

Date of Hearing: August 20, 2025

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

SB 535 (Richardson) – As Amended July 17, 2025

Policy Committee: Health

Vote: 14 - 0

Urgency: No

State Mandated Local Program: Yes

Reimbursable: No

SUMMARY:

This bill requires a health plan contract include coverage for both bariatric surgery and at least one antiobesity medication.

Specifically, this bill:

- 1) Requires an individual or group health plan contract that provides coverage for outpatient prescription drugs and is issued, amended, or renewed on or after January 1, 2026, include coverage for both bariatric surgery and at least one U.S. Food and Drug Administration (FDA)-approved medication for the treatment of obesity.
- 2) Clarifies that the bill does not prohibit a health plan from applying utilization management to determine the medical necessity for treatment of obesity if the plan determines appropriateness and medical necessity in the same manner as for the treatment of any other illness, condition, or disorder.
- 3) Prohibits a health plan from applying coverage criteria for FDA-approved antiobesity medications that are more restrictive than the FDA-approved indications for those treatments.
- 4) Defines “FDA-approved antiobesity medication” to mean a medication approved by the FDA with an indication for chronic weight management in patients with obesity.
- 5) Exempts a specialized health plan contract that covers only dental or vision benefits or a Medicare supplement contract.
- 6) Specifies that the bill does not limit existing prescription drug coverage requirements.
- 7) Makes findings and declarations regarding obesity as a disease and risk factor for other diseases, and treatment of obesity.

FISCAL EFFECT:

The Department of Managed Health Care (DMHC) estimates costs of approximately \$1.47 million in fiscal year (FY) 2026-27, \$1.32 million in FY 2027-28, \$1.59 million in FY 2028-29, and \$1.59 million in FY 2029-30 and annually thereafter (Managed Care Fund). DMHC anticipates this bill will increase workload to assess health plan compliance, address an increase

in consumer complaints and independent medical reviews, and address enforcement referrals, among other activities.

COMMENTS:

- 1) **Purpose.** This bill is sponsored by the Chronic Obesity Prevention and Education (cHOPE) Alliance, a program of the California Chronic Care Coalition. According to the author:

FDA-approved weight loss medications can be a useful tool in helping people prevent and control diabetes and improve health outcomes by achieving health weight. By including weight loss drugs in combination with a healthy diet and regular exercise we can reduce incidence of diabetes and comorbidities related to obesity and save money in health-related illness.

- 2) **Background.** Bariatric surgery is a procedure conducted on the stomach or intestines to induce weight loss. Anti-obesity medications can be broken into two types of drugs: Glucagon-like peptide-1 (GLP-1) receptor agonists and non-GLP-1 medications. GLP-1 medications are a class of drugs that activate the body's GLP-1 receptors, triggering several downstream effects, including lowering glucose (sugar) levels within the bloodstream, reducing digestion rate, and increasing the sensation of fullness for longer. GLP-1 medications are indicated for type 2 diabetes and obesity, among other conditions. The California Health Benefits Review Program (CHBRP) notes that only three out of eight GLP-1 medications are FDA-approved specifically for the treatment of obesity.

Non-GLP-1 medications treat obesity through a variety of different mechanisms, including blocking fat absorption and deposition, suppressing appetite, and increasing metabolism. There are four non-GLP-1 medications with FDA indications for chronic weight management.

According to CHBRP's analysis of a prior version of this bill, at baseline, almost all people with health coverage subject to this bill have coverage for bariatric surgery and at least one FDA-approved anti-obesity medication. With this bill, 100% of enrollees would have coverage for these obesity treatments. Coverage for at least one FDA-approved GLP-1 receptor agonist anti-obesity is much less common: 17.4% of enrollees and insureds, including those with Department of Insurance-regulated health insurance (which is not included in this bill as amended), have such coverage. CHBRP expects this bill would result in 100% of enrollees obtaining coverage for a non-GLP-1 medication and that GLP-1 medications would not be fully adopted by plans complying with this bill.

CHBRP found very strong evidence that bariatric surgery is effective in reducing weight in adults, some evidence bariatric surgery is effective in adolescents and children. CHBRP also found very strong evidence that FDA-approved anti-obesity medications are effective in reducing weight in adults and conflicting evidence for children and adolescents. CHBRP estimates this bill would result in an increase in utilization of obesity treatments, including an additional four enrollees receiving bariatric surgery and 4,047 enrollees using anti-obesity medications (all non-GLP-1) in 2026. CHBRP estimates these enrollees would experience a 3% to 14% reduction in body weight, and related health improvements.

- 3) **Opposition.** The California Association of Health Plans and the Association of California Life and Health Insurance Companies oppose this bill, arguing the bill will inadvertently mandate health plans and insurers cover GLP-1s for weight loss when California is actively re-evaluating and, in some instances, eliminating coverage of these very drugs for weight loss due to their enormous cost.

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