SENATE BILL REPORT

SB 5425

As Reported By Senate Committee On:
Health & Long-Term Care, February 17, 1999

Title: An act relating to mental health parity.

Brief Description: Establishing parity for mental health services.

Sponsors: Senators Thibaudeau, Long, Wojahn, Winsley, Costa, Oke, Franklin, McCaslin, Kohl-Welles, Swecker, Hargrove, Prentice, McAuliffe, Fairley, Kline, Fraser, Haugen, Eide, Goings, Brown, Shin, Jacobsen, Patterson, Bauer, Gardner, Heavey, B. Sheldon, T. Sheldon, Rasmussen, Loveland, Hale, Spanel and Snyder.

Brief History:
Committee Activity: Health & Long-Term Care: 1/28/99, 2/17/99 [DPS-WM, DNPS].

SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

Majority Report: That Substitute Senate Bill No. 5425 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.
Signed by Senators Thibaudeau, Chair; Wojahn, Vice Chair; Costa and Franklin.

Minority Report: Do not pass substitute.
Signed by Senators Deccio and Johnson.

Staff: Jonathan Seib (786-7427)

Background: Currently, no state law requires health insurers to provide mental health coverage, or imposes specific mandates on the level of coverage, if offered. 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 federal Mental Health Parity Act (MHPA) took effect on January 1, 1998, and will sunset on September 31, 2001. Under MHPA, insurance for groups of more than 50 and self-funded plans are not allowed to set annual or lifetime dollar limits on mental health benefits that are lower than any such limits for medical and surgical services. Cost sharing and limits on the number of visits or days of coverage of mental health benefits may still vary from other coverage. The requirements of the MHPA do not apply to plans whose costs will increase by 1 percent or more due to their application.

The administrator of the Basic Health Plan is authorized to offer mental health services under 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 ten days per calender year, and outpatient care is covered in full up to 12 visits per year.

For current Public Employee Benefits Board plans, inpatient mental health care is paid at 80 percent for up to ten days per year, and outpatient services are paid at 50 percent for up to 20 visits per year.

Reflecting concerns that health insurance generally fails to cover mental health services to the same extent as other health care services, state legislation was introduced in 1998 calling for coverage parity. The legislation was referred to the Department of Health for review under the mandated health benefits review process set forth in statute.

The Department of Health issued its final report in November, 1998. The report analyzes the efficacy of the mandate, and its social and financial impact, and recommends that the legislation be enacted.

Summary of Substitute Bill: Health insurance plans must provide coverage for mental health services, and do so under the same terms and conditions as coverage for medical and surgical services, imposing treatment limitations or financial requirements on one only if the same limitations or requirements are imposed on the other. An insurer's use of preauthorization screening or a medical necessity standard with regard to mental health services is explicitly not prohibited.

This requirement applies to public employee health plans and the subsidized Basic Health Plan. It also applies to private plans for groups of more than 50 persons issued or renewed after January 1, 2001, and to private plans for groups of 50 or less issued or renewed after January 1, 2002.

"Mental health services" is defined to include services to treat any disorders listed in the current version of the diagnostic and statistical manual of mental disorders, except V codes and codes defining substance abuse disorders.

Current laws mandating the offering of mental health coverage by insurers are phased out to coincide the effective dates of the new requirements.

Substitute Bill Compared to Original Bill: The substitute bill removes language which would have required insurance coverage at parity for mental health services rendered by any of several types of listed mental health professionals, and moves back the effective date of various provisions in the bill by six months. It also adds language explicitly exempting the unsubsidized Basic Health Plan.

Appropriation: None.

Fiscal Note: Available; revised fiscal note requested on February 18, 1999.

Effective Date: Ninety days after adjournment of session in which bill is passed, except Section 10, which takes effect January 1, 2002.

Testimony For: Failure to provide equal treatment for mental health services under insurance plans is discrimination, but without this bill it will continue to occur. Brain disorders should be treated like any other medical condition. Numerous studies indicate a

cost savings when one considers the impact of improved mental health care on the overall demand for medical treatment; mental health is directly related to physical health. Families are often financially devastated by the cost of appropriate treatment for serious mental illness. The public system would not be overburdened by nearly as many dependent citizens if there were parity in insurance. Mental health insurance parity is an issue of fairness and justice.

Testimony Against: Mandated insurance benefits will result in higher costs and less choice for consumers. Small business, even absent any mandates, will already be confronted with substantial health care cost increases. Any additional cost will be significant to small business, and could lead to a number of unfavorable actions, including increased cost sharing or the dropping of employer sponsored coverage. The "any willing provider" language in the bill will inhibit existing cost control measures. The bill may increase benefits, but the result will be that fewer people will be able to afford coverage. It is should not be considered in an already volatile insurance market.

Testified: Steve Boruchowitz, Department of Health; PRO: Seth Dawson, Common Ground of Washington, Compass Health; Lucy Homans, Washington State Psychological Association; Tim Keller, Washington State Psychiatric Association; Eleanor Owen, Cynthia Hammer, Washington Advocates for the Mentally Ill; James Early, Tom Richardson, NAMI; Georgina Cavendish; Merrilea Mount, Ann Russell Yeh, Federation of Families; Mark Adams, Washington State Medical Association; Joan Vesper, Family to Family; Gary Hurst WAMI; Wes Larsen, Eastlake Community; CON: Mimi Haley, Association of Washington Health Care Plans; Lynne Hoverson; David Stedman; Basil Badley, HIAA; Richard Warner, Citizens Commission on Human Rights; Jim Halstrom, Health Care Purchasers Association, Association of Washington Business; Pam McEwan, Group Health.