NAMI IOWA

Iowa's Voice on Mental Illness

Date: February 1, 2007

To: Health & Human Services Appropriation Sub-Committee Members

From: Margaret Stout, Executive Director

Re: Mental Health Insurance Parity

Thank you very much for the opportunity to address this committee today on behalf of the members of our organization. One of our most important legislative concerns for years has been the lack of adequate mental health insurance as well as dental and general health care for those who have a mental illness. We commend this committee for revisiting mental health and substance abuse insurance coverage.

The proposed mental health mandatory insurance coverage is a progressive step forward in meeting the needs of our Iowa families. One in four families will have a member with mental health or mental illness needs at some point in their lives. Science has brought the very best available medications and evidence based treatment modalities for treating mental illness for all that access mental illness insurance at the time of need. We also know that in many cases early intervention, diagnosis and treatment may prevent a person from becoming seriously ill. The more episodes a person has the more likely a severe problem will occur.

I have attached a map dated 2004 to see that Iowa will not be the first state to mandate coverage for mental illness. Minnesota, our neighbor to the north has had full parity for ten or more years. Even though you will hear many objections from the insurance industry it has not broken the bank. I would hazard to guess it has helped the state Medicaid and state child/adolescent program budgets greatly. Again, early intervention and treatment saves dollars and lives.

The limited insurance parity that was passed two years ago has not always worked well for policyholders. We are finding that insurance rules have allowed companies to limit coverage for mental health within their actual policy. A mandated policy with limits clearly defined would help to equalize and clarify expectations for the rules written by the Insurance Department.

Here is one example that was given to me about limits from Linn County:

One company has decided that they will classify Mental Health as pre-existing if the person received services six months prior to being enrolled. Then they are allowed to deny services for twelve months, unless it is a late enrollee then it is eighteen months (penalty applied).

It was suggested that the person appealing the decision speak to the insurance company practicing the penalty use to see if they have some legal authority for the 18 months in light of the HIPAA. HIPAA only interprets that all health including mental health exclusions may be excluded up to 12 months within a policy.

The above confusion points out language that needs to be clearly stated in any Mental Health Section of a bill that you are considering. The Limited Mental Health Parity bill that passed two legislative sessions ago did not deal with the pre-existing question. I would encourage you to seriously look at consideration of an amendment to limited parity previously passed.

May I suggest for your consideration the following language:

All residents of Iowa covered with mental health insurance should be considered as a "roll over policy" and everyone is covered immediately because they are considered previously insured and that no exclusions are applied to policyholder.

It is my understanding that you are planning to cover all of the uninsured residents of Iowa. If this is the case you need to consider the uninsured persons as a large mandated group policy for the equality purpose. Many Iowans already access the state insurance pool for coverage if they are uninsured now. We believe your bill concept will help many small businesses with under twenty-five employees that do not have insurance today because of the associated costs and they should be very pleased to have this option available for their employees.

Thank you again, for the opportunity to speak with you today on behalf of NAMI IOWA. I have attached copies of several documents that may help you in your decision. I am available to provide more information if our consumer and family input would be useful.

Margaret Stout
Executive Director

c.c. Attachments

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Mental Health Parity

Every year, about 54 million Americans suffer from clearly diagnosable mental or substance abuse disorders.[1]

About 26.2 percent of the population are afflicted with mental illness or substance abuse disorders.[2] Approximately 14.8 million Americans suffer from depression and 2.4 million suffer from schizophrenic disorders. More than 23 million people aged 12 or older needed treatment for alcohol or illicit drug use in 2004—but only 2.3 million received it. Among the remaining 21.1 million, cost and insurance barriers were cited as the primary obstacle to treatment.[3] About 12 million children suffer from mental disorders such as autism, depression and hyperactivity.[4]

Individuals with mental or substance abuse disorders face discrimination from health insurers.

Insurers increase patients' costs for mental health treatment in three ways—by limiting inpatient days, capping outpatient visits, and requiring higher copayments than for physical illnesses. Over 90 percent of workers with employer-sponsored health insurance are enrolled in plans that impose higher costs in at least one of these ways. Forty-eight percent are enrolled in plans that impose all three limitations.[5]

Health insurance discrimination exacerbates the stigma that discourages people from seeking treatment for mental and substance abuse disorders.

Many Americans fail to treat mental and substance abuse disorders—not just because of the cost, but because of the social stigma surrounding mental illness. Insurers that discriminate against individuals with mental illness reinforce that stigma, feeding a vicious cycle of depression and isolation.

Untreated mental disorders cost America billions of dollars.

Mental disorders cost America $99 billion in direct treatment costs[6] and $273 billion a year in ancillary costs—such as lost employment, reduced productivity, criminal justice, traffic accidents and social welfare programs like Medicaid and SCHIP—associated with mental disorders.[7] Depression alone costs the U.S. $83 billion annually.[8]

The benefits of mental health parity far outweigh the costs.

North Carolina experienced a 70 percent reduction in mental illness hospital days for state employees and their dependents—the only group eligible for parity under the state's law. Oregon's comprehensive parity law resulted in a mere 0.5 percent increase in premium costs. Blue Cross Blue Shield of Vermont's cost increased by just four percent after the state's comprehensive parity law was enacted in 1997—and substance abuse coverage accounted for only 2.47 percent of overall costs.[9]

Congress enacted a law that prevents some types of discrimination against individuals with mental illnesses.

In September 1996, President Bill Clinton signed the Mental Health Parity Act. The law requires that companies that employ more than 50 people and that provide some mental health insurance benefits cannot impose lower annual or lifetime dollar limits on mental health benefits than on physical health benefits. Companies, however, are not required to offer mental health benefits, nor are they prohibited from offering mental health patients fewer services and higher out-of-pocket costs.

States have taken the lead to address mental health parity.

Thirty-six states have enacted some type of mental health parity law. Five state laws (CT, MD, MN, OR, VT) apply to all mental health and substance abuse disorders under private insurance plans. Six other

states (IN, KY, ME, NM, RI, WA) have slightly less comprehensive laws that contain specific exemptions or limitations. Twenty-five states (AZ, AR, CA, CO, DE, HI, IA, IL, LA, MA, MO, MT, NE, NH, NV, NJ, NC, OK, SC, SD, TX, TN, UT, VA, WV) have laws that apply only to select groups, such as those with severe mental illnesses or government employees, or only prohibit certain forms of discrimination.

Americans strongly support mental health parity.

Eighty-three percent of Americans believe it is unfair for health insurance companies to limit mental health benefits and require people to pay more out-of-pocket for mental health care than for other medical care, according to an Opinion Research poll commissioned by the National Mental Health Association. Seventy-nine percent say they support mental health parity legislation even if it results in an increase in their health insurance premiums.[10]

Endnotes

1. National Mental Health Association, "Mental Illness in the Family," 2005.
2. National Institutes of Mental Health, "The Numbers Count: Mental Disorders in America," 2006.
3. Substance Abuse and Mental Health Services Administration's Office of Applied Studies, "National Survey on Drug Use and Health," September 2005.
4. Colleen Barry et al., "Design of Mental Health Benefits: Still Unequal After All These Years," *Health Affairs*, September/October 2003.
5. Ibid.
6. U.S. Office of the Surgeon General, "Mental Health: A Report of the Surgeon General," 1997.
7. University of Maryland School of Medicine, "Facts about Mental Disorders," 2003.
8. Depression and Bipolar Support Alliance, "The State of Depression in America," February 2006.
9. Ellen Perlman, "Piecemeal Parity," *Governing Magazine*, February 2006.
10. Opinion Research Corporation, September 2002.

IOWANS NEED MENTAL HEALTH PARITY

Health plans offered by employers in Iowa typically provide less coverage for mental health treatment than for general medical and surgical services. Many states and the federal government have begun to require mental health treatment be covered in the same way as other medical care. **This concept is known as parity or fairness.** The following examples show why parity is needed.

In Iowa, suicide is the second-leading cause of death among persons between the ages of 15 and 24. **Mental illness is the leading precipitant of all suicide.** Untreated and under-treated mental illness costs the U.S. economy in health care costs, in lost productivity and missed days of work, and in government spending on criminal justice and social welfare programs.[1]

Mental health illness causes more disability than any other illness, leading to very high costs in both government disability programs and corporate short-term disability programs. The paradox is that most of the money involved in mental health care is actually outside the system itself. Public dollars are spent on Social Security, Medicare, Medicaid, vocational rehab, special education and public housing; none of which are mental health programs per se.[2]

Social Security payments for people disabled by mental illness have become our biggest mental health expenditure nationally. We spend more to essentially sustain people in a marginal experience than we do for the treatment programs that can work.[2]

The #1 reason for hospital admissions nationwide is a biological psychiatric condition. **At any moment, 21% of all hospital beds are filled with people suffering with mental illness.[1]**

Mental illness is more common than cancer, diabetes or heart disease.[1]

The treatment success for schizophrenia is 60%, 65% for major depression and 80% for bipolar disorder. Compare those rates to the success rate for heart disease, which ranges between 41-52%.[1]

It makes no sense that we choose to ignore the economic benefit of including mental health treatment as a normal component of insurance coverage.[1]

One of the nation's largest specialty HMO for mental health care found that complying with state mental health insurance fairness laws only increased employee premiums by approximately 1%.[3]

North Carolina and Ohio saw their overall health care costs decrease after they instituted mental health fairness for state employees.[3]

[1]Lt. Governor Sally Pederson, from a press conference on April 2, 2003: the Mental Health Insurance News Conference.

[2]Michael Hogan, chair of the President's New Freedom Commission on Mental Health.

[3]National Alliance for the Mentally Ill (NAMI) a mental-health consumer group.

TWO MORE STATES ENACT PARITY LAWS

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Sarah Steverman

The number of states with some sort of mental health "parity" law rose to 42 late last year as legislators in **New York** and **Ohio** passed two bills. Parity laws require that mental illnesses be covered by private insurance to the same extent as other illnesses, though there is great variation among states in the extent to which they require insurance companies to cover mental illness.

Former New York Gov. George Pataki signed Timothy's Law, named for a 12-year-old boy who committed suicide in 2001. The law requires that all private insurance policies have the same deductibles, number of office visits, number of inpatient visits and co-payments for mental health disorders as for other illnesses. The statute also requires that private plans provide at least 30 days of inpatient and 20 days of outpatient mental health care per year.

In Ohio, outgoing Gov. Bob Taft signed his state's first mental health parity bill (SB 116) on Dec. 29. Passed after years of lobbying by advocates, the Mental Health Parity Act mandates that coverage provided for seven "biologically based mental illnesses," such as schizophrenia and bipolar disorder be on par with those for physical conditions.

Many small business owners have long opposed mental health parity laws, charging that the mandates will raise premiums and make it even more difficult for them to provide health insurance. The business owners also say it's unfair to pass mandates that apply almost exclusively to them: corporations that self-insure, individual policies, and state and federal programs are often exempt.

Advocates argue that people with mental health needs have a right to the same benefits as those with physical health needs. They also contend that mental health benefits are cost-effective because they improve worker productivity and reduce the number of missed work days. "We believe that covering mental health illnesses will...actually save costs in the long run," said Ohio Sen. Robert Spada. In New York, advocates say parity will cost employers an additional $1.26 per employee per month.

Regardless, both laws contain provisions designed to allay small businesses' fears. Neither state requires coverage of substance abuse treatment, nor of post traumatic stress disorder. Timothy's Law requires the state to foot the bill for additional costs incurred by businesses with fewer than 50 employees; the Legislature allocated some $50 million to cover those costs. In addition to limiting the number of mental illnesses covered, the Ohio statute allows employers to opt out of providing parity if they can prove that the mandate has caused their health insurance costs to increase by more than 1 percent over six months.

At the federal level, the Mental Health Parity Act of 1996 offers limited parity for the treatment of mental health disorders. The statute does not require insurers to offer mental health benefits, but states that if mental health coverage is offered, the benefits must be equal to the annual or lifetime limits offered for physical health care. It also does not apply to substance use disorders, and businesses with fewer than 26 employees are exempt. Several more comprehensive parity bills have been introduced but none have been enacted.

Many states have adopted statutes that are more comprehensive than the federal law. **Idaho** and **Wyoming** are the only states that do not have any parity or mandate laws.

What have States Done to Ensure Insurance Parity?

National Mental Health Association

Best Parity Laws

Parity applies to all mental health and substance abuse disorders under private insurance plans. No exemptions.

Connecticut 1999

Maryland 1994

Minnesota 1995

Vermont 1997

Good Parity Laws

Not quite comprehensive parity due to certain exemptions and/or limitations.

Indiana 1999/2001
Includes substance abuse for state employees; 50 employees exemption; 4% cost increase cap

New Mexico 2000
No substance abuse; 1.5% cost increase cap for less than 50 employees & 2.5% for 50 or more employees

Kentucky 2000
50 employees exemption; includes substance abuse

Rhode Island 1994/2001
Some limitations on outpatient visits; includes substance abuse

Updated Fall 2002

Limited Parity Laws

Parity applies only to select groups such as those with severe mental illness (SMI) or state & local employees, or only protects against certain types of discrimination.

Arizona 1997/2001
Mirrors federal law; 50 employees exemption; 1% cost increase cap; parity for state employees

Arkansas 1997/2001
50 employees exemption; 1.5% cost increase cap; excludes state employees; full parity in SCHIP

California 1999 (SMI)
Includes children with serious emotional disorders

Colorado 1997 (SMI)

Delaware 1998/2001 (SMI)
Includes Substance Abuse

Hawaii 1999 (SMI)
25 employees exemption

Illinois 2001 (SMI)
50 employees exemption

Louisiana 1999 (SMI)
Includes children

Maine 1995 (SMI)
20 employees exemption

Massachusetts 2000 (SMI)
50 employees exemption; includes children & co-occurring disorders

Missouri 1999 (SMI)
Limits out-of-pocket expenses

Montana 1999 (SMI)

Nebraska 1999 (SMI)
15 employees exemption

New Hampshire 1994/2002 (SMI)

Nevada 1999 (SMI)
Limits out-of-pocket expenses; 25 employees exemption

Limited Parity Laws

New Jersey 1999/2002 (SMI)

North Carolina 1991/1997
1991: Comprehensive parity for state & local employees/1997: mirrors federal law; 50 employees exemption; 1% cost increase cap

Oklahoma 1999 (SMI)
50 employees exemption; 2% cost increase cap

South Carolina 2000 (SMI)
Full parity for state employees; 1% and 3.39% cost increase caps; includes children

South Dakota 1998 (SMI)

Texas 1991/1997 (SMI)
1991: Limited parity for state & local government employees/ 1997: parity expanded to rest of state; 50 employees exemption

Tennessee 1998
25 employees exemption; 1% cost increase cap; excludes copayments, coinsurance and deductibles

Utah 2000
Limits out-of-pocket expenses; 50 employees exemption

Virginia 1999 (SMI)
Includes substance abuse; 25 employees exemption

West Virginia 2002 (SMI)
Includes substance abuse; 1 or 2% cost-increase cap

Mental Health Mandates, Not Parity

Alabama	Alaska	D.C.
Florida	Georgia	Kansas
Michigan	Mississippi	Ohio
Oregon	Pennsylvania	New York
Washington	Wisconsin	

No Parity or Mandate Laws

Idaho, Iowa, North Dakota, Wyoming

* Please note that other states have now passed parity laws since this map was published.