SUBJECT: Health benefits for serious mental illnesses

COMMITTEE: Insurance — committee substitute recommended

VOTE: 9 ayes — Smithee, Van de Putte, Averitt, Bonnen, Burnam, Eiland, G. Lewis, Olivo, Wise

0 nays

WITNESSES: For — Kathryn Cornett, Joe Lovelace and Jacqueline Shannon, Texas Alliance for the Mentally Ill; Charlotte Dallas, Texas Depressive Association; Christine Devall, Texas Mental Health Association; Conway McDonald, Texas Society of Psychiatric Physicians and Texas Medical Association; Susan Schaffer, ARC of Texas; James Swinney and Elisabeth Wiig, Texas Depressive and Manic Depressive Association; Melanie Kaye Green; Thomas Harkins, Jr.

Against — John Abdnor and Carl Parker, Insurance Association Alliance; Will Davis, Texas Association of Life and Health Insurers

On — Tyrette Hamilton, Texas Department of Insurance; Alex Miller

BACKGROUND: The Insurance Code requires health insurers, HMOs and other health benefit plans *to offer* coverage for expenses incurred for the necessary care, diagnosis and treatment of serious mental illnesses. Coverage must be at least as favorable as that made available for service and benefits the insurer provides for other major illnesses and include the same durational limits, amount limits, deductibles and coinsurance factors.

"Serious mental illness" is defined as schizophrenia, paranoid and other psychotic disorders, bipolar disorders, major depressive disorders and schizo-affective disorders.

DIGEST: CSHB 1173 would amend the Insurance Code to require group health benefit plans *to provide* coverage for treatment of serious mental illness, using the same amount limits, deductibles and coinsurance factors as for physical illness. Small employer health benefit carriers would have to offer

serious mental illness coverage but would not be required to provide the coverage if the small employer rejected it.

Coverage would have to be provided for 45 days per year of inpatient treatment and 60 visits per year for outpatient treatment, and could not include a lifetime limit on the number of inpatient days or outpatient visits. Medication management visits could not be counted toward the number of outpatient visits required to be covered. Coverage for serious mental illnesses could be provided through a managed care plan.

The definition of "serious mental illness" would be amended to include psychiatric illnesses experienced beginning a year before the date of treatment by a person younger than 18 years old that substantially limited or interfered with the individual's ability to function in the community, family or school.

CSHB 1173 would take effect September 1, 1997, and would apply only to a group health benefit plan delivered, issued for delivery or renewed on or after January 1, 1998.

SUPPORTERS SAY:

CSHB 1173 would help thousands of Texans with serious mental illnesses receive the mental health care they need and would enhance equity in coverage for mental illnesses and physical illnesses in health benefit plans. CSHB 1173 would not require coverage for all mental illnesses or conditions; it would only mandate that certain clearly documentable, diagnosable and treatable serious mental illnesses be covered by health benefit plans. These clear restrictions would contain any cost increases to insurers.

Mental illnesses are medical illnesses, just like cancer, diabetes or cardiovascular diseases, and people who suffer from them should receive the same benefits and care. Health benefit laws reflect an outdated way of thinking of mental illnesses as strange and unaccountable phenomena or behavioral problems for which there are no available treatments. If cost were the sole criteria for determining whether certain benefits should be required, with today's understanding of physical and mental illnesses, mandated coverage for serious mental illnesses would be viewed more favorably than mandated coverage for cardiovascular and other diseases now

included in comprehensive health benefit plans.

Each year about 700,000 children and adults experience severe mental illness or brain disorders. Many disorders, such as schizophrenia, obsessive-compulsive behavior and major depression, are biologically based physical disorders that can be diagnosed and effectively treated; but if if left untreated, they can be profoundly disabling.

State laws now require health benefit plans to cover a wide variety of services and illnesses, but only requires that mental disorders be offered. If provided, these benefits are usually inadequate because of maximum lifetime limits. Costly *physical* illnesses and conditions now covered by insurance are usually subject to large lifetime benefit limits ranging from $1 million to $5 million, and benefits are not limited even when they may have been brought about by poor lifestyle habits. Serious *mental* illnesses, which are also physical disorders, occur through no fault of the individual and often must be treated without the help of any health benefit coverage or with limited coverage imposing meager lifetime benefit caps of $10,000 to $50,000. These sums are clearly inadequate to cover most necessary care.

Lack of coverage for the treatment of serious mental illnesses and restrictive lifetime limits on treatment expenses severely limit or impede effective treatment and full patient recovery, contributing to increased taxpayer subsidies of publicly funded psychiatric programs and hospitals. Adequate coverage, on the other hand, will foster early intervention and treatment of problems, which is less costly is the long run, and will get impaired Texans back on their feet to become productive, contributing members of society. Coverage mandates also ensure that people who are paying for serious mental illness benefits receive the full extent of necessary services.

Increased health benefit costs associated with this bill would be limited, due to provisions that would restrict mandated coverage to six specified and diagnosable disorders and would limit the duration of coverage for inpatient and outpatient care per calendar year. The limitations would help keep the plans affordable and available to employers; in the past many employers have turned down mental illness coverage because of state requirements that mental health benefits be as extensive as physical illness benefits. These benefits seemed risky to insurers and costly to employers.

The limitations in CSHB 1173, however, have been carefully designed to ensure that most people with serious mental illness receive the care they need. Lifetime benefit caps would have to conform with new federal health benefit provisions requiring group health plans covering more than 50 employees to provide parity between aggregate lifetime limits for mental health services and limits on physical services.

The treatment of serious mental illnesses is not as expensive as many of the physical illnesses now required for coverage. According to the National Institute of Mental Health, the success rates for treating severe forms of major disorders rank favorably, if not better than, many other common diseases, such as cardiovascular disease. According to the state's self-insured health benefit program, HealthSelect, adding coverage for serious mental illness back in 1991 increased costs by only $2.40 per employee per month. Also, HealthSelect data show that on the average the plan pays about $30 million per year for treatment of cardiovascular disease related problems, and only about $5 million per year for the treatment of serious mental illnesses.

Five states already require parity in health insurance coverage, and their experience has shown that the annual cost of treating a person with schizophrenia is less than treating a person with diabetes. The mandated benefits review panel was not able to review this bill in time for legislative consideration; however, any additional cost would be a small price to pay for the successful treatment of mental illness and for alleviating funding pressures on public programs.

Availability and affordability of insurance would be protected for the markets most vulnerable to cost increases — the individual and small employer plans. These groups do not have the economies of scale associated with larger group insurance pools and would not be required to provide coverage for serious mental illnesses.

CSHB 1173 would not foster unnecessary mental health treatments. Costs would also be contained due to the current health care environment, which is dependent upon managed care and pre-authorizations for treatment. Mental illness, just like the treatment of physical illnesses, would receive the same

scrutiny by health care providers to ensure benefits were abused and to curb any runaway costs.

Managed care provisions would help ensure that patients received adequate and appropriate care. Texas has enacted strong protections in recent years to protect enrollees and improve quality of care in managed care plans and in psychiatric hospital treatments.

CSHB 1173 would not reduce, or foster the reduction in, state funding of mental health services. However, it would help state and local spending go further to meet the needs of the uninsured. Estimates show Texas is now serving only about 25 percent of the population in need, and over 2.5 million Texans suffer some form of mental illness.

OPPONENTS SAY:

Mandatory benefits for treating serious mental illnesses are likely to significantly increase the cost of health insurance and thereby limit the availability of employer-sponsored health insurance or the access to insurance by individuals and families. CSHB 1173 would divert health care dollars from people who need basic coverage and could reduce the level of benefits now provided in most health benefit plans as insurers counter rising costs by cutting benefits for another disease.

Costs would increase because the caps proposed by the bill would not be restrictive enough. Mental health benefits are more subject to abuse by unscrupulous providers who take advantage of the patient's incompetency and vulnerability and provide unnecessary services to obtain insurance reimbursement. In recent years, several psychiatric hospitals were found to have fraudulently committed patients, provided lengthy and unnecessary services, and billed for services not rendered. Mental health progress also is harder to determine than the healing of physical conditions, and there is little empirical evidence of successful treatments.

Coverage for serious mental illnesses is not a priority for employers. Health benefit plan providers are now required to offer such coverage but it is usually refused by employers and other purchasers.

This mandate would not help everyone covered by insurance, and could push more employers to provide health benefits from self-insured plans that

are exempt from state regulation. CSHB 1173 would only affect about 20 percent of the health insurance market; self-insured health benefit plans and Medicare benefits plans that cover about 46 percent of the market fall under federal regulation and do not have to conform to state mandates. Additionally, small business health plans would only be required to offer, not provide, benefits for serious mental illnesses.

The bill also would open the door for other benefit mandates in a time in which most health benefit plans advocate reducing state mandates so they can offer more affordable coverage. Any mandated benefits should be first submitted to the mandated benefits review panel established under the Insurance Code so that the combined impact of all mandates proposed this session could be projected and evaluated.

OTHER OPPONENTS SAY:

CSHB 1173 would not offer full mental health parity with physical illnesses. It should be expanded to include more mental illnesses and mental health conditions without length of stay or treatment restrictions on outpatient and inpatient care. At the very least, the bill should be changed to make the outpatient and inpatient restrictions minimum requirements for health benefit coverage rather than the ceiling.

CSHB 1173 should require strict auditing of insurance plans to ensure that plans did not establish unnecessary obstacles to patient access to care, such as requiring referrals by a primary care physician or second opinions. The mentally ill are among those least capable for overcoming such obstacles and are often in need of rapid and appropriately responsive services.

Protections should also be established so that this bill does not become an excuse for reducing state funding of mental health services. Texas already spends the lowest per capita amount on mental health care among the 10 most populous states.

NOTES:

The committee substitute established outpatient and inpatient treatment coverage limits, authorized coverage through managed care plans, and required small employer carriers to offer coverage for serious mental

illnesses. The substitute also removed from the definition of “serious mental illness” several newly specified disorders, such as compulsive-obsessive disorders syndrome and Tourette's syndrome, and added a new provision on treating psychiatric illnesses in children.