

HUMAN RESOURCES: Murphy, Chair; Bruner and Lind

FILED MAR 17 1987

SENATE FILE 431
BY MURPHY

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

A BILL FOR

1 An Act relating to insurance, requiring coverage under group
2 policies of accident and health insurance, group hospital or
3 medical and surgical service contracts, and health maintenance
4 organization health care services plans, and requiring the
5 offering of coverage under individual policies of accident and
6 health insurance, for the treatment of chemical dependency and
7 mental disorders on substantially the same basis as other
8 physical health care coverages, with certain limitations.

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

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1 Section 1. NEW SECTION. 514C.3 DEFINITIONS.

2 As used in this chapter, unless the context otherwise
3 requires:

4 1. "Chemical dependency" means chemical dependency as
5 defined in section 125.2, subsection 1.

6 2. "Freestanding or residential facility" means an
7 inpatient facility in a nonhospital setting which provides
8 twenty-four-hour-per-day supervision and support for the
9 treatment and rehabilitation of a person with a chemical
10 dependency.

11 3. "Halfway house" means a facility which provides
12 structured peer group living in a supervised setting, with
13 follow-up, individual or group counseling aimed at
14 reintegrating a person with a chemical dependency into the
15 person's home, job, and community.

16 4. "Mental disorder" means a mental disorder identified as
17 such in the latest edition or revision of the diagnostic and
18 statistical manual of the American psychiatric association or
19 of the clinical modification portion of the international
20 classification of diseases.

21 5. "Mental health service provider" means a physician li-
22 censed under chapter 148 or 150A who meets the standards for
23 psychiatrists or neurologists of the American board of
24 psychiatry and neurology; a psychologist licensed and certi-
25 fied under section 154B.7; a community mental health center
26 accredited pursuant to section 225C.6, subsection 1, paragraph
27 "c"; a facility meeting the standards required by section
28 225C.6, subsection 1, paragraph "e" for the maintenance and
29 operation of public or private facilities offering services to
30 mentally ill persons; a hospital licensed under chapter 135B
31 or a children's residential treatment facility licensed
32 pursuant to section 237.4 which meets the accreditation
33 requirements of the joint commission on the accreditation of
34 hospitals; a nurse licensed as a registered nurse under
35 chapter 152 who meets the standards of a clinical specialist

1 in adult psychiatric and mental health nursing of the American
2 nurses association; a social worker licensed under chapter
3 154C who meets the standards of the national register of
4 clinical social workers; or an individual licensed as a
5 professional under a law of this state and certified by the
6 division of mental health, mental retardation, and
7 developmental disabilities of the department of human services
8 as a mental health professional qualified to provide mental
9 health services.

10 6. "Mental health services" means outpatient care and
11 treatment, intermediate care and partial hospitalization
12 services, inpatient services, residential services, community
13 support services, emergency services, and evaluation services,
14 or comparable services, and related inpatient and residential
15 room and board costs, as delineated in the annual state mental
16 health plan prepared pursuant to section 295C.4, subsection 1,
17 paragraph "a", or comprehensive residential treatment services
18 for children, and related residential room and board costs, as
19 delineated in rules adopted pursuant to section 237.3.

20 7. "Outpatient care and treatment" means diagnostic and
21 other treatment provided to a person with a chemical depen-
22 dency on an individual or group basis, on a scheduled or a
23 nonscheduled basis, in a setting which is not inpatient or
24 residential in nature, including but not limited to follow-up
25 therapy to persons who have left more structured settings, and
26 entry level treatment and intervention for persons whose
27 physical, psychological, social, or vocational status allows
28 them to function in their usual environments.

29 8. "Partial day care and treatment" means ambulatory
30 treatment services provided during the day or evening, on an
31 organized, formal, and regularly scheduled basis, consisting
32 of at least four hours of structured treatment per day for at
33 least four days each week.

34 9. "Treatment plan" means a plan initiated on the time of
35 a person's referral to necessary care and treatment for

1 chemical dependency or mental disorders, which is approved for
2 chemical dependency treatment by a physician or other legally
3 qualified health care practitioner or for treatment for mental
4 disorders by a mental health service provider, and which
5 specifies the services and programs for the care and treatment
6 of the person.

7 Sec. 2. NEW SECTION. 514C.4 MANDATORY BENEFITS FOR
8 CHEMICAL DEPENDENCY.

9 Except as provided in section 514C.8, benefits for the
10 necessary care and treatment of chemical dependency shall not
11 be less favorable than for physical illness generally, shall
12 be subject to the same deductibles and coinsurance, and shall
13 be payable to facilities as defined in section 125.2,
14 subsection 2, and to similar facilities accredited by the
15 joint commission on the accreditation of hospitals or by the
16 American osteopathic association, which provide the necessary
17 care and treatment pursuant to a written treatment plan.
18 Benefits shall be payable for inpatient care and treatment,
19 including inpatient care or treatment in freestanding or
20 residential facilities, outpatient care and treatment, partial
21 day care and treatment, and care and treatment provided in
22 halfway houses.

23 All providers and programs of necessary care and treatment
24 of chemical dependency covered by benefits subject to this
25 section shall periodically be subjected to a utilization
26 review of the appropriateness of levels of treatment,
27 admissions, and lengths of stays. The review may be conducted
28 by the third-party payer, a peer review organization, the Iowa
29 foundation for medical care, or a similar review organization.
30 The reviewer shall utilize standardized and widely accepted
31 review criteria.

32 Sec. 3. NEW SECTION. 514C.5 MANDATORY BENEFITS FOR
33 MENTAL DISORDERS.

34 Benefits for the necessary care and treatment of mental
35 disorders shall cover the mental health services which are

1 medically or psychologically necessary or which are necessary
2 to restore a person's capacity for social or biological
3 functioning, and which are provided pursuant to a written
4 treatment plan. Except as provided in section 514C.8,
5 benefits shall not be less favorable than for physical illness
6 generally and shall be subject to the same deductibles and
7 coinsurance. However, benefits may be limited to mental
8 health services provided by mental health providers.

9 All providers and programs of necessary care and treatment
10 of mental disorders covered by benefits subject to this
11 section shall periodically be subjected to a utilization
12 review of the appropriateness of levels of treatment
13 admissions, and lengths of stays. The review may be conducted
14 by the third-party payer, a peer review organization, the Iowa
15 foundation for medical care, or a similar review organization.
16 The reviewer shall utilize standardized and widely accepted
17 review criteria.

18 Sec. 4. NEW SECTION. 514C.6 MODEL FOR UTILIZATION REVIEW
19 OF MENTAL HEALTH SERVICES.

20 The state department of health, with the technical advice
21 of the division of insurance of the department of commerce,
22 and the division of mental health, mental retardation, and
23 developmental disabilities of the department of human
24 services, and with the consultation of affected utilization
25 reviewers, shall adopt rules pursuant to chapter 17A
26 establishing a model set of criteria for the utilization of
27 mental health services, with cross references to the mental
28 disorders which are appropriately treated by the mental health
29 services.

30 Sec. 5. NEW SECTION. 514C.7 UTILIZATION CONTROL.

31 This chapter does not prohibit or discourage insurers,
32 nonprofit service corporations, and health maintenance
33 organizations from providing payments of benefits or providing
34 care and treatment under capitated payment systems, under
35 prospective reimbursement rate systems, under utilization

1 control systems, under incentive systems for the use of least
2 restrictive and least costly levels of care, under preferred
3 provider contracts limiting choice of specific provider, or
4 under other systems designed to contain costs without
5 sacrificing care or treatment outcome. Restrictions on
6 eligible providers may be made on the basis of cost
7 effectiveness and outcome of care, but restrictions based
8 solely on type or class of provider are prohibited.

9 Sec. 6. Section 509.3, Code 1987, is amended by adding the
10 following new subsections:

11 NEW SUBSECTION. 8. A provision which provides the
12 policyholder with benefits for the necessary care and
13 treatment of chemical dependency as provided in section
14 514C.4.

15 NEW SUBSECTION. 9. A provision which provides the
16 policyholder with benefits for the necessary care and
17 treatment of mental disorders as provided in section 514C.5.

18 Sec. 7. Section 514.7, Code 1987, is amended by adding the
19 following new unnumbered paragraphs:

20 NEW UNNUMBERED PARAGRAPH. Group contracts with subscribers
21 for hospital or medical and surgical service shall contain in
22 substance a provision which provides the subscribers with
23 benefits for the necessary care and treatment of chemical
24 dependency as provided in section 514C.4.

25 NEW UNNUMBERED PARAGRAPH. Group contracts with subscribers
26 for hospital or medical and surgical service shall contain in
27 substance a provision which provides the subscribers with
28 benefits for the necessary care and treatment of mental
29 disorders as provided in section 514C.5.

30 Sec. 8. NEW SECTION. 514A.13 MANDATORY OFFER OF CHEMICAL
31 DEPENDENCY COVERAGE.

32 An individual policy of accident and health insurance
33 regulated under this chapter shall contain in substance a
34 provision which offers and makes available to the policyholder
35 benefits for the necessary care and treatment of chemical

1 dependency as provided in section 514C.4.

2 Sec. 9. NEW SECTION. 514A.14 MANDATORY OFFER OF MENTAL
3 DISORDERS COVERAGE.

4 An individual policy of accident and health insurance
5 regulated under this chapter shall contain in substance a
6 provision which offers and makes available to the policyholder
7 benefits for the necessary care and treatment of mental
8 disorders as provided in section 514C.5.

9 Sec. 10. Section 514B.5, Code 1987, is amended by adding
10 the following new subsections after subsection 3 and
11 renumbering the subsequent subsections:

12 NEW SUBSECTION. 4. The health maintenance organization
13 provides necessary care and treatment of chemical dependency
14 as provided in section 514C.4.

15 NEW SUBSECTION. 5. The health maintenance organization
16 provides necessary care and treatment of mental disorders as
17 provided in section 514C.5.

18 Sec. 11. This Act applies to individual and group
19 policies, contracts, and evidences of coverage delivered or
20 issued for delivery after the effective date of this Act, and
21 to existing group policies, contracts, and evidences of
22 coverage on their next anniversary or renewal date or upon the
23 expiration of an applicable collective bargaining contract, if
24 any, whichever is the later.

25 This Act takes effect March 15, 1988. However, effective
26 July 1, 1987, group policies of accident and health insurance,
27 group hospital or medical and surgical service contracts, and
28 health maintenance organization health care services plans
29 shall offer and make available to policyholders, subscribers,
30 and enrollees benefits for the necessary care and treatment of
31 chemical dependency as provided in section 514C.4 and of
32 mental disorders as provided in section 514C.5.

33 Sec. 12. COMPREHENSIVE STUDY. The legislative council
34 shall establish an interim study committee to conduct a
35 comprehensive study of public and private third-party cover-

1 ages of treatment services for chemical dependency and mental
 2 disorders, including the study of appropriate utilization
 3 review systems to assure that treatment services are being
 4 provided in the most effective and efficient manner. The
 5 study committee shall be composed of legislators, public and
 6 private providers of treatment services for chemical
 7 dependency or mental disorders, consumers of treatment
 8 services for chemical dependency or mental disorders, and
 9 representatives of other interested public or private
 10 organizations. The legislative council may conduct the study
 11 with the assistance of independent consultants and may accept
 12 financial or staff support for the study from any public or
 13 private source. The commissioner of insurance shall establish
 14 estimates based on actuarial data of the costs of implementing
 15 this Act, including the Act's effects on premium and
 16 participation costs after taking into consideration the
 17 experience of other states. The study committee shall
 18 transmit a preliminary report of its findings and
 19 recommendations, accompanied by any recommended legislative
 20 bill drafts, to the legislative council by December 1, 1987,
 21 and shall transmit its final report to the legislative council
 22 and the general assembly by January 1, 1988.

23 EXPLANATION

24 This bill requires that group policies of accident and
 25 health insurance, hospital or medical and surgical service
 26 contracts, and health maintenance organizations provide cover-
 27 age, and requires individual policies of accident and health
 28 insurance to offer coverage, for the treatment of chemical
 29 dependency and mental disorders, on substantially the same
 30 basis as other physical health care coverages.

31 The coverage for chemical dependency must apply to facili-
 32 ties licensed by the department of substance abuse, hospitals,
 33 and the state mental health institutes, and similar facilities
 34 accredited by the joint commission on the accreditation of
 35 hospitals or the American osteopathic association; however,

1 the coverage may be limited to specified dollar amounts, sub-
2 ject to adjustment by the commissioner of insurance, on annual
3 outpatient, partial day, halfway house, and inpatient
4 coverages. Utilization review is required.

5 The coverage for mental disorders must cover mental health
6 services, as defined, and may be limited to specified numbers
7 of services provided by mental health service providers, as
8 defined. Utilization review is required, with the department
9 of health mandated to adopt model utilization review criteria
10 for mental health services.

11 The bill contains a provision determining applicability to
12 policies, contracts, and evidences of coverage currently in
13 force or to be in force in the future.

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