

Introduced by Senator Weber PiersonFebruary 19, 2026

An act to add Section 1399.852 to the Health and Safety Code, and to add Section 10112.283 to the Insurance Code, relating to health care coverage.

LEGISLATIVE COUNSEL'S DIGEST

SB 1199, as introduced, Weber Pierson. Prescription drug cost sharing.

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, except as provided and under certain circumstances, prohibits a person who manufactures a prescription drug from offering a discount, repayment, product voucher, or other reduction in an individual's out-of-pocket expenses associated with their health insurance or health care service plan. Existing law generally imposes specified cost sharing limits on covered prescription drugs.

This bill would require a health care service plan or health insurer, when calculating an enrollee's or insured's overall contribution to an out-of-pocket maximum or cost sharing requirement under the plan contract or insurance policy, to count any amount paid by the enrollee or insured or on behalf of the enrollee or insured toward the enrollee's or insured's cost sharing, including any form of direct support offered by drug manufacturers that is permitted. The bill would prescribe an administrative penalty for each violation by a health insurer that is enforceable by the Insurance Commissioner after appropriate notice

and opportunity for hearing. Because a willful violation of these provisions 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 1399.852 is added to the Health and
2 Safety Code, to read:
3 1399.852. (a) (1) When calculating an enrollee’s overall
4 contribution to an out-of-pocket maximum or cost sharing
5 requirement under the enrollee’s health care service plan contract,
6 a health care service plan shall count any amount paid by the
7 enrollee or on behalf of the enrollee for a drug toward an enrollee’s
8 cost sharing, including any form of direct support offered by drug
9 manufacturers when permitted under Division 114 (commencing
10 with Section 132000).
11 (2) Amounts described in paragraph (1) shall be counted toward
12 the annual limit on cost sharing and the applicable in-network
13 deductible.
14 (b) (1) This section shall apply to all nongrandfathered health
15 care service plan contracts that are subject to Section 1367.006.
16 (2) This section shall not apply to a grandfathered health plan,
17 a specialized health care service plan contract that does not provide
18 essential health benefits, a Medicare supplement plan contract, or
19 accident-only, specified disease, or hospital indemnity plan
20 contracts.
21 (c) Direct support offered by a drug manufacturer to an enrollee
22 to reduce or eliminate immediate out-of-pocket expenses is subject
23 to the limitations under Sections 132000 and 132002.
24 (d) For purposes of this section, the following definitions apply:
25 (1) “Annual limitation on cost sharing” means the limit
26 described in Section 1367.006.

1 (2) “Cost sharing” means any expenditure required by or on
2 behalf of an enrollee with respect to essential health benefits. As
3 set forth under Section 155.20 of Title 45 of the Code of Federal
4 Regulations, cost sharing includes deductibles, coinsurance,
5 copayments, or similar charges, but does not include premiums,
6 balance billing amounts for nonnetwork providers, and spending
7 for noncovered services.

8 (3) “Essential health benefits” has the same meaning as set forth
9 under Section 1367.005.

10 SEC. 2. Section 10112.283 is added to the Insurance Code, to
11 read:

12 10112.283. (a) (1) When calculating an insured’s overall
13 contribution to an out-of-pocket maximum or cost sharing
14 requirement under the insured’s health insurance policy, a health
15 insurer shall count any amount paid by the insured or on behalf of
16 the insured for a drug toward an insured’s cost sharing, including
17 any form of direct support offered by drug manufacturers when
18 permitted under Division 114 (commencing with Section 132000)
19 of the Health and Safety Code.

20 (2) Amounts described in paragraph (1) shall be counted toward
21 the annual limit on cost sharing and the applicable in-network
22 deductible.

23 (b) (1) This section shall apply to all nongrandfathered health
24 insurance policies that are subject to Section 10112.28.

25 (2) This section shall not apply to a grandfathered health
26 insurance policy, a specialized health insurance policy that does
27 not provide essential health benefits, Medicare supplement
28 insurance, or accident-only, specified disease, or hospital indemnity
29 policies.

30 (c) Direct support offered by a drug manufacturer to an insured
31 to reduce or eliminate immediate out-of-pocket expenses is subject
32 to the limitations under Sections 132000 and 132002 of the Health
33 and Safety Code.

34 (d) In addition to any other remedies that are available to the
35 commissioner for a violation of this code, the commissioner may
36 enforce this section pursuant to Chapter 4.5 (commencing with
37 Section 11400) or Chapter 5 (commencing with Section 11500)
38 of Part 1 of Division 3 of Title 2 of the Government Code. After
39 appropriate notice and opportunity for hearing in accordance with
40 either of those provisions, the commissioner shall, by order, assess

1 an administrative penalty not to exceed five thousand dollars
2 (\$5,000) for each violation, or, if a violation was willful, a civil
3 penalty not to exceed ten thousand dollars (\$10,000) for each
4 violation.

5 (e) For purposes of this section, the following definitions apply:

6 (1) “Annual limitation on cost sharing” means the limit
7 described in Section 10112.28.

8 (2) “Cost sharing” means any expenditure required by or on
9 behalf of an insured with respect to essential health benefits. As
10 set forth under Section 155.20 of Title 45 of the Code of Federal
11 Regulations, cost sharing includes deductibles, coinsurance,
12 copayments, or similar charges, but does not include premiums,
13 balance billing amounts for nonnetwork providers, and spending
14 for noncovered services.

15 (3) “Essential health benefits” has the same meaning as set forth
16 under Section 10112.27.

17 SEC. 3. No reimbursement is required by this act pursuant to
18 Section 6 of Article XIII B of the California Constitution because
19 the only costs that may be incurred by a local agency or school
20 district will be incurred because this act creates a new crime or
21 infraction, eliminates a crime or infraction, or changes the penalty
22 for a crime or infraction, within the meaning of Section 17556 of
23 the Government Code, or changes the definition of a crime within
24 the meaning of Section 6 of Article XIII B of the California
25 Constitution.