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FISCAL IMPACT REPORT

SPONSOR:	SCORC	DATE TYPED:	02/15/00	HB	
SHORT TITLE:	Parity for Mental Health Insurance			SB	345/SCORCS/aSCORC
				ANALYST:	Valenzuela

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY00	FY01	FY00	FY01		
	NFI		NFI		

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to

SOURCES OF INFORMATION

LFC Files

Health Policy Commission (HPC)

Public Regulation Commission (PRC)

Office of the Attorney General (AG)

SUMMARY

Synopsis of Senate Corporations & Transportation Committee Substitute, as Amended by SCORC

The Senate Corporations & Transportation Committee substitute to Senate Bill 345, as amended by SCORC, would prohibit an employer-provided group health plan from imposing treatment limitations or financial requirements on the coverage of mental health services if similar limitations or requirements are not imposed on coverage of other conditions. The bill would allow an insurer to require pre-admission screening and restrict coverage for mental health services to those that are medically necessary. The legislation also provides remedies for employers to enact in response to providing this insurance coverage to employees, when the premiums increase more than 1.5 to 2.0 percent for employers of 2 to 49 employees or more than 50 employees, respectively. The remedies follow: absorb the increase, cost share with employees, or negotiate a reduction in coverage. Employers of fewer than 49 employees have one additional option, which is to justify to the insurance division of the Public Regulation Commission that a premium increase is the result of the added coverage, and thus, allows for an exemption for the provisions of the bill. "Mental health services" excludes substance abuse, chemical dependency or gambling addiction. Finally, the committee substitute excludes disability income insurance and long-term care insurance.

Synopsis of Bill

Senate Bill 345 would prohibit a health maintenance organization (HMO), non-profit health care plan, or fraternal benefit society from imposing treatment limitations or financial requirements on the coverage of mental health services if similar limitations or requirements are not imposed on coverage of other conditions. The bill would allow an insurer to require pre-admission screening and restrict coverage for mental health services to those that are medically necessary. The bill amends the group and blanket health insurance contract sections to add mandatory coverage of immunizations and minimum hospital stay after a mastectomy.

Significant Issues

Similar bills were passed by the Legislature last year: House Bill 489 from the regular session and Senate Bill 26 from the special session. Both were vetoed by the Governor because the legislation gave employers the option of excluding mental health services from their plan and because parity will result in an increase of insurance costs.

FISCAL IMPLICATIONS

Senate Bill 345 does not contain an appropriation.

OTHER SUBSTANTIVE ISSUES

Insurance coverage for mental health services has never been on par with other physical ailments. The insurance industry has often argued against including or expanding mental health benefits due to the risks of increased cost potential.

Research has shown that inaccessibility to clinically necessary mental health interventions does not reduce the cost of care to an individual; rather, the cost shifts to treating increased prolonged physical care needs and services including expensive, inappropriate hospitalization. Lack of parity has societal costs with respect to publicly funded health-related programs often absorbing those clients the private sector refuses to address. Treating individuals with chronic, severe mental illness is often challenging, given the unique needs of these individuals. Unfortunately, the insurance industry has historically focused on medical conditions and is extremely limited in its knowledge of rehabilitative or recovery-based care, especially to those with chronic mental illness.

The lack of adequate insurance for these individuals has, and will continue to be, another form of discrimination until parity is addressed. However, the limitations of this legislation do not promote parity. Section 1.B allows the insurer to institute limitations such as pre-admission screening prior to authorization of mental health services if covered under a plan. Individuals with a prior history of mental illness may be denied access through the pre-admission screening process.

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