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Promoting integration of health care for the mind and body.

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Closing the Mental Health and Substance Abuse Insurance Parity Gap

Federal parity does not provide protections to over 700,000 Wisconsin residents.

The *Paul Wellstone and Pete Domenici Mental Health Parity and Addiction Equity Act of 2008, P.L. 110-343 (*the *Wellstone-Domenici Act)* became law on Oct. 3, 2008. It applies to most group health plans for plan years beginning on Oct. 3, 2009, or, in the case of a group health plan that is part of a collective bargaining agreement, by no later than Jan. 1, 2010.

This federal law applies to group health plans offered by employers of 51 or more employees. It does not mandate that such businesses provide mental health and substance abuse coverage as part of their group health plan coverage. However, if a plan does provide either mental health or substance abuse coverage, then the treatment limitations and financial requirements of such coverage must be no more restrictive than those applied to the plan's medical and surgical coverage. This is called "parity."

Small employers with 50 or fewer employees and individual health plans are exempt from the Act's provisions. For more than 700,000[1] Wisconsin residents, the *Wellstone-Domenici Act* offers no protection.

The *Wellstone-Domenici Act* will improve insurance coverage and treatment for many people facing mental health and substance abuse issues. Yet, many others whose lives are disrupted by addiction and mental health challenges remain without adequate insurance coverage. In too many cases, those in need forego treatment simply because they are unable to afford it.

The *Wisconsin Mental Health and Substance Abuse Parity Act, LRB 3406 / 3614/1,* will address this gap in the federal law.

The *Wisconsin Mental Health and Substance Abuse Parity Act* closes part of the mental health and substance abuse insurance parity gap. It requires all group health plans—typically purchased by smaller employers not covered by the *Wellstone-Domenici Act*—to provide mental health and substance abuse disorder benefits at parity.

While such coverage is not required for individual plans, if mental health and substance abuse benefits are included in the individual plan coverage, then the treatment limitations and financial requirements applicable to this coverage must be at parity.

[1] Agency for Healthcare Research and Quality, Center for Financing, Access and Cost Trends. 2008 Medical Expenditure Panel Survey-Insurance Component, 2008.

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Addiction and Mental Illness Are Chronic Diseases That Are Effectively Treated

Addiction

- Scientific evidence has shown addiction to be a chronic, relapse-prone disease which literally changes brain chemistry. Addiction is recognized as a disease by the American Medical Association.

- Addiction is an equal-opportunity disease. Prevalent and costly, it disrupts the well-being and health care of individuals in every age, income and ethnic group. Yet, only a small percentage of persons with alcohol and drug addiction get treatment, unlike those living with other chronic diseases such as diabetes, hypertension or asthma.

- For the past 30 years, federally sponsored research has repeatedly confirmed the efficacy and cost-effectiveness of treatment to counteract the powerful effects of addiction and help patients regain control of their lives. For example, a recent study demonstrated a reduction in alcohol and drug use (52 percent and 69 percent, respectively) one year after treatment.[1]

- Millions of people with addictions have been successfully treated. Strong motivation can facilitate the treatment process. Sanctions or enticements in the family, employment setting or criminal justice system can increase both treatment entry and retention rates and the success of drug treatment interventions.[2]

Mental Illness

- Mental illnesses are serious medical illnesses. They cannot be overcome through “will power” and are not related to a person’s “character” or intelligence. The National Institute of Mental Health reports that one in four adults—approximately 57.7 million Americans—experience a mental health disorder in a given year.[3]

- The best treatments for serious mental illnesses today are highly effective; between 70 and 90 percent of individuals have significant reduction of symptoms and improved quality of life with a combination of pharmacological and psychosocial treatments and supports.[4]

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- Depression tends to affect people in their prime working years and may last a lifetime if untreated. More than 80 percent of people with clinical depression can be successfully treated. With early recognition, intervention, and support, most employees can overcome clinical depression and pick up where they left off. [5]

- Without treatment the consequences of mental illness for the individual and society are staggering: unnecessary disability, unemployment, substance abuse, homelessness, inappropriate incarceration, suicide and wasted lives.[6]

- **The economic cost of untreated mental illness is more than $100 billion each year in the United States.[7]**

- With appropriate effective medication and a wide range of services tailored to their needs, most people who live with serious mental illnesses can significantly reduce the impact of their illness and find a satisfying measure of achievement and independence. A key concept is to develop expertise in developing strategies to manage the illness process.[8]

- Early identification and treatment is of vital importance. By ensuring access to the treatment and recovery supports that have both proven effective, recovery is accelerated and the further harm related to the course of illness is minimized.[9]

- Chronic drug abusers who also live with mental illness can be treated. Researchers currently are investigating the most effective way to treat drug abusers with mental illness, and especially whether or not treating both conditions simultaneously leads to better recovery. Currently, the two conditions often are treated separately or without regard to each other. As a result, many individuals with co-occurring disorders are sent back and forth between substance abuse and mental health treatment settings.[10]

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[1] Open Society Institute-Baltimore. Tackling Drug Addiction. Found at: www.soros.org/initiatives/baltimore/focus_areas/drug_addiction
[2] National Institute on Drug Abuse. Principles of Drug Addiction Treatment: A Research Based Guide. Found at: http://www.nida.nih.gov/PDF/PODAT/PODAT.pdf
[3] National Alliance on Mental Illness. Found at: www.nami.org/Content/NavigationMenu/Inform_Yourself/About_Mental_Illness/About_Mental_Illness.htm
[4] National Alliance on Mental Illness.
[5] Mental Health America. Factsheet: Depression in the Workplace. Found at: http://www.nmha.org/index.cfm?objectid=C7DF951E-1372-4D20-C88B7DC5A2AE586D
[6] Mental Health America.
[7] National Alliance on Mental Illness.
[8] National Alliance on Mental Illness.
[9] National Alliance on Mental Illness.
[10] National Drug Intelligence Center, a component of the U.S. Department of Justice. Drug Abuse and Mental Illness Fast Facts. Found at: http://www.usdoj.gov/ndic/pubs7/7343/7343p.pdf

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Support for Addiction / Mental Health Treatment in Wisconsin

- Support for including addiction treatment in health care reform unites Wisconsinites across party lines, income and demographic groups. A recent poll conducted by the Washington, D.C. firm Lake Research Partners shows that 74 percent of Milwaukeeans support increased access to addiction treatment as part of health care reform, including majorities of Democrats, Independents and Republicans.

  In addition, 65 percent said that they would pay an increased monthly health care premium—an extra $2 per month—to ensure everyone had improved access. This broad, bi-partisan support in Milwaukee mirrors national trends: 77 percent of Americans support including addiction treatment in health reform, 56 percent strongly; and 69 percent of Americans support paying two dollars more per month in health insurance premiums to make addiction treatment more accessible and affordable.[1]

- Expanding and enhancing drug and alcohol treatment programs received unanimous support by the Wisconsin Assembly in its passage of Assembly Bill 283 on Sept. 17, 2009. The Senate is expected to vote on the bill this fall.

- In 2001, the Wisconsin Senate passed SB-157—legislation that, among other provisions, also removed the specified minimum amounts of coverage that a group health insurance policy must provide for the treatment of drug and alcohol addiction and mental illness.

- All five Committee versions of national health care reform currently under consideration by the United States Senate and House of Representatives include parity provisions that must comply with the *Paul Wellstone and Pete Domenici Mental Health Parity and Addiction Equity Act of 2008, P.L. 110-343* [2].

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[1] Milwaukee Addiction Treatment Initiative. Milwaukeeans Support Increasing Access to Drug, Alcohol Addiction Treatment, New Poll Shows. Found at: http://www.ca-ppi.org/solutions/mati/documents/News_Release_Milwaukeeans_Support_Increasing_Access_to_Drug_Alcohol_Addiction_Treatment_New_.pdf

[2] Legal Action Center (www.lac.org/), a non-profit, public-interest law firm and policy organization located in Washington, D.C. and New York City that specializes in fighting discrimination against and protecting the rights of people with alcohol or drug problems, HIV/AIDS or criminal records.

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Cost to Business of Not Treating Mental Illness and Addiction

Not treating mental illness and addiction costs money and lives.

- According to Helen Darling, president of the National Business Group on Health, "Mental health and substance abuse disorders currently cost U.S. employers billions of dollars annually in lost worker productivity."[1] The National Business Group on Health recently recommended equalizing mental health and addiction benefits with other medical benefits.[2]

Leading cause of disability.

- Mental illness and substance disorders account for the two leading causes of disability in the U.S., nearly 37 percent of all disability. Growing evidence indicates that limiting mental health and substance disorder benefits increases the overall cost of healthcare.

- More than half of U.S. adults have a mental or physical condition that influences their ability to work or carry out usual activities.[3]

Reduced productivity.

- In 1999, the U.S. Surgeon General reported that the indirect costs of mental illness imposed an estimated $79 billion loss on the U.S. economy in 1990, or more than $123 billion today.[4]

- More than 1.3 billion days are lost each year due to mental disorders, roughly half the number of days (2.4 billion) associated with all chronic physical conditions combined, including cancer, heart attacks, ulcers and vision loss[5]. Individuals with chronic conditions took an average of 32 sick days a year,[6] costing employers billions of dollars annually.[7]

Workers' compensation claims.

- Workers with substance abuse disorders are 3.5 times more likely to experience a costly accident in the workplace and five times more likely to file for workers' compensation.

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[1] L. Carlson Shepard, Employee Benefit News, February 2006.
[2] Finch RA. Phillips K. Center for Prevention and Health Services. An Employer's Guide to Behavioral Health Services: A Roadmap and Recommendations for Evaluating, Designing, and Implementing Behavioral Health Services. Washington, DC: National Business Group on Health; 2005. Available at http://www.businessgrouphealth.org/pdfs/fullreport_behavioralhealthservices.pdf
[3] K. Merikangas, R. Kessler, et al. The Impact of Comorbidity of Mental and Physical Conditions on Role Disability in the US Adult Household Population. Archives of General Psychiatry. October 2007.

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[4] Mental Health: A Report of the Surgeon General. Found at:
http://www.surgeongeneral.gov/library/mentalhealth/chapter6/sec2.html
[5] Merikangas, R.
[6] Merikangas, R.
[7] National Business Group on Health, 2005.

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Parity Will Save Money and Improve Health

Parity's return on investment: reduced costs, improved outcomes.

- Parity reduces the need for costly medical services (such as emergency room services) and improves health outcomes for people with heart disease, diabetes, cancer and other chronic diseases. A cost-benefit analysis from a range of industries found for every $1 invested in more thorough mental health treatment, employers gained a minimum return of $1.20 in the form of increased productivity and attendance.[1] Additionally, actuaries at PriceWaterhouseCoopers built a model of integrated mental health and primary and acute care that indicated that after five years the payer would realize $5 in savings for every $1 spent on behavioral health services.[2]

Parity means minimal premium increases.

- With appropriate care management, parity results in improved protection with an increase in premium costs of less than 1 percent.[3] This according to numerous case studies, from a recent study by the University of Maryland School of Medicine to state studies in Alaska, Maryland, Minnesota, New Hampshire, North Carolina, Rhode Island, South Carolina, Texas and Vermont.

- A study of privately insured employers who adopted comprehensive parity plans with unlimited benefits found that even in the worst case, premiums increased by less than 1 percent due to parity.[4]

- Parity has worked in Ohio and Minnesota. Following Ohio's implementation of mental health parity for state employees, there was an overall savings in healthcare costs.[5] Minnesota has had comprehensive parity since 1995. Medica, an independent consulting organization, found that costs rose just 26 cents per member per month.[6]

Parity works for small business.

- Six states—Connecticut, Maryland, Minnesota, New Mexico, Rhode Island and Vermont—have implemented parity laws for small businesses. Result: no significant cost increases, no significant rise in small businesses dropping health coverage.[7] In fact, the costs to business of absenteeism, lost productivity, and disability and unemployed insurance claims due to mental illness and addiction are greater than the cost of mental health parity.[8]

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Long-term study shows that parity does not increase costs.

- The largest study of parity to date was a four-year study of the Federal Employees Health Benefits Program which has had parity since 2001. The study concluded that when parity mental health and substance abuse were implemented and managed, total healthcare costs for most of the plans did not increase beyond the increases over the same period that were observed in a matched group of health plans that did not have a parity benefit. The federal study is the largest evaluation of the addition of behavioral health parity benefit ever conducted—with 9 million employees, the federal government is the largest employer in the United States—and one of the few studies in behavioral healthcare utilization that compared parity plans with similar non-parity plans over a defined period of time. The fact that this study was conducted with the largest employer in the United States gives even greater significance to its findings.[9]

Parity works for the corporate bottom line.

- Parity is provided to employees of national corporations including American Airlines, Black & Decker, Boeing, Compaq, Dell Computers, Delta Airlines, DuPont, Eastman Kodak, Exxon, FedEx, IBM, Pepsico, Sun Microsystems, Texas Instruments and Xerox. Employers provide generous mental and substance abuse benefits to their employees and families because they are convinced that doing so is essential to the corporate bottom line.[10]

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[1] A. Lo Sasso et al, Modeling the impact of enhanced depression treatment on workplace functioning and costs. Medical Care, 2006.
[2] Managed Behavioral Health News, January 2000.
[3] Satcher, David, M.D., Ph.D. Mental Health: A Report of the Surgeon General, 1999.
[4] Rand Health, 2001
[5] Mandated Health Benefits Advisory Commission, 2005.
[6] National Conference of State Legislatures, 2002.
[7] R. Revelle. Sr. Vice President, WA State Hospital Assn. Mental Health Parity: Summary of Costs and Savings, 2007.
[8] Schual-Berke, Shay. Pat Thibaudeau and Randy Revelle. Pro: End discrimination against the mentally ill. In the Seattle Times, Feb. 10, 2005. Found at: http://seattletimes.nwsource.com/html/opinion/2002175525_revelle10.html
[9] Finch RA. Phillips K. Center for Prevention and Health Services. An Employer's Guide to Behavioral Health Services: A Roadmap and Recommendations for Evaluating, Designing, and Implementing Behavioral Health Services. Washington, DC: National Business Group on Health; 2005. Available at http://www.businessgrouphealth.org/pdfs/fullreport_behavioralhealthservices.pdf
[10] Report to the Office of Personnel Management, Washington Business Group on Health, 2000.

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Summary of Provisions of the *Wisconsin Mental Health and Substance Abuse Parity Act LRB 3406 / 3614/1*

Existing Law

- In Wisconsin, any group health insurance policy that provides inpatient or outpatient hospital services must cover mental health and substance abuse treatment.

- Currently, mental health and substance abuse treatment must cover, at a minimum, $7,000 for inpatient and $2,000 for outpatient services, minus applicable cost-sharing under the policy. Existing law also requires transitional treatment services up to a minimum of $3,000, minus any applicable cost sharing. In total, any group policy must cover up to $7,000, or the equivalent benefits measured in services, per year.

Changes Proposed by the *Wisconsin Mental Health and Substance Abuse Parity Act*

- While continuing the requirement that group health plans provide mental health and substance abuse treatment coverage, this legislation would remove the specified minimum amounts of coverage.

- The bill instead requires of group health plans and government self-insured plans that deductibles, co-pays, out-of-pocket limits, limitations regarding referrals to non-physicians and other treatment limitations for mental health and substance abuse treatment may be no more restrictive than the most common or frequent treatment limitations that apply to substantially all other coverage under the plan.

- The bill would apply the new requirements to all types of group health benefit plans, including defined network plans, insurance plans offered by the state, and self-insured health plans of the state and municipalities.

- This parity requirement would also apply to individual plans if they provide mental health or substance abuse coverage.

- If a group, government self-insured or individual health plan covers mental health and substance abuse treatment and provides for at least one annual physical examination, then such plans would now be required to provide at least one annual screening to determine the need for mental health and substance abuse treatment. Coverage for additional screenings associated with pregnancy would be required.

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- Expenses incurred for the treatment of mental health and substance abuse must be included in the overall deductible, annual or lifetime limit, or out-of-pocket limit under the plan.

- Group health plans, government self-insured plans and individual plans providing mental health and substance abuse treatment must provide to the insured or plan participant, upon request: 1) the plan's criteria for determining medical necessity for coverage of that treatment; and 2) the reason for any denial of coverage for services for that treatment.