devices.

AB 118 (Assembly Committee on Budget, Chapter 42, Statutes of 2023) clarifies and provides additional flexibility for CalRx to procure various pharmaceutical drugs in addition to its existing efforts to manufacture generic forms of insulin.

SB 184 (Committee on Budget and Fiscal Review, Chapter 47, Statutes of 2022) permits, until December 31, 2027, CHHSA and its departments to enter into contracts on a bid or negotiated basis and exempts these contracts from review or approval by the Department of General Services for purposes of implementing CalRx.

SB 154 (Skinner, Chapter 43, Statutes of 2022), known as the Budget Act of 2022, appropriated \$100 million to support the development of three low-cost biosimilar insulin products and a California-based insulin manufacturing facility, and required expenditures for construction or acquisition of the facility to result in full or partial ownership of the facility by the state.

SB 838 (Pan, Chapter 603, Statutes of 2022) requires CalRx to enter into a partnership to manufacture at least one form of insulin, to be made available at production and dispensing costs; requires this partnership to include representation and involvement with the governance of the contractor entity; and, requires CalRx, upon appropriation by the Legislature, to develop a California-based manufacturing facility for generic drugs, as specified.

SB 852 (Pan, Chapter 207, Statutes of 2020) establishes CalRx.

- 9) *Support.* The American Diabetes Association (ADA) writes that GLP-1 and GLP-1RA medications have proven transformative in the management of type 2 diabetes and obesity, improving blood glucose control, reducing cardiovascular risk, and contributing to meaningful weight reduction, yet access to these medications remains severely limited for many Californians due to inconsistent insurance coverage. The ADA supports efforts that bring evidence-based, life-saving diabetes therapies within reach of all who need them—particularly those in low-income and working-class populations who face the greatest barriers to consistent care. The ADA indicates this bill aligns with their mission to prevent type 2 diabetes and to improve the lives of all people affected by it. California Primary Care Association (CPCA) Advocates write this bill is particularly important for community health centers and their patients. CPCA Advocates indicates the high cost of these drugs has placed them out of reach for many patients who are uninsured or underinsured. They write that this bill will help community health clinics provide more effective, evidence-based care.

- 10) *Policy comment.* This bill requires CalRx to acquire brand name drugs as additional CalRx responsibilities. However, the authority for CalRx to enter into partnerships for brand name drugs to address emerging health concerns was provided last year through AB 116, subject to appropriation. This bill also specifically requires inclusion of a list of a variety of GLP-1 products and future chronic weight disease products in CalRx and requires any partnership to consider guaranteeing priority access for these products for the state to the same extent as insulin. Based on the two CalRx reports to the Legislature, the program is trying to balance the many objectives that the Legislature has charged them with since its inception. It is unclear where this group of drugs fits under its current charge, and if there are resources to pay for the acquisition of this class of costly drugs.

- 11) *Amendments.* The Chair is requesting amendments to authorize CalRx to include at least one GLP-1 antiobesity medication rather than requiring inclusion of all the current GLP-1 antiobesity medications and future medications. Additionally, the CalPERS mandate should be limited to at least one GLP-1 antiobesity medication.

SUPPORT AND OPPOSITION:

Support: American Diabetes Association
 California Academy of Family Physicians
 California Orthopedic Association
 California Primary Care Association
 One individual

Oppose: None received

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