



**COMMENTS TO THE HEALTH AND HUMAN SERVICES APPROPRIATIONS  
COMMITTEE ON DIVISION VI OF THE PROPOSED HEALTH CARE BILL**

**FEBRUARY 1, 2007**

**Sections 27 and 28 – Mental Health Parity Provisions**

**Iowa's current mental health parity law was just recently enacted – the proposed changes in the law would increase costs for employers and individuals.**

Sections 27 and 28 of the draft health care bill (LSB 1043) propose some very significant changes to Iowa's mental health law. As Commissioner Voss indicated last week, it would greatly expand the mental health care coverage required in plans regulated by the state.

Current law mandates coverage for biologically-based psychiatric illnesses, i.e. medical conditions treated by psychiatrists and mental health professionals as directed by psychiatrists. The proposed legislation goes beyond biologically-based illnesses and would mandate coverage for a broad range of mental health conditions including anxiety disorders, post-traumatic stress, alcohol and substance abuse, and eating disorders.

The proposed legislation would also expand the mandate to include small businesses with more than 25 employees and individual insurance. Current law mandates coverage only for large groups – those that employ more than 50. It does not apply to small group policies or to individual insurance.

Current law also requires that a set number of inpatient or outpatient days and visits be covered annually. The proposed legislation would mandate the same coverage limits for mental health conditions as for medical conditions. The bill would also expand the number and types of providers who would be covered to deliver services for the conditions included.

All of these proposed changes are significant expansions to Iowa's mental health parity law that was just passed in 2005 and made applicable to policies or contracts issued or renewed after January 1, 2006 – just little over one year ago.

The current mental health parity law was the result of many years of discussion and debate in this legislature. The legislation that passed in 2005 was supported by the Federation and many other groups because it was focused and designed to provide access to mental health services without making coverage for the services too costly for Iowans. An actuarial study conducted at the time showed it would have a potential cost increase of between 1.5 % and 2.5% for employers who had not previously provided mental health benefits. As Commissioner Voss

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stated in her comments last week, expanding the law to require coverage for additional conditions and providers will increase the costs to employers – both small and large – as well as to individuals. We don't know by how much - but our initial review is consistent with the Commissioner's statement that premiums would increase on average between 1% and 4%. Since our current mental health parity law is so new, the Federation believes it would be prudent to give it time to work - so that we can determine its true impacts - both in terms of coverage and costs.

Another reason it may be too soon to make significant changes in the law is that there is a lot of activity on this issue right now at the federal level – as consideration is being given to the Mental Health Parity Act of 2006. Congress is working on a major expansion of the current federal Mental Health Parity law that was first enacted in 1997. The latest draft from the Senate (as of January 17) reflects a willingness on the part of its sponsors – Senators Kennedy, Domenici and Enzi – to craft a bi-partisan bill acceptable to the business community and health plans, and the mental health and substance abuse advocacy groups.

In its current form, the Senate bill provides for full federal pre-emption of any state laws in regard to mental health parity for groups of 50 and above, that is, states will not be able to enforce greater parity standards than those set out in federal regulations. The bill does not mandate coverage but instead addresses the issue of if mental health benefits are provided, they must be provided on an equivalent basis to other health benefits. The bill would expand the benefit provisions that must be treated on an equivalent basis beyond those set out in the current law (deductibles, annual out of pocket maximums, etc).

## **Section 26 – PMIC Provision**

### **Residential care should not be a mandated health benefit.**

Section 26 of the proposed legislation would mandate coverage for residential services at psychiatric medical institutions for children (PMICs). PMICs provide a combination of services that are both medical and non-medical. Health insurers reimburse PMICs for the medical care they provide, for example, the services provided by a licensed staff psychiatrist. Health insurers do not, however, reimburse for non-medical services, such as residential or custodial care. In this regard, PMICs are like other providers that receive reimbursement for their services. For example, health insurance does not pay for residential care provided in assisted living facilities. A mandate requiring health insurance to pay for residential care is a mandate for services that are not health care.

The Federation of Iowa Insurers opposes a mandate for coverage of residential care in PMICs for the following additional reasons:

- The mandate would directly conflict with the express provisions of the Iowa's current mental health parity law that allows payment exclusion for “care that is substantially custodial in nature” and “services and supplies that are not medically necessary or clinically appropriate.”

- Treating residential care in a PMIC as acute inpatient hospital care could exhaust the inpatient benefits provided under a private health insurance contract – this could result in no coverage when a child really needs acute inpatient hospital care.
- Like all mandates, this mandate would increase the costs of health care for Iowans who rely on private health insurance.