Washington State
House of Representatives
Office of Program Research

BILL ANALYSIS

Financial Institutions & Insurance Committee

HB 1828

Brief Description: Requiring that insurance coverage for mental health services be at parity with medical and surgical services.

Sponsors: Representatives Schual-Berke, Pflug, Cody, Hankins, Linville, Skinner, Cooper, Alexander, Ruderman, Delvin, McDermott, Ericksen, Campbell, Santos, Haigh, Quall, Upthegrove, Simpson, Hatfield, Kessler, Conway and Kenney.

Brief Summary of Bill

- Requires group health insurance plans to provide the same coverage for mental health services as that provided for medical and surgical services.
- Allows the mental health parity requirements to be gradually phased-in over a five year period.
- Exempts certain types of mental health services from mandatory coverage provisions.
- Provides specified exemptions regarding the health insurance coverage provided to the employees of some small businesses.

Hearing Date: 2/21/03.

Staff: Thamas Osborn (786-7129).

Background:

State law does not require health insurers to provide mental health coverage, nor does it impose specific mandates on the level of coverage that must be provided by those insurers who do offer such coverage. The law does require, however, that health carriers providing group coverage to employers with more than 25 employees offer optional supplemental coverage for mental health treatment, which can be waived at the request of the employer.

The administrator of the Basic Health Plan (BHP) is authorized to offer mental health services under the BHP as long as those services, along with chemical dependency and organ transplant services, do not increase the actuarial value of BHP benefits by more than 5

percent. Currently, inpatient care is covered in full up to 10 days per calender year, and outpatient care is covered in full up to12 visits per year.

Washington State Health Care Authority (Chapter 41.05 RCW): The Washington State Health Care Authority (HCA) is the state agency that administers health care benefits for state employees, as well as for low income residents through the BHP. The HCA oversees state employee health insurance programs provided by various private health plans (e.g., Group Health, Premera Blue Cross, Regence, etc.) as well as the Uniform Medical Plan.

Group and blanket disability insurance carriers (Chapter 48.21 RCW): This category of insurers encompasses most of the traditional private insurance companies, such as Prudential, Mutual of Omaha, and Aetna, to name a few. They typically provide "fee for service" coverage as opposed to managed care. Group and blanket disability insurance carriers are regulated by the Office of the Insurance Commissioner (OIC).

Health care services contractors (Chapter 48.44 RCW): Health care services contractors provide managed health care coverage via contractual arrangements with a network of selected providers. Premera Blue Cross and Regence are examples of health care service contractors that are doing business in Washington and are regulated by the OIC.

Health maintenance organizations (Chapter 48.46 RCW): A health maintenance organization (HMO), such as Group Health, is another type of managed health care provider that is regulated by the OIC. HMOs employ their own health care professionals and operate their own clinics.

Optional supplemental mental health coverage: Group and blanket disability insurance plans, health care services contractors, and HMOs are all required to *offer* optional, supplemental mental health treatment coverage for insureds and covered dependents. The coverage must be offered at the "usual and customary rates for such treatment" and is subject to other specified requirements and conditions.

Diagnostic and Statistical Manual of Mental Disorders (DSM): The DSM is a manual published by the American Psychiatric Association that covers all recognized mental health disorders affecting both children and adults. It lists the factors known to cause these disorders, presents pertinent statistics, and cites research concerning optimal treatment approaches. The DSM is considered to be the standard reference for mental health professionals who make psychiatric diagnoses.

Summary of Bill:

I. Introduction

Overview: Using a gradual five-year phase-in, the bill requires specified categories of group health insurance plans to provide a level of coverage for mental health services that is equal to the coverage provided for medical and surgical services. Once the mental health parity requirements are fully implemented in 2008, limitations on mental health services may be imposed by an insurance plan only if the same limitations are imposed on medical and surgical services.

This mental health parity requirement applies to five categories of group health insurance plans:
1) plans administered by the HCA on behalf of state employees;
2) group and blanket disability plans;
3) coverage provided by health care services contractors;
4) coverage provided by health maintenance organizations; and
5) Washington Basic Health Plan.

Small business exemption: The mental health parity requirements for each type of plan are largely identical and are subject to the same structured phase-in. However, the insurance coverage provided to small businesses with fewer than 50 employees is exempt from the mental health parity requirements implemented during the first two phases. This exemption changes as of July 1, 2008, when it applies only to businesses with fewer than 25 employees.

II. Covered Mental Health Services

"Mental health services" defined: The required mental health services include medically necessary inpatient and outpatient services provided to treat mental disorders listed in the Diagnostic and Statistical Manual of Mental Disorders (DSM), published by the American Psychiatric Association. The determination of whether or not a mental health service is *medically necessary* in a particular case is subject to the discretion of the medical director of the health plan. However, this discretion is not unbridled, insofar as health plans are required to apply a medical necessity standard for mental health care that is comparable to that applied for medical and surgical services.

Exempted mental health services: There are specified types of mental health disorders and treatment categories that are exempted from coverage, including:
- disorders related to substance abuse;
- life transition problems (family/marital issues, occupational/academic problems, etc.);
- residential treatment and custodial care; and
- court ordered treatment (unless medically necessary).

III. Five Year Phase-in

Overview of phase-in: Parity between mental health, medical, and surgical services is achieved in three phases that occur over a five year period, beginning on July 1, 2003. The phases are both gradual and cumulative. Each succeeding phase incorporates the coverage requirements of the preceding phase and thus incrementally adds coverage requirements until January 1, 2008, when all of the parity provisions will be in effect.

Phase 1 " For health benefit plans established or renewed on or after 7/1/03: (1) The copayment for mental health services may not exceed the copayment for medical/surgical services provided under the plan. (2) Parity must also be provided with respect to prescription drug coverage.

Phase 2 " For health benefit plans established or renewed on or after 1/1/06: If the health insurance plan imposes a maximum out of pocket limit or stop loss, the same limit or stop

loss must apply to medical, surgical, and mental health services. (Phase 2 also incorporates the parity requirements implemented in phase 1.)

Phase 3 " For health benefit plans established or renewed on or after 7/1/08: (1) If the health insurance plan imposes a deductible, it must be a *single* deductible covering medical, surgical, and mental health services. (2) Any treatment limitations or financial requirements must be the same for mental health, medical, or surgical services. (Phase 3 also incorporates the parity requirements implemented in phase 1 and phase 2.)

IV. Other Provisions

Optional supplemental mental health coverage: Health insurance plans are not required to offer optional supplemental mental health coverage to groups that are covered by the mental health parity provisions set forth in the act.

Rule-making authority: The Insurance Commissioner, the administrator of the State Health Care Authority, and the administrator of the Basic Health Plan are each granted authority to adopt rules necessary to implement the act.

Appropriation: None.

Fiscal Note: Requested on February 13, 2003.

Effective Date: The bill contains an emergency clause and takes effect immediately.