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FORCED TO FAIL:
The Human Cost of Step Therapy in Mental Health

The case for banning step therapy for serious mental illness

> "...[W]hen [my daughter] is prescribed a regimen designed by her mental health care doctors, and then it is circumvented by a 'clerk' at the insurance company that says she must 'fail' on a cheaper medicine first before getting what was prescribed it is a failure in her care and sets her back even further."[1]
>
> – Teresa Carter, *Kansas parent living with a child with SMI.*

Step therapy, often called "fail first," requires patients to try alternative treatments before accessing the medication their clinician originally prescribed. These practices are especially harmful for individuals with serious mental illness (SMI), whose conditions require timely, clinically guided treatment to maintain stability and prevent crises. As states increasingly recognize these harms, momentum is growing to limit or ban step therapy for SMI and ensure patients receive the medications they need without dangerous delays.

What is step therapy?

Step therapy requires individuals to try and fail on insurer preferred alternative treatments, sometimes experiencing harmful side effects, before consumers gain access to the originally prescribed medication. These policies delay timely access to necessary care and deprioritize clinical judgment and patient well being. In addition, without access to appropriate treatments, consumers can experience increased health care costs related to disease progression.[2] In some cases, consumers may be required to try-and-fail on multiple medications and on medications already deemed ineffective, making step therapy not only redundant but also an unnecessary and burdensome barrier to treatment and symptom relief.

What are "serious mental illnesses"?

Serious mental illness refers to mental, behavioral, or emotional disorders that substantially interfere with major life activities. Common examples include schizophrenia, bipolar disorder, major depressive disorder, post-partum depression, and post-traumatic stress disorder (PTSD).[3]

Why is step therapy particularly harmful for SMI?

Prescription drug formularies and benefit utilization policies are often dictated by pharmacy benefit managers (PBMs) who establish pricing structures based on a drug's rebate rather than clinical judgment or clinical guidelines.[4] **This misalignment between profit-driven policies and patient needs is harmful for all consumers.** State legislators and policymakers have adopted a growing recognition that step therapy is particularly detrimental for individuals living with SMI for a variety of reasons:

SMI treatment is nuanced

Patients with SMI can present with different symptom profiles, sensitivities to side effects, comorbid conditions, and levels of emotional, physical and behavioral symptoms.[5] As a result, medication decisions cannot follow a one-size-fits-all approach and must meet each patient where they are.[6] This requires clinicians to tailor treatment based on a variety of factors, including lifestyle, prior response, tolerability, and potential drug interactions with other medications the individual may already be taking.[7] However, step therapy policies can ask providers to act inconsistently with clinical guidelines and what is best for their patients. For example, **the Nurse Practitioners Association of Maryland has testified** that their nurse practitioners (NPs) have experienced step therapy and prior authorization policies that:

REAL-PATIENT HARMS

- Denied coverage without prior authorization for a pregnant patient with bipolar disorder, despite there being only one mood stabilizer considered safe during pregnancy.
- Denied coverage, requiring multiple appeals and a peer-review, for a patient with bipolar disorder who was stable on a mood stabilizer after previously trying and failing on multiple alternatives.
- Denied coverage and required multiple appeals for a patient with bipolar disorder who was stable on treatment after a drug overdose.
- Denied coverage for a patient over the age of 18 and requested the individual to fail on a controlled substance, despite a documented history of substance use disorder.

In these cases, the patients were fortunate to have health care providers who could advocate on their behalf and had the capacity to do so. However, many patients may not be as fortunate and may be forced to try and fail on ineffective treatments. Moreover, with provider burnout reaching nearly 50% in 2024,[8] these policies further compound unnecessary administrative burdens and contribute to worsening provider burnout.

Mechanisms of action matter

Fortunately, scientific advances have substantially grown in the last several decades, and there are now first-, second-, and third-generation antipsychotic treatments that can be used to treat SMIs. Importantly, these drug varieties have various mechanisms of action and can include short- and long-term treatment options, allowing health care providers to assess an individual patient's needs, compliance, and treatment options to determine the best course of action. These medications can also significantly differ in receptor binding profiles, side effect burdens, and metabolic effects, meaning that a medication that is effective and well-tolerated for one patient may be ineffective or destabilizing for another.[9]

Delays and forced switching can destabilize health and safety

Delays or requirements to "fail first" on a drug can lead to serious consequences for individuals with SMI, including worsening of symptoms, increased costs, and increased risk of self-harm.[10]

> "Any delay in effective medication prescription for a psychotic illness, including delays from prior authorization or step therapy requirements, seriously risk the life of the patient as well as others. ***Unlike a condition like high cholesterol which does not cause adverse effects quickly, active psychosis is unpredictable and can result in violence and other adverse consequences at any time, sometimes within days.***"[11]
>
> – Schizophrenic & Psychosis Action Alliance,
> *in support of Maryland eliminating the use of step therapy for SMI*

> "When patients are required to try less expensive treatments before being prescribed more expensive ones, it can lead to delays in treatment, which can be detrimental to patients' health. For example, suppose a patient with schizophrenia is required to try a less effective medication before being prescribed a more effective one. In that case, the patient's symptoms may worsen during this delay. ***When a patient with a mental health disorder decompensates, the patient could hurt himself or others, which could lead to a loss of liberty either through involuntary commitment or incarceration.***"[12]
>
> – Maryland Psychiatric Society,
> *in support of Maryland eliminating the use of step therapy for SMI*

> "[Step therapy policies] delay treatment and require patients to try – and fail – on insurer-preferred medications before receiving the medication their health care provider has actually recommended. This process can take weeks or months and have serious negative health consequences, especially for individuals living with serious mental illness. While this may reduce costs for the insurers, it often results in an escalation of symptoms, a worsening of illness and a ***transfer of costs to the taxpayer in the form of preventable hospital emergency department utilization, homelessness and criminal justice involvement.***"[13]
>
> – Mental Health Association of Maryland,
> *in support of Maryland eliminating the use of step therapy for SMI*

> I recently had a patient with severe tardive dyskinesia. He met the criteria for [a prescription drug] to target his medication-induced movement disorder. The prior authorization was declined multiple times as the peer reviewer questioned his diagnosis of clear schizophrenia in the context of long-term sequelae of homelessness. ***The patient gave up waiting for an approval and apparently has abandoned treatment.***"[14]
>
> – Healthcare for the Homeless,
> *in support of Maryland eliminating the use of step therapy for SMI*

Stigma and administrative hurdles compound access barriers

Stigma significantly delays access to timely, appropriate mental healthcare, leading to postponed diagnosis, reduced treatment-seeking, lower quality of life, and greater risk of discrimination.[15] It often overlaps with stigma related to gender, race, and socioeconomic status, further marginalizing vulnerable populations and hindering equitable psychiatric care. Stigma remains widespread across cultures and continues to undermine the diagnosis, treatment, and long-term management of SMI.[16] As such, when patients seek and can access care, prompt treatment is essential.

Restrictive access policies increase hospitalizations and total costs

A 2025 retrospective analysis compared Medicaid beneficiaries with SMI who used antipsychotic medications in Michigan, where an open access (OA) policy allows broad medication access without utilization management restriction, with beneficiaries in five states that use more restrictive policies. The study findings are critical and underpin that prescription drug costs may be seen as a high cost, but ultimately help reduce overall health care expenditures.

Specifically, the study found that Michigan had lower SMI-related hospitalizations when compared to all five restrictive states. Additionally, total SMI-related costs were lower in Michigan compared to all restrictive states. Although Michigan's open access approach resulted in higher pharmacy costs, these costs were nonetheless lower than overall health care utilization costs in four out of five restrictive states. These findings underpin that policymakers should consider wholistic costs of care, not just pharmacy benefits, when addressing health care reform.

Michigan study finds open access formularies reduce Medicaid hospitalization and inpatient costs for patients with SMI.

This study also demonstrates that restrictive medication access can increase acute care utilization and drive-up overall healthcare costs, undermining both patient outcomes and state budgets.[17] Importantly, some hospitals and health systems have also publicly recognized that these policies are bad for patients.

> Under no circumstances should an individual with serious mental illness have their medications disrupted due to insurance carrier preference for medications. That decision should be made between the individual and their provider and must consider the specific medications that work best for that individual. ***Any cost savings that could be achieved by requiring a preferred medication will be more than offset by costs due to crisis and decompensation.*** These conditions are too severe and the consequences of a mental health crisis too great to use fail first or step therapy approaches to psychiatric treatment."[18]
>
> – Behavioral Health System Baltimore,
> *in support of Maryland eliminating the use of step therapy for SMI.*

> While not the silver bullet, ***medications serve an important role in treating mental health disorders, and access to prescription drugs should be protected.*** Maryland hospitals support this bill's efforts to eliminate barriers to affordable behavioral health care coverage."[19]
>
> – Maryland Hospital Association,
> *in support of Maryland eliminating the use of step therapy for SMI.*

Restrictive access and criminal justice

Inadequate access to appropriate treatment can exacerbate symptoms for individuals with SMI, increasing the likelihood of encounters with law enforcement and contributing to their disproportionate presence in jails and prisons. The National Alliance on Mental Illness reports that 2 in 5 incarcerated individuals have a history of mental illness, and many are incarcerated for non-violent offenses related to the symptoms of an untreated mental illness (i.e. disorderly conduct, loitering, trespassing, disturbing the peace).[20] Once incarcerated, many individuals with SMI may not receive treatment.[21] As such, it is critical to treat patients prior to interactions with the criminal justice system. Ultimately, without stable treatment, states end up shifting expenses from the healthcare system to far costlier correctional systems, which is both financially inefficient, clinically harmful, and detrimental to the individual's long-term well-being and participation in society.[22]

Reduced Step Therapy Requirements Do Not Increase Brand-Name Prescribing

Data from the Arizona Health Care Cost Containment System, Arizona's Medicaid agency,[23] illustrates that reducing utilization management barriers to SMI treatments does not drive increased brand-name prescribing.

During the final quarter of 2024, the Arizona Medicaid program limited the number of failures for SMI treatments, and found that generic utilization remained exceptionally high.[24] Specifically, generic antipsychotic use increased from **87.4% in 2023 to 89.68% in 2024**, and generic antidepressant use **stayed stable at roughly 99%** across both years. These trends show that prescribers naturally continue to favor generics even when utilization management barriers are reduced, demonstrating that less restrictive policies do not drive shifts toward more expensive brand name medications.[25]

Patients are speaking out

With the growing interest from state legislators in step therapy reform for SMI, patients, caregivers, providers, and advocacy organizations are speaking out about the harm of step therapy and the need to protect patients.[i]

Testimony before the Kansas House Committee on Health and Human Services from a mother about her daughter living with bipolar disorder and schizophrenia.

"The treatment of mental health is not as easy as treating a broken leg or taking out an appendix. Unfortunately figuring out the right meds for a person with mental illness is a highly educated and calculated guessing game. When a person such as my daughter, who suffers form bipolar and schizophrenia, is prescribed a medication to help with the mood swings and voices she hears, it is done by a mental health care provided who has evaluated her and is educated in the exact medication they think will help her. Mental health meds, unlike antibiotics, take weeks or months to be totally effective. So, when she is prescribed a regimen designed by her mental health care doctors, and then it is circumvented by a "clerk" at the insurance company that says she must "fail" on a cheaper medicine first before getting what was prescribed it is a failure in her care and sets her back even further."[26]

– Teresa Carter, parent to a child with SMI.

When introducing legislation to ban the use of step therapy for serious mental illness in Colorado

"'The drug that I'm taking today has been an absolute game changer in my life. The drugs that I had to take left me suicidal, left me unable to get out of bed and left me unable to function, I had to go through that process and, as a result, I lost weeks of my life. And I will never get those weeks back.'"[27]

– Representative Dafna Michaelson Jenet

Testimony before the Arkansas House Insurance and Commerce Committee about an individual living with schizophrenia vividly illustrates the harm caused by step therapy.

After years of cycling through hospitals and periods of incarceration, he achieved ten years of stability because he had consistent access to the medications and treatment that worked for him. But in 2017, when his medication needed to be adjusted, Arkansas Medicaid required him to "fail first" on alternative treatments. As described in the testimony:

Ten tears of success was now punishable by having to start of over again and experience the terrible side effects of medications that did not work and continuously lose ground on the success he had fought so hard to achieve… It's heart-wrenching to witness his decline as he failed over and over again on these medications.

– Dr. Buster Lackey, NAMI Arkansas

Ultimately, it took six years to restore his stability after being subjected to step therapy. This experience demonstrates how step therapy can undermine years of stability, reinforcing the need for policies that ensure uninterrupted access to effective, clinician-directed treatment for individuals with SMI.[28]

i These quotations are provided solely for informational purposes and do not imply endorsement of this resource.

State momentum: examples of protections and bans for SMI

Legislators across the country are increasingly recognizing that step therapy is inappropriate for individuals with SMI. The examples below illustrate the growing state-level momentum to ensure that individuals with SMI receive the medications they need without having to fail first on ineffective or harmful alternatives.

STATES	DESCRIPTION OF LAW
Texas HB 1337 (2023)	A plan may not require an enrollee to fail more than one different drug per prescribed drug (excluding generic/ pharmaceutical equivalents) before covering an FDA-approved drug for SMI.
Arkansas HB 1276 (2023)	Plans must exclude antipsychotic prescription drugs from step therapy for psychosis and SMI.
Florida SB 534 (2022)	Allows Medicaid to approve certain schizophrenia-related drugs without meeting step therapy criteria when prior approval for the drug already exists and the medication was dispensed to the patient within the past 12 months.
Connecticut Public Act No. 25-94 (2025)	Prohibits health plans from using step therapy, beyond specified limits, for prescription drugs used to treat schizophrenia, major depressive disorder, and bipolar disorder.
Colorado HB23-1130 (2023)	A plan may not require an enrollee to fail more than one different drug per prescribed drug before covering an FDA-approved drug for SMI.

Notably, Illinois has enacted a full ban on step therapy, ensuring that medications for individuals with SMI are also fully protected. In addition to these enacted safeguards, momentum continues to build nationwide. In 2026, more state legislatures are proposing new protections and bans on step therapy for SMI, reflecting growing recognition that these policies are inappropriate for serious mental health conditions.

- Arizona's S1672 would limit the use of step therapy in Medicaid to no more than two antipsychotic treatments.
- Maryland's SB0490/HB0808 would prohibit Medicaid from using step therapy for prescription drugs treating bipolar disorder, schizophrenia, major depression, PTSD, and medication-induced movement disorders associated with SMI.
- New Jersey's SB2918 would require prescription drug coverage for SMI without step therapy.
- New York's SB4867A would prohibit step therapy for coverage of the diagnosis and treatment of SMI.

Selected Testimony and Further Reading

The resources below include publicly available testimony, comment letters, and witness submissions from a wide range of stakeholders who have supported step therapy reform or limits or bans in legislative proceedings. Many of these materials detail patient harms, access barriers, and safety concerns associated with step therapy and advocate for eliminating its use. They are provided to illustrate the broad range of stakeholder engagement and support for this policy.[ii]

Arkansas (HB 1276)

- NAMI Arkansas

Connecticut (SB 10)

- Connecticut State Medical Society

Florida (SB 534)

- American College of Physicians (Florida Chapter)
- Florida Medical Association
- National Multiple Sclerosis Society

Maryland (2025 - HB 382) (2024- SB 990)

- Baltimore Jewish Council
- Behavioral Health System Baltimore
- Community Health Association of Maryland
- Disability Rights Maryland
- Health Care for the Homeless
- Individual testimony
- Licensed Clinical Professional Counselors of Maryland
- Maryland Academy of Physician Assistants
- Maryland Community Health System
- Mental Health Association of Maryland
- Maryland Hospital Association
- Maryland Legislative Coalition
- Maryland Pharmacist Association (2025)
- Maryland Pharmacists Association (2024)
- Maryland Psychiatry Society
- NAMI Maryland
- National Association of Pediatric Nurses
- NP Association of Maryland
- Schizophrenia and Psychoanalysis Action Alliance

Kansas (HB 2157)

- Individual Testimony

Texas (HB 1337)

- Behavioral Health Advocates of Texas
- City of Houston Mayor's Office
- Coalition of Texans with Disabilities
- Federation of Texas Psychiatry
- Legacy Community Health
- National Association of Social Workers Texas
- National MS Society
- Texas Academy of Family Physicians
- Texas Chapter American College of Physicians
- Texas Coalition for Healthy Minds
- Texas Council of Community Centers
- Texas Hospital Association
- Texas Osteopathic Medical Association
- Texas Pediatric Society, Texas Public Policy Foundation

ii The inclusion of these stakeholders and referenced testimony is solely for informational purposes and does not indicate an endorsement of this resource.

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