

Mental Health Insurance Parity: What Does it Mean for Nebraska?

According to the 1999 U.S. Surgeon General's Report on Mental Health, \$66 billion dollars was spent nationally on mental illness diagnosis and treatment in 1996. The indirect costs of all mental illness on the economy imposed a nearly \$79 billion loss on the U.S. economy in 1990 (the most recent year for which estimates are available).

Nebraska's share of the direct costs (1996 dollars): \$409,552,448
Nebraska's share of the indirect costs (1990 dollars): \$501,356,916

THE PROBLEM

Current levels of insurance parity are inadequate. Parity between physical and mental health insurance coverage only exists in terms of annual out-of-pocket limits. Insurance plans still maintain the artificial physical/mental health dichotomy through other mechanisms, namely: different deductibles, co-insurance, and co-payments; more robust coverage for physical health services than for mental health services; and more restrictive treatment, visitation, and therapeutic limits on mental healthcare services than physical healthcare services.

The current scope of insurance coverage is inadequate. The scope of insurance coverage for mental health care is too narrow, and does not accurately reflect the mental health care needs of Nebraska. What limited insurance parity Nebraskans have now only pertains to "serious mental illness", defined as "any mental health condition that *current medical science affirms is caused by a biological disorder of the brain* and that *substantially limits the life activities of the person with the serious mental illness.*" This definition relies on scientific proof of biological causation—failing to recognize the imperfect nature of scientific research on the biology of mental illness. Current science can not establish such a proof threshold on many mental illnesses, and Nebraskans and their families should not be forced to wait until science catches up before obtaining coverage for present, debilitating mental illness. Requiring scientific affirmation of biological causation excludes the psycho-social aspects of many significant mental illnesses and thus would not cover, for instance, anorexia nervosa, post-traumatic stress disorder, or behaviors resulting from child abuse.

THE IMPACT

Disparity forces individuals and families to forgo or discontinue treatment. Often many individuals and families are forced to forgo or discontinue treatment because their insurance plan does not provide coverage for a necessary mental health service, restricts treatment options, or limits coverage for treatment duration. In order for treatment to be effective, people must be able to access and fully benefit from mental health services. Restricting access and prematurely interrupting mental health services through discriminatory and arbitrary coverage practices perpetuates the cycle of mental illness.

Disparity prices individuals and families out of the insurance market and into financial ruin. Disparate coverage levels and limits force families and individuals with employer based insurance to stop treatment, pay for services themselves, or seek additional private insurance to fill the gap when the employer-based coverage runs out. A study of several large national insurance firms performed by The Government Accounting Office indicates that in states without guaranteed coverage in the private insurance market, insurance carriers would deny coverage almost twice as often for mental health conditions than physical. Higher premium costs and restricted coverage in the private markets force individuals and families to pay out of pocket for unaffordable private premiums or for necessary treatment. With the high cost of health care, financial ruin is virtually guaranteed.

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THE COSTS

Disparity costs businesses billions. Costs incurred by businesses due to mental health are staggering. Ignoring mental health care needs means increased absenteeism, lower productivity, and poor work performance. The U.S. Labor Department reports that almost one-fifth (18%) of the nation's workforce has a substance abuse problem; the National Institutes of Health report that substance abuse this year alone will cost employers \$242 billion in lower productivity, absenteeism, and accidents.

Disparity costs the State of Nebraska millions. Disparity denies and deters individuals and families from accessing necessary and appropriate treatments. As a result, mental health conditions worsen, requiring more expensive and intensive treatment. Without coverage, individuals and families strain under the financial weight of paying for treatment, only to either eventually seek public assistance because they cannot afford to access treatment or to seek services in state-funded institutions.

Mental illness and substance abuse can negatively affect a person's employment, especially when the illness or abuse severity increases and is not managed. Employers need to retain workers, give them the tools necessary to maintain good work performance. Increased unemployment means increased state spending and decreased tax revenue.

Many Nebraska families are forced to relinquish custody of their children, making them wards of the state, just to get their children necessary mental health care services that they can not (but would rather) afford on their own. As wards of the state, the state pays for not only their mental health treatment, but also other costs associated with caring for state wards.

EXPERIENCE SHOWS PARITY DOES NOT EXPLODE PREMIUMS

"Opponents of more comprehensive parity legislation have historically raised concerns about its affordability. However, years of real world experience have demonstrated that these concerns have not come to fruition.

From our experience over several years, I can tell you that the implementation of parity legislation results in only a very modest increase in the total healthcare premium for a commercial insurer when one starts with a typical, but limited, mental health benefit. At Magellan, we have yet to see an increase of greater than 1% of the total healthcare premium as a result of state parity legislation. In fact, our experience is that cost increases typically range from 0.2% to 0.8% of the healthcare premium. Furthermore, we have found that these modest increases are similar for both large and small employers, and in rural, urban and suburban areas."

--Dr. Henry Harbin, MD, Chairman of the Board at Magellan Health Services, hearing testimony before the Congressional Committee on Education and the Workforce, March 13, 2002.

"In summary, based on new knowledge derived from empirical case studies and updated actuarial models, the cost increases due to parity are modest compared to previous [estimates]."

Summary of Selected States and Impact

STATES	IMPACT
California	minimal increase
Colorado	minimal increase
Maryland	decrease
Minnesota	minimal increase
North Carolina	decrease
Pennsylvania	minimal increase
Texas	decrease

-- Levin, B.L., Hanson, A., & Coe, R.D., (2001) *Mental Health Parity: National and State perspectives 2001: A report to the Florida Legislature*. Tampa, Florida: The Louis de la Parte Florida Mental Health Institute.

MANAGED CARE is the CRITICAL COST CONTROL MECHANISM

"Managed care is the critical factor explaining differences between empirical and actuarial estimates. With heavily managed mental health services, the empirical studies suggest that cost increases would be minimal, while in lightly managed or unmanaged plans, cost increases would be substantial, based on evidence from the RAND Health Insurance Experiment."

-- Dr. Harold E. Varmus, MD. *Parity in Financing Mental Health Services: Managed Care Effects on Cost, Access, and Quality Interim report to Congress by the National Advisory Mental Health Council, 1998.*

<http://www.nimh.nih.gov/research/prtyrpt/updateoncosts.html>