

### Bill Summary

Assembly Bill (AB) 1970 would prohibit step therapy as a prerequisite to coverage of any prescription drug used for the treatment of serious mental illness (SMI) or substance use disorders (SUDs).

The step therapy prohibition does not apply when the FDA-labeled indications and usage of a drug indicate that some prior medication must be taken.

### Medical Effectiveness

**Some evidence** that step therapy requirements for prescription drugs to treat SMI decrease utilization of those drugs and increase hospitalizations.

**Some evidence** that branded atypical antipsychotics are less effective than generics at reducing symptoms of bipolar disorder and schizophrenia.

### Insurance Subject to the Mandate

All 22.8M enrollees in state-regulated health insurance in California have insurance subject to AB 1970.

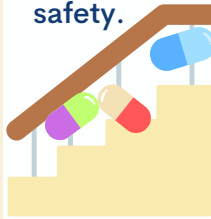
- CDI and DMHC-Regulated (Commercial and CalPERS)
- Medi-Cal (already compliant at baseline)

California Health Benefits Review Program (CHBRP), California Department of Insurance (CDI), California Department of Managed Health Care (DMHC)

### Context

**Step Therapy** ("fail-first"): a type of utilization management, may be applied to prescription drugs by health plans and insurers to control costs, ensure medication compatibility, and manage safety.

Some plans/insurers **have step therapy requirements** for prescription drugs used to treat SMI and SUDs.



Prescription drug coverage requirements not changed by AB 1970



Medi-Cal beneficiaries are not subject to step therapy at baseline

### Utilization and Expenditures



Postmandate: **No net change** in the number of enrollees using SMI or SUD drugs.

~300 enrollees accessing drugs currently subject to step therapy will shift from generic to branded medications.



**+\$2,440,000** in total annual premiums would be paid by employers and enrollees. This includes **\$859,000** in enrollee premiums



**+an additional \$158,000** in enrollee cost sharing

### Public Health Impacts



AB 1970 would have little to no expected overall impact on public health.

### Long-Term Impacts



New branded SMI and SUD prescription drugs may appear in the market, changing the number of patients using branded drugs, enrollee costs could rise.

If generic versions of currently branded SMI and SUD prescription drugs enter the market, enrollee costs could decrease over time.