

MAR 18 2003

HOUSE FILE 627
BY COMMITTEE ON HUMAN RESOURCES

Place On Calendar

(SUCCESSOR TO HSB 288)

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to third-party payment of health care coverage
2 costs for biologically based mental illness treatment
3 services.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HF 627

1 Section 1. NEW SECTION. 514C.21 BIOLOGICALLY BASED
2 MENTAL ILLNESS COVERAGE.

3 1. Notwithstanding the uniformity of treatment
4 requirements of section 514C.6, a group policy, contract, or
5 plan providing for third-party payment or prepayment of
6 health, medical, and surgical coverage benefits issued by a
7 carrier, as defined in section 513B.2, or by an organized
8 delivery system authorized under 1993 Iowa Acts, chapter 158,
9 shall provide coverage benefits for treatment of a
10 biologically based mental illness if either of the following
11 is satisfied:

12 a. The policy, contract, or plan is issued to an employer
13 who on at least fifty percent of the employer's working days
14 during the preceding calendar year employed more than fifty
15 full-time equivalent employees. In determining the number of
16 full-time equivalent employees of an employer, employers who
17 are affiliated or who are able to file a consolidated tax
18 return for purposes of state taxation shall be considered one
19 employer.

20 b. The policy, contract, or plan is issued to a small
21 employer as defined in section 513B.2, and such policy,
22 contract, or plan provides coverage benefits for the treatment
23 of mental illness.

24 2. Notwithstanding the uniformity of treatment
25 requirements of section 514C.6, a plan established pursuant to
26 chapter 509A for public employees shall provide coverage
27 benefits for treatment of a biologically based mental illness.

28 3. For purposes of this section, "biologically based
29 mental illness" means the following psychiatric illnesses:

- 30 a. Schizophrenia.
- 31 b. Bipolar disorders.
- 32 c. Major depressive disorders.
- 33 d. Schizo-affective disorders.
- 34 e. Obsessive-compulsive disorders.
- 35 f. Pervasive developmental disorders.

1 g. Autistic disorders.

2 4. The commissioner, by rule, shall define the
3 biologically based mental illnesses identified in subsection
4 3. Definitions established by the commissioner shall be
5 consistent with definitions provided in the most recent
6 edition of the American psychiatric association's diagnostic
7 and statistical manual of mental disorders, as such
8 definitions may be amended from time to time. The
9 commissioner may adopt the definitions provided in such manual
10 by reference.

11 5. This section shall not apply to accident only,
12 specified disease, short-term hospital or medical, hospital
13 confinement indemnity, credit, dental, vision, Medicare
14 supplement, long-term care, basic hospital and medical-
15 surgical expense coverage as defined by the commissioner,
16 disability income insurance coverage, coverage issued as a
17 supplement to liability insurance, workers' compensation or
18 similar insurance, or automobile medical payment insurance, or
19 individual accident and sickness policies issued to
20 individuals or to individual members of a member association.

21 6. A carrier, organized delivery system, or plan
22 established pursuant to chapter 509A may manage the benefits
23 provided through common methods including, but not limited to,
24 providing payment of benefits or providing care and treatment
25 under a capitated payment system, prospective reimbursement
26 rate system, utilization control system, incentive system for
27 the use of least restrictive and least costly levels of care,
28 a preferred provider contract limiting choice of specific
29 providers, or any other system, method, or organization
30 designed to assure services are medically necessary and
31 clinically appropriate.

32 7. a. A group policy, contract, or plan covered under
33 this section shall not impose an aggregate annual or lifetime
34 limit on biologically based mental illness coverage benefits
35 unless the policy, contract, or plan imposes an aggregate

1 annual or lifetime limit on substantially all health, medical,
2 and surgical coverage benefits.

3 b. A group policy, contract, or plan covered under this
4 section that imposes an aggregate annual or lifetime limit on
5 substantially all health, medical, and surgical coverage
6 benefits shall not impose an aggregate annual or lifetime
7 limit on biologically based mental illness coverage benefits
8 that is less than the aggregate annual or lifetime limit
9 imposed on substantially all health, medical, and surgical
10 coverage benefits.

11 8. A group policy, contract, or plan covered under this
12 section shall at a minimum allow for thirty inpatient days and
13 fifty-two outpatient visits annually. The policy, contract,
14 or plan may also include deductibles, coinsurance, or
15 copayments, provided the amounts and extent of such
16 deductibles, coinsurance, or copayments applicable to other
17 health, medical, or surgical services coverage under the
18 policy, contract, or plan are the same. It is not a violation
19 of this section if the policy, contract, or plan excludes
20 entirely from coverage benefits for the cost of providing the
21 following:

22 a. Marital, family, educational, developmental, or
23 training services.

24 b. Care that is substantially custodial in nature.

25 c. Services and supplies that are not medically necessary
26 or clinically appropriate.

27 d. Experimental treatments.

28 9. This section applies to the following classes of third-
29 party payment provider policies, contracts, or plans referred
30 to in subsections 1 and 2 and delivered, issued for delivery,
31 continued, or renewed in this state on or after January 1,
32 2004:

33 a. Group accident and sickness insurance providing
34 coverage on an expense-incurred basis.

35 b. A group hospital or medical service contract issued

1 pursuant to chapter 509, 514, or 514A.

2 c. A plan established pursuant to chapter 509A for public
3 employees.

4 d. A group health maintenance organization contract
5 regulated under chapter 514B.

6 e. A group Medicare supplemental policy, unless coverage
7 pursuant to such policy is preempted by federal law.

8 f. Any other entity engaged in the business of insurance,
9 risk transfer, or risk retention, which is subject to the
10 jurisdiction of the commissioner.

11 g. An organized delivery system licensed by the director
12 of public health.

13 EXPLANATION

14 This bill creates a new Code section 514C.21 and provides
15 that a group policy, contract, or plan providing for third-
16 party payment or prepayment of health, medical, or surgical
17 coverage issued by a carrier, as defined in Code section
18 513B.2, or by an organized delivery system authorized under
19 1993 Iowa Acts, chapter 158, shall provide coverage benefits
20 for treatment of a biologically based mental illness if the
21 policy, contract, or plan is issued to an employer who on at
22 least 50 percent of the employer's working days during the
23 preceding calendar year employed more than 50 full-time
24 equivalent employees; if the policy, contract, or plan is
25 issued to a small employer as defined in Code section 513B.2,
26 and such policy, contract, or plan provides coverage benefits
27 for the treatment of mental illness; or if the plan is
28 established pursuant to Code chapter 509A for public
29 employees.

30 The bill defines "biologically based mental illness" as
31 psychiatric illnesses including schizophrenia, bipolar
32 disorders, major depressive disorders, schizo-affective
33 disorders, obsessive-compulsive disorders, pervasive
34 developmental disorders, and autistic disorders. The
35 commissioner is directed to establish by rule the definition

1 of the biologically based mental illnesses identified. The
2 definitions established by the commissioner are to be
3 consistent with definitions provided in the most recent
4 edition of the American psychiatric association's diagnostic
5 and statistical manual of mental disorders, as such
6 definitions may be amended from time to time. The
7 commissioner may adopt the definitions provided in such manual
8 by reference.

9 The bill provides that a carrier, organized delivery
10 system, or plan established pursuant to Code chapter 509A may
11 manage the benefits provided through common methods including,
12 but not limited to, providing payment of benefits or providing
13 care and treatment under a capitated payment system,
14 prospective reimbursement rate system, utilization control
15 system, incentive system for the use of least restrictive and
16 least costly levels of care, a preferred provider contract
17 limiting choice of specific providers, or any other system,
18 method, or organization designed to assure services are
19 medically necessary and clinically appropriate.

20 The bill provides that the new Code section applies to
21 certain specified third-party payment provider policies,
22 contracts, and plans delivered, issued for delivery,
23 continued, or renewed in this state on or after January 1,
24 2004, that provide group insurance coverage.

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Description

House File 627 creates Chapter 514C.21, Code of Iowa, and requires that a group policy, contract, or plan providing for third-party payment or prepayment of health, medical, and surgical expenses must provide coverage benefits for biologically based mental illness under the policy, contract, or plan, delivered, issued for delivery, continued, or renewed in Iowa on or after January 1, 2004.

Biologically based mental illness means a psychiatric illness including schizophrenia, bipolar disorders, obsessive-compulsive disorders, pervasive developmental disorders, and autistic disorders.

Assumptions

6. Total FY 2004 State employee Managed Care Organization (MCO) health and medical costs would be approximately \$63.4 million, not including members of the State Peace Officers Council, and employees on a Managed Care Organization (MCO) plan not on central payroll.
7. Total plan costs would increase an estimated 0.4% in FY 2004.
8. Six months of FY 2004 will be impacted.
9. Biologically based mental illness costs will increase at the same rate as other medical condition costs.
10. Only Managed Care Organization (MCO) premiums increase.
11. Wellmark plans have benefits equal to benefit levels provided in the Bill.
12. The FY 2004 costs will increase by 15.0% compared to FY 2003, without any changes in benefits.
13. The FY 2005 costs will increase by 15.0% compared to FY 2004, without any changes in benefits.
14. The General Fund share will be 53.0%, the federal share will be 35.0%, and the employee share will be 12.0%.
15. The amount paid by Medicaid for people who are suffering from biologically based mental illness, as defined in the Bill, because their private insurance does not provide sufficient coverage, is unknown.

Fiscal Impact

House File 627 would cost the General Fund an estimated \$134,000 in FY 2004 and \$155,000 in FY 2005.

The federal share of costs would increase by \$89,000 for FY 2004, and \$102,000 for FY 2005.

The employee share of the increase would be \$30,000 for FY 2004 and \$35,000 for FY 2005.

Sources

Department of Personnel
Wellmark Blue Cross and Blue Shield of Iowa

/s/ Dennis C Prouty

March 24, 2003

**Fiscal Services Division
Legislative Services Agency
Fiscal Note**

HF 627 - Mental Health & Substance Abuse Insurance Parity (LSB 3200 HV.1)
Analyst: Ron Robinson (Phone: (515) 281-6256) (ron.robinson@legis.state.ia.us)
Fiscal Note Version - Revised

Description

House File 627 creates Chapter 514C.21, Code of Iowa, and requires that a group policy, contract, or plan providing for third-party payment or prepayment of health, medical, and surgical expenses must provide coverage benefits for biologically based mental illness under the policy, contract, or plan, delivered, issued for delivery, continued, or renewed in Iowa on or after January 1, 2004.

Biologically based mental illness means a psychiatric illness including schizophrenia, bipolar disorders, obsessive-compulsive disorders, pervasive developmental disorders, and autistic disorders.

Assumptions

1. The Bill will be effective for policies, contracts, or plans, delivered, issued for delivery, continued, or renewed in Iowa on or after January 1, 2005.
2. Total FY 2005 State employee Managed Care Organization (MCO) health and medical costs would be approximately \$63.4 million, not including members of the State Peace Officers Council, and employees on a Managed Care Organization (MCO) plan not on central payroll, which includes the Professional and Scientific staff at the Board of Regents.
3. Total central payroll plan costs would increase an estimated 0.4% in FY 2005 due to the benefit increase.
4. Six months of FY 2005 will be impacted.
5. Biologically based mental illness costs will increase at the same rate as other medical condition costs.
6. Only Managed Care Organization (MCO) premiums increase.
7. Wellmark plans have benefits equal to benefit levels provided in the Bill.
8. The FY 2005 costs will increase by 15.0% compared to FY 2004, without any changes in benefits.
9. The FY 2006 costs will increase by 15.0% compared to FY 2005, without any changes in benefits.
10. The General Fund share will be 43.0%, the non-General Fund share will be 55.0%, and the employee share will be 2.0%.
11. The amount paid by Medicaid for people who are suffering from biologically based mental illness, as defined in the Bill, because their private insurance does not provide sufficient coverage, is unknown.
12. The percentage of premiums paid for by the employees of the Board of Regents is unknown.
13. The Board of Regents offers several policies with the typical policy offering fewer than 30 days for inpatient visits and 52 days for outpatient visits for mental health services.
14. The Board of Regents offers several policies with the typical policy providing a 50.0% benefit for mental health services versus 90.0% for other services.

Fiscal Impact

The estimated fiscal impact of HF 627 is as follows:

Central Payroll Staff

House File 627 would cost the General Fund an estimated \$112,000 in FY 2005 and \$128,000 in FY 2006, due to the increase in benefits for central payroll staff.

The non-General Fund share of costs, excluding the employee share, would increase by \$143,000 for FY 2005, and \$164,000 for FY 2006, due to the increase in benefits for central payroll staff.

The employee share of the increase would be \$6,000 for FY 2005 and \$7,000 for FY 2006, due to the increase in benefits for central payroll staff.

Board of Regents Staff

House File 627 would increase the cost for the Board of Regents, including employee costs, by \$1.6 million for FY 2005 and \$1.7 million for FY 2006.

Sources

Department of Personnel
Wellmark Blue Cross and Blue Shield of Iowa
Board of Regents

Dennis C Prouty

March 1, 2004

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Legislative Fiscal Bureau to members of the Legislature upon request.

*Boddicker, Ch.
Smith
Heaton*

Succeeded By **HSB 288**
SF **0627** **HUMAN RESOURCES**

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON
HUMAN RESOURCES BILL
BY CHAIRPERSON BODDICKER)

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

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4 requirements of section 514C.6, a group policy, contract, or
5 plan providing for third-party payment or prepayment of
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7 carrier, as defined in section 513B.2, or by an organized
8 delivery system authorized under 1993 Iowa Acts, chapter 158,
9 shall provide coverage benefits for treatment of a
10 biologically based mental illness if either of the following
11 is satisfied:

12 a. The policy, contract, or plan is issued to an employer
13 who on at least fifty percent of the employer's working days
14 during the preceding calendar year employed more than fifty
15 full-time equivalent employees. In determining the number of
16 full-time equivalent employees of an employer, employers who
17 are affiliated or who are able to file a consolidated tax
18 return for purposes of state taxation shall be considered one
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20 b. The policy, contract, or plan is issued to a small
21 employer as defined in section 513B.2, and such policy,
22 contract, or plan provides coverage benefits for the treatment
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27 the use of least restrictive and least costly levels of care,
28 a preferred provider contract limiting choice of specific
29 providers, or any other system, method, or organization
30 designed to assure services are medically necessary and
31 clinically appropriate.

32 7. a. A group policy, contract, or plan covered under
33 this section shall not impose an aggregate annual or lifetime
34 limit on biologically based mental illness coverage benefits
35 unless the policy, contract, or plan imposes an aggregate

1 annual or lifetime limit on substantially all health, medical,
2 and surgical coverage benefits.

3 b. A group policy, contract, or plan covered under this
4 section that imposes an aggregate annual or lifetime limit on
5 substantially all health, medical, and surgical coverage
6 benefits shall not impose an aggregate annual or lifetime
7 limit on biologically based mental illness coverage benefits
8 that is less than the aggregate annual or lifetime limit
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17 health, medical, or surgical services coverage under the
18 policy, contract, or plan are the same. It is not a violation
19 of this section if the policy, contract, or plan excludes
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10 jurisdiction of the commissioner.

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12 of public health.

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