

MAR 2 2001  
COMMERCE AND REGULATION

HOUSE FILE 491  
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Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

**A BILL FOR**

1 An Act relating to third-party payors of health care coverage  
2 costs for mental illness and substance abuse treatment  
3 services.

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

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HC 491

1 Section 1. NEW SECTION. 514C.21 MENTAL HEALTH AND  
2 SUBSTANCE ABUSE COVERAGE.

3 1. Notwithstanding the uniformity of treatment  
4 requirements of section 514C.6, a group policy or contract  
5 providing for third-party payment or prepayment of health or  
6 medical expenses shall provide mental health and substance  
7 abuse treatment coverage benefits and shall not impose  
8 limitations on financial terms for coverage of services for  
9 serious mental illnesses or substance abuse if similar  
10 limitations are not imposed on the coverage benefits for  
11 services for medical or surgical conditions.

12 2. For purposes of this section, unless the context  
13 otherwise requires:

14 a. "Medically necessary or clinically appropriate" means,  
15 with respect to a service or benefit, a service or benefit  
16 which is consistent with generally accepted principles of  
17 professional medical practice.

18 b. "Serious mental illness" means the following disorders,  
19 as defined by the American psychiatric association's  
20 diagnostic and statistical manual of mental disorders:

- 21 (1) Schizophrenia.
- 22 (2) Schizo-affective disorder.
- 23 (3) Bipolar disorder.
- 24 (4) Major depressive disorder.
- 25 (5) Obsessive-compulsive disorder.
- 26 (6) Autism.
- 27 (7) Pervasive developmental disorders.
- 28 (8) Panic disorder.
- 29 (9) Paranoia and other psychotic disorders.
- 30 (10) Eating disorders, including but not limited to  
31 bulimia nervosa and anorexia nervosa.

32 c. "Substance abuse" means a pattern of pathological use  
33 of alcohol or a drug that causes impairment in social or  
34 occupational functioning, or that produces physiological  
35 dependency evidenced by physical tolerance or by physical

1 symptoms when the alcohol or drug is withdrawn.

2     2. This section shall not apply to accident-only, specific  
3 disease, short-term hospital or medical, hospital confinement  
4 indemnity, credit, dental, vision, Medicare supplement, long-  
5 term care, basic hospital and medical-surgical expense  
6 coverage as defined by the commissioner, disability income  
7 insurance coverage, coverage issued as a supplement to  
8 liability insurance, workers' compensation or similar  
9 insurance, automobile medical payment insurance, or individual  
10 accident or sickness policies issued pursuant to chapter 513C.

11     3. A third-party payor may manage the benefits provided  
12 through common methods including, but not limited to,  
13 providing payment of benefits or providing care and treatment  
14 under a capitated payment system, prospective reimbursement  
15 rate system, utilization control system, incentive system for  
16 the use of least restrictive and least costly levels of care,  
17 a preferred provider contract limiting choice of specific  
18 provider, or any other system, method, or organization  
19 designed to ensure services are medically necessary and  
20 clinically appropriate.

21     4. A group policy or contract covered under this section,  
22 at a minimum, shall provide for thirty inpatient and sixty  
23 outpatient days annually. The policy or contract may also  
24 include deductibles, coinsurance, or copayments if such  
25 deductibles, coinsurance, or copayments are applicable to  
26 other medical or surgical services coverage under the policy  
27 or contract. It is not a violation of this section if the  
28 policy or contract excludes entirely from coverage benefits  
29 the cost of providing the following:

- 30     a. Marital, family, educational, developmental, or  
31 training services.
- 32     b. Care that is substantially custodial in nature.
- 33     c. Services and supplies that are not medically necessary  
34 or clinically appropriate.
- 35     d. Experimental treatments.

1 5. The commissioner, by rule, shall increase the mental  
2 health and substance abuse lifetime limit in the individual  
3 market guaranteed standard product to one hundred thousand  
4 dollars.

5 6. A group policy is exempt from this section upon  
6 submitting to the commissioner evidence demonstrating a  
7 premium increase for the policy term in excess of three  
8 percent as a result of the requirements of this section.

9 7. This section applies to third-party payment provider  
10 contracts or policies delivered, issued for delivery,  
11 continued, or renewed in this state on or after January 1,  
12 2002.

13 8. This section is repealed effective July 1, 2004.

14 EXPLANATION

15 This bill creates new Code section 514C.21 and provides  
16 that a group policy or contract providing for third-party  
17 payment or prepayment of health or medical expenses shall  
18 provide coverage benefits for treatment of a serious mental  
19 illness and substance abuse. The bill prohibits a group  
20 policy or contract from imposing limitations on the financial  
21 terms for coverage of services for serious mental illnesses or  
22 substance abuse if similar limitations are not imposed on the  
23 coverage benefits for services for medical or surgical  
24 conditions.

25 The bill defines "serious mental illness" as psychiatric  
26 illnesses including schizophrenia, schizo-affective disorder,  
27 bipolar disorders, major depressive disorders, obsessive-  
28 compulsive disorders, autism, pervasive developmental  
29 disorders, panic disorders, paranoia and other psychotic  
30 disorders, and eating disorders, including, but not limited  
31 to, bulimia nervosa and anorexia nervosa.

32 The bill defines "substance abuse" as a pattern of  
33 pathological use of alcohol or a drug that causes impairment  
34 in social or occupational functioning, or that produces  
35 physiological dependency evidenced by physical tolerance or by

1 physical symptoms when the alcohol or drug is withdrawn.

2 The bill provides that a third-party payor may manage the  
3 benefits provided through common methods including, but not  
4 limited to, providing payment of benefits or providing care  
5 and treatment under a capitated payment system, prospective  
6 reimbursement rate system, utilization control system,  
7 incentive system for the use of least restrictive and least  
8 costly levels of care, a preferred provider contract limiting  
9 choice of specific provider, or any other system, method, or  
10 organization designed to ensure services are medically  
11 necessary and clinically appropriate. The bill defines  
12 "medically necessary or clinically appropriate" services  
13 according to generally accepted principles of professional  
14 medical practice.

15 The bill provides that the commissioner, by rule, is to  
16 increase the mental health and substance abuse lifetime limit  
17 in the individual market guaranteed standard product to  
18 \$100,000.

19 The bill provides that a group policy is exempt from the  
20 requirements of the new Code section upon submitting to the  
21 commissioner evidence demonstrating a premium increase for the  
22 policy term in excess of 3 percent as a result of the  
23 requirements of this section.

24 The bill provides that the new Code section applies to  
25 third-party payment provider contracts or policies delivered,  
26 issued for delivery, continued, or renewed in this state on or  
27 after January 1, 2002.

28 The new Code section is repealed effective July 1, 2004.

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