

House Study Bill 564

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

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

A BILL FOR

1 An Act requiring insurance coverage benefits for treatment of
2 mental illness and substance abuse and providing an effective
3 date.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
5 TLSB 5751HC 82
6 av/nh/8

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1 1 Section 1. Section 135H.3, Code 2007, is amended by adding
1 2 the following new unnumbered paragraph:
1 3 NEW UNNUMBERED PARAGRAPH. A child who requires treatment
1 4 for a mental illness or for substance abuse as defined in
1 5 section 514C.23, and meets the medical assistance program
1 6 criteria for admission to a psychiatric medical institution
1 7 for children shall be deemed to meet the acuity criteria for
1 8 inpatient benefits under a group policy, contract, or plan
1 9 providing for third-party payment or prepayment of health,
1 10 medical, and surgical coverage benefits issued by a carrier,
1 11 as defined in section 513B.2, or by an organized delivery
1 12 system authorized under 1993 Iowa Acts, ch. 158, that is
1 13 subject to section 514C.23.
1 14 Sec. 2. NEW SECTION. 514C.23 MENTAL ILLNESS AND
1 15 SUBSTANCE ABUSE TREATMENT COVERAGE.
1 16 1. Notwithstanding the uniformity of treatment
1 17 requirements of section 514C.6, a group policy or contract
1 18 providing for third-party payment or prepayment of health or
1 19 medical expenses issued by a carrier, as defined in section
1 20 513B.2, or by an organized delivery system authorized under
1 21 1993 Iowa Acts, chapter 158, shall provide coverage benefits
1 22 for treatment of mental illness and substance abuse if either
1 23 of the following is satisfied:
1 24 a. The policy or contract is issued to an employer who on
1 25 at least fifty percent of the employer's working days during
1 26 the preceding calendar year employed more than fifty full-time
1 27 equivalent employees. In determining the number of full-time
1 28 equivalent employees of an employer, employers who are
1 29 affiliated or who are able to file a consolidated tax return
1 30 for purposes of state taxation shall be considered one
1 31 employer.
1 32 b. The policy or contract is issued to a small employer as
1 33 defined in section 513B.2, and such policy or contract
1 34 provides coverage benefits for the treatment of mental illness
1 35 and substance abuse.
2 1 2. Notwithstanding the uniformity of treatment
2 2 requirements of section 514C.6, a plan established pursuant to
2 3 chapter 509A for public employees shall provide coverage
2 4 benefits for treatment of mental illness and substance abuse.
2 5 3. For purposes of this section:
2 6 a. "Mental illness" means mental disorders as defined by
2 7 the commissioner by rule.
2 8 b. "Substance abuse" means a pattern of pathological use
2 9 of alcohol or a drug that causes impairment in social or
2 10 occupational functioning, or that produces physiological
2 11 dependency evidenced by physical tolerance or by physical
2 12 symptoms when the alcohol or drug is withdrawn.
2 13 4. The commissioner, by rule, shall define "mental
2 14 illness" consistent with definitions provided in the most
2 15 recent edition of the American psychiatric association's
2 16 diagnostic and statistical manual of mental disorders, as the
2 17 definitions may be amended from time to time. The

2 18 commissioner may adopt the definitions provided in such manual
2 19 by reference.

2 20 5. This section shall not apply to accident only,
2 21 specified disease, short-term hospital or medical, hospital
2 22 confinement indemnity, credit, dental, vision, Medicare
2 23 supplement, long-term care, basic hospital and
2 24 medical=surgical expense coverage as defined by the
2 25 commissioner, disability income insurance coverage, coverage
2 26 issued as a supplement to liability insurance, workers'
2 27 compensation or similar insurance, or automobile medical
2 28 payment insurance, or individual accident and sickness
2 29 policies issued to individuals or to individual members of a
2 30 member association.

2 31 6. A carrier, organized delivery system, or plan
2 32 established pursuant to chapter 509A may manage the benefits
2 33 provided through common methods including but not limited to
2 34 providing payment of benefits or providing care and treatment
2 35 under a capitated payment system, prospective reimbursement
3 1 rate system, utilization control system, incentive system for
3 2 the use of least restrictive and least costly levels of care,
3 3 a preferred provider contract limiting choice of specific
3 4 providers, or any other system, method, or organization
3 5 designed to assure services are medically necessary and
3 6 clinically appropriate.

3 7 7. a. A group policy or contract or plan covered under
3 8 this section shall not impose an aggregate annual or lifetime
3 9 limit on mental illness or substance abuse coverage benefits
3 10 unless the policy or contract or plan imposes an aggregate
3 11 annual or lifetime limit on substantially all medical and
3 12 surgical coverage benefits.

3 13 b. A group policy or contract or plan covered under this
3 14 section that imposes an aggregate annual or lifetime limit on
3 15 substantially all medical and surgical coverage benefits shall
3 16 not impose an aggregate annual or lifetime limit on mental
3 17 illness or substance abuse coverage benefits which is less
3 18 than the aggregate annual or lifetime limit imposed on
3 19 substantially all medical and surgical coverage benefits.

3 20 8. A group policy or contract or plan covered under this
3 21 section shall at a minimum allow for thirty inpatient days and
3 22 fifty=two outpatient visits annually. The policy or contract
3 23 or plan may also include deductibles, coinsurance, or
3 24 copayments, provided the amounts and extent of such
3 25 deductibles, coinsurance, or copayments applicable to other
3 26 medical or surgical services coverage under the policy or
3 27 contract or plan are the same. It is not a violation of this
3 28 section if the policy or contract or plan excludes entirely
3 29 from coverage benefits for the cost of providing the
3 30 following:

3 31 a. Care that is substantially custodial in nature.
3 32 b. Services and supplies that are not medically necessary
3 33 or clinically appropriate.

3 34 c. Experimental treatments.
3 35 9. This section applies to third=party payment provider
4 1 policies or contracts and plans established pursuant to
4 2 chapter 509A delivered, issued for delivery, continued, or
4 3 renewed in this state on or after January 1, 2009.

4 4 Sec. 3. Section 514C.22, Code 2007, is repealed.
4 5 Sec. 4. EFFECTIVE DATE. The section of this bill
4 6 repealing section 514C.22 takes effect January 1, 2009.

4 7 EXPLANATION

4 8 This bill amends Code section 135H.3 to provide that a
4 9 child who requires treatment for mental illness or substance
4 10 abuse as provided in new Code section 514C.23, and meets the
4 11 medical assistance program criteria for admission to a
4 12 psychiatric medical institution for children is deemed to meet
4 13 the acuity criteria for specified third=party payment of
4 14 inpatient benefits.

4 15 The bill creates a new Code section 514C.23 and provides
4 16 that a group policy or contract providing for third=party
4 17 payment or prepayment of health or medical expenses issued by
4 18 a carrier, as defined in Code section 513B.2, or by an
4 19 organized delivery system authorized under 1993 Iowa Acts,
4 20 chapter 158, shall provide coverage benefits for treatment of
4 21 mental illness and substance abuse if the policy or contract
4 22 is issued to an employer who on at least 50 percent of the
4 23 employer's working days during the preceding calendar year
4 24 employed more than 50 full=time equivalent employees; if the
4 25 policy or contract is issued to a small employer as defined in
4 26 Code section 513B.2, and such policy or contract provides
4 27 coverage benefits for the treatment of mental illness; or if
4 28 the plan is established pursuant to Code chapter 509A for

4 29 public employees.

4 30 The bill defines "mental illness" as mental disorders as
4 31 defined by the commissioner by rule. The commissioner is
4 32 directed to establish the definition of mental illness
4 33 consistent with definitions provided in the most recent
4 34 edition of the American psychiatric association's diagnostic
4 35 and statistical manual of mental disorders, as such
5 1 definitions may be amended from time to time. The
5 2 commissioner may adopt the definitions provided in such manual
5 3 by reference.

5 4 "Substance abuse" is defined as a pattern of pathological
5 5 use of alcohol or a drug that causes impairment in social or
5 6 occupational functioning, or that produces physiological
5 7 dependency evidenced by physical tolerance or by physical
5 8 symptoms when the alcohol or drug is withdrawn.

5 9 The bill provides that a carrier, organized delivery
5 10 system, or plan established pursuant to Code chapter 509A may
5 11 manage the benefits provided through common methods including
5 12 but not limited to providing payment of benefits or providing
5 13 care and treatment under a capitated payment system,
5 14 prospective reimbursement rate system, utilization control
5 15 system, incentive system for the use of least restrictive and
5 16 least costly levels of care, a preferred provider contract
5 17 limiting choice of specific providers, or any other system,
5 18 method, or organization designed to assure services are
5 19 medically necessary and clinically appropriate.

5 20 The bill provides that the new Code section created applies
5 21 to third-party payment provider contracts or policies and
5 22 public employer plans delivered, issued for delivery,
5 23 continued, or renewed in this state on or after January 1,
5 24 2009.

5 25 The bill repeals Code section 514C.22 concerning coverage
5 26 for biologically based mental illness, effective January 1,
5 27 2009.

5 28 LSB 5751HC 82
5 29 av/nh/8