SENATE BILL REPORT
SB 5450

As of February 22, 2005

Title: An act relating to mental health parity.

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

Sponsors: Senators Thibaudeau, Oke, Brown, Mulliken, Keiser, Doumit, Prentice, Poulsen, Regala, Kline, Franklin, Parlette, Rockefeller, Spanel, McAuliffe, Kohl-Welles and Pflug.

Brief History:
Committee Activity: Health & Long-Term Care: 2/21/05.

SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

Staff: Jonathan Seib (786-7427)

Background: Current Washington law does not require health carriers to include mental health coverage in any benefit plan. If a carrier nonetheless chooses to include such coverage, the law does not mandate a specific benefit level. The law does require that carriers providing group coverage to employers offer coverage for mental health, but the coverage can be waived by the employer. Where provided, most plans generally limit inpatient mental health coverage to a specified number of days, and outpatient coverage to a specified number of visits. These limitations are not imposed on most other treatment.

The federal Mental Health Parity Act (MHPA) took effect on January 1, 1998, and will sunset on December 31, 2005. Under the MHPA, businesses with more than 50 employees that choose to offer mental health benefits may not impose annual or lifetime dollar limits on those benefits that are lower than the limits set for the medical and surgical benefits that they provide. Cost sharing requirements, and limits on the number of visits or days of coverage, may still vary from other coverage. The requirements of the MHPA do not apply where they would increase costs to a business by more than 1 percent.

The Basic Health Plan (BHP) is authorized to offer mental health services under 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 requires a 20 percent co-pay (up to $300 per admittance) for coverage up to 10 days per calender year, and outpatient care requires a $15 co-pay for up to 12 visits per year.

The Public Employee Benefits Board (PEBB) provides health coverage to state employees through both fully-insured managed care plans and the self-insured Uniform Medical Plan (UMP). For all PEBB plans, inpatient mental health care requires a $200 per day co-pay (up to $600) for coverage up to 10 days per year. Outpatient services require either a 10 percent (for UMP) or 10 dollar (for managed care) per visit co-pay 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 sunrise review process set forth in statute. The Department of Health issued its final report in November 1998. The report analyzed the efficacy of the mandate, and its social and financial impact, and recommended that the legislation be enacted.

Summary of Bill: Beginning July 1, 2005, a health benefit plan that provides coverage for medical and surgical services must provide coverage for mental health services and prescription drugs to treat mental disorders. The co-pay or coinsurance for mental health services may be no more than the co-pay or coinsurance for medical and surgical services otherwise provided under the plan. Mental health drugs must be covered to the same extent, and under the same terms and conditions, as other prescription drugs covered by the plan.

Beginning January 1, 2008, if the plan imposes a maximum out-of-pocket limit or stop loss, it must be a single limit or stop loss for medical, surgical, and mental health services.

Beginning July 1, 2010: (1) if the plan imposes any deductible, mental health services must be included with medical and surgical services for purposes of meeting the deductible requirement; and (2) treatment limitations or any other financial requirements on coverage for mental health services are only allowed if the same limitations or requirements are imposed on coverage for medical and surgical services.

"Mental health services" is defined to include medically necessary services to treat any disorders listed in the current version of the diagnostic and statistical manual of mental disorders, except: (1) substance related disorders; (2) life transition problems; (3) nursing home, home health, residential treatment, and custodial care services; and (4) court ordered care that is not medically necessary.

The act applies to the Basic Health Plan, public employee plans issued by the Health Care Authority, and state regulated commercial plans for groups greater than 50.

Current laws mandating the offering of supplemental mental health coverage by carriers are amended to reflect the new requirements of the act.

The Insurance Commissioner and the administrator of the Health Care Authority are authorized to adopt rules implementing the act.

Appropriation: None.

Fiscal Note: Requested on February 18, 2004.

Committee/Commission/Task Force Created: No.

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

Testimony For: It is time for the distinction to end between mental and physical health. Better mental health coverage will reduce the need for other costly medical treatment. Any cost of the bill will also be more than offset by reduced employee absenteeism and increased productivity. At least 34 other states have enacted mental health parity laws, and none have been repealed. Many of those states have studied the impact of the law and determined that it resulted in only a minor impact on overall health care premiums. Mental illness has a

devastating impact on individuals and families that is only made worse when treatment costs are not covered. Untreated mental illness also significantly impacts the criminal justice system. It is important that mental health be covered at similar levels by all carriers to avoid the risk of adverse selection.

Testimony Against: Mandating benefits does not help those who lose their coverage because of the increased cost of coverage. Mandates cannot be viewed in a vacuum, because their cumulative impact is what matters. Washington has one of the highest levels of mandates and regulations placed on health insurance in the country. Mandates are supposed to improve health coverage, but the actual effect is that they reduce the ability to provide coverage by increasing its costs. Others estimate the cost of this legislation to be much higher than the proponents, and comparisons to costs in other states are not accurate. Even a small percentage increase in cost means a lot in actual dollars. Mental illnesses are not like other illnesses. More mental health treatment does not lead to better mental health

Who Testified: PRO: Senator Thibaudeau, prime sponsor; Randy Revelle, Washington Coalition for Insurance Parity; Ronald Bachman, Price Waterhouse Coopers; Greg Simon, M.D., Pam McEwan, Group Health; Chelene Alkire; Beth Berner; John Rothwell; Joanne Wilson; Colleen McManus; Terri Webster, Ben Bridge Jewelers; Peter Lukevich, Washington Partners in Crisis.

CON: Carolyn Logue, National Federation of Independent Business; Gary Smith, Independent Business Association; Sydney Smith Zvara, Association of Washington Healthcare Plans; Mellani Hughes McAleenan, Association of Washington Business; Richard Warner, Citizens Commission on Human Rights; Mel Sorenson, America's Health Insurance Plans, Washington Association of Health Underwriters.