Office of Senate Floor Analyses
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THIRD READING

Bill No: SB 1089
Author: Richardson (D)
Amended: 5/14/26
Vote: 21

SENATE HEALTH COMMITTEE: 10-0, 4/15/26
AYES: Weber Pierson, Valladares, Caballero, Durazo, Gonzalez, Grove, Menjivar, Padilla, Rubio, Smallwood-Cuevas
NO VOTE RECORDED: Pérez

SENATE LABOR, PUB. EMP. & RET. COMMITTEE: 5-0, 4/22/26
AYES: Smallwood-Cuevas, Strickland, Cortese, Durazo, Laird

SENATE APPROPRIATIONS COMMITTEE: 7-0, 5/14/26
AYES: Cervantes, Seyarto, Cabaldon, Dahle, Grayson, Richardson, Wahab

SUBJECT: Preventive Treatment Health Care Act

SOURCE: Author

DIGEST: This bill requires a health benefit plan contract with the California Public Employees' Retirement System (CalPERS) to offer coverage for chronic weight disease management or to treat obesity or overweight persons, including nutritional information and at least one glucagon-like peptide-1 (GLP-1) weight medication approved by the federal U.S. Food and Drug Administration (FDA). Sunsets the CalPERS provisions on January 1, 2032. Adds at least one GLP-1 antiobesity weight medication to existing authority granted to the California Health and Human Services Agency regarding CalRx.

ANALYSIS:

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. [Government Code (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. [Health and Safety Code (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 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 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 affordable glucagoin-like-peptide-1 (GLP-1) weight management medications in California.

2) Requires, commencing January 1, 2028, a health benefit plan or contract that contracts with CalPERS to offer coverage for chronic weight disease management or to treat obesity or overweight persons, including nutritional information and at least one GLP-1 antiobesity medication approved by the U.S. FDA.

3) Authorizes, when determining the cost for weight disease management or treatments for obesity or overweight persons, the cost to Medi-Cal beneficiaries in the year 2025, or better pricing to be considered.

4) Requires chronic weight disease management or treatments for obesity or overweight persons as described above to follow indications for use in the label approved by the U.S. FDA.

5) Sunsets 2) through 4) above on January 1, 2032.

6) Authorizes CalRx to include at least one GLP-1 antiobesity medication approved by the U.S.FDA and requires the CHHSA to make its best effort to negotiate pricing at or lower than the cost to Medi-Cal beneficiaries in 2025.

7) Defines GLP-1 antiobesity medication approved by the U.S. FDA to include a GLP-1, GLP-1 receptor agonist, glucose-dependent insulinotropic polypeptide plus GLP-1, GLP-1 receptor dual agonist, or tirzepatide.

Comments According to the author of this bill:

> 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.

Background

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. 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. 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. 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.

CalRx program 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. 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.

California Health Benefits Review Program (CHBRP) report. CHBRP assumes this bill will require the CalPERS Premium Preferred Provider Organization to cover the medications described in this bill (it is the only plan offered statewide) and that it will obtain the Most Favored Nation pricing. Key findings specific to the CalPERS requirements include:

- *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.
- *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.
- *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.

- *Utilization*. 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 overtime.
- *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.
- *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.
- *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.

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

According to the Senate Appropriations Committee there are unknown significant General Fund costs, at least tens of millions annually until January 1, 2032, due to increases in CalPERS plan premiums.

Unknown General Fund costs for HCAI, likely hundreds of thousands, for staffing resources to enter into partnerships (this assumes CHHSA would delegate these responsibilities to HCAI). In addition, unknown General Fund costs of several million dollars to effectuate partnerships for development, distribution, or procurement.

SUPPORT: (Verified 5/14/26)

American Diabetes Association
California Academy of Family Physicians
California Black Health Network
California Orthopedic Association

California Primary Care Association
One individual

OPPOSITION: (Verified 5/14/26)

One individual

ARGUMENTS IN 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.

ARGUMENTS IN OPPOSITION: An individual writing on behalf of the California Small Business Association writes to express opposition to "costly health care mandates that are threatening the sustainability of employer-sponsored health care coverage" and lists four bills including this bill.

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5/18/26 15:19:39

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