

AMENDED IN ASSEMBLY MARCH 24, 2026

CALIFORNIA LEGISLATURE—2025–26 REGULAR SESSION

ASSEMBLY BILL

No. 1970

Introduced by Assembly Member Harabedian

February 13, 2026

An act to add Section 1367.202 to the Health and Safety Code, and to add Section 10123.1931 to the Insurance Code, relating to health care coverage.

LEGISLATIVE COUNSEL'S DIGEST

AB 1970, as amended, Harabedian. Health care coverage: mental health or substance use disorders.

Existing law, the Knox-Keene Health Care Service Plan Act of 1975, provides for the licensure and regulation of health care service plans by the Department of Managed Health Care and makes a willful violation of the act a crime. Existing law also provides for the regulation of health insurers by the Department of Insurance. Existing law authorizes health care service plans and health insurers that cover prescription drugs to utilize reasonable medical management practices, including prior authorization and step therapy, consistent with applicable law.

This bill would prohibit a health care service plan contract or a health insurance policy that is issued, amended, or renewed on or after January 1, 2027, from imposing step therapy as a prerequisite to authorizing coverage of any prescription drug used for the treatment of ~~mental health or substance use disorders, as defined~~. *a serious mental illness or substance use disorder, as those terms are defined*. The bill would specify that the prohibition on step therapy does not apply when the United States Food and Drug Administration-labeled indications and

usage of a drug indicate that some prior medication must be taken. Because a willful violation of this provision by a health care service plan would be a crime, the bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

The people of the State of California do enact as follows:

1 SECTION 1. Section 1367.202 is added to the Health and
2 Safety Code, to read:

3 1367.202. (a) Notwithstanding any other law, a health care
4 service plan contract that is issued, amended, or renewed on or
5 after January 1, 2027, shall not impose step therapy as a
6 prerequisite to authorizing coverage of any prescription drug used
7 for the treatment of ~~mental health or substance use disorders~~, as
8 ~~defined in Section 1374.72: a serious mental illness or substance~~
9 ~~use disorder.~~

10 ~~(b) For purposes of this section, “step therapy” means the same~~
11 ~~as defined in Section 10123.201 of the Insurance Code.~~

12 *(b) For purposes of this section, the following definitions apply:*

13 *(1) “Serious mental illness” has the same meaning as “serious*
14 *mental disorder” as defined in subdivision (b) of Section 5600.3*
15 *of the Welfare and Institutions Code.*

16 *(2) “Step therapy” means the same as defined in Section*
17 *10123.201 of the Insurance Code.*

18 *(3) “Substance use disorder” means a substance-related and*
19 *addictive disorder, as defined in the most recent edition of the*
20 *Diagnostic and Statistical Manual of Mental Disorders.*

21 (c) This section shall apply to Medi-Cal managed care plan
22 contracts only to the extent that the State Department of Health
23 Care Services obtains any necessary federal approvals, and federal
24 financial participation under the Medi-Cal program is available
25 and not otherwise jeopardized.

1 (d) This section does not require or authorize a health care
2 service plan that contracts with the State Department of Health
3 Care Services to provide services to Medi-Cal beneficiaries to
4 provide coverage for prescription drugs that are not required
5 pursuant to those programs or contracts, or to limit or exclude any
6 prescription drugs that are required by those programs or contracts.

7 (e) For purposes of this section, the prohibition on step therapy
8 shall not apply when the United States Food and Drug
9 Administration-labeled indications and usage of a drug indicate
10 that some prior medication must be taken.

11 (f) This section does not apply to a specialized health care
12 service plan contract that covers only dental or vision benefits or
13 a Medicare supplement contract.

14 SEC. 2. Section 10123.1931 is added to the Insurance Code,
15 to read:

16 10123.1931. (a) Notwithstanding any other law, a health
17 insurance policy that is issued, amended, or renewed on or after
18 January 1, 2027, shall not impose step therapy as a prerequisite to
19 authorizing coverage of any prescription drug used for the treatment
20 of ~~mental health or substance use disorders, as defined in Section~~
21 ~~10144.5: a serious mental illness or substance use disorder.~~

22 ~~(b) For purposes of this section, “step therapy” means the same~~
23 ~~as defined in Section 10123.201.~~

24 (b) For purposes of this section, the following definitions apply:

25 (1) “Serious mental illness” has the same meaning as “serious
26 mental disorder” as defined in subdivision (b) of Section 5600.3
27 of the Welfare and Institutions Code.

28 (2) “Step therapy” means the same as defined in Section
29 10123.201.

30 (3) “Substance use disorder” means a substance-related and
31 addictive disorder, as defined in the most recent edition of the
32 Diagnostic and Statistical Manual of Mental Disorders.

33 (c) For purposes of this section, the prohibition on step therapy
34 shall not apply when the United States Food and Drug
35 Administration-labeled indications and usage of a drug indicate
36 that some prior medication must be taken.

37 (d) This section does not apply to dental-only or vision-only
38 health insurance, Medicare supplement insurance, or nonhealth
39 disability insurance policies.

1 SEC. 3. No reimbursement is required by this act pursuant to
2 Section 6 of Article XIII B of the California Constitution because
3 the only costs that may be incurred by a local agency or school
4 district will be incurred because this act creates a new crime or
5 infraction, eliminates a crime or infraction, or changes the penalty
6 for a crime or infraction, within the meaning of Section 17556 of
7 the Government Code, or changes the definition of a crime within
8 the meaning of Section 6 of Article XIII B of the California
9 Constitution.

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