LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

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FISCAL IMPACT STATEMENT

LS 6441 **DATE PREPARED:** Jan 29, 1999
BILL NUMBER: HB 1108 **BILL AMENDED:** Jan 20, 1999

SUBJECT: Mental Health Insurance Parity.

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FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill removes the September 29, 2001, expiration date of a provision stating that if a health coverage plan offers mental illness benefits, the coverage of services for mental illness must have similar treatment limitations or financial requirements as other medical conditions. This applies to the state employee health plans, group insurance, and health maintenance organizations (HMOs). The bill also provides an exemption from compliance with this provision if compliance would increase the annual premium or rates charged for the policy or health maintenance organization contract by more than four percent per year. These provisions apply to the state employee health plans, group insurance, and health maintenance organizations.

The bill also extends the mental health parity requirements for group health insurance and HMOs to include treatment limitations and financial requirements, in addition to aggregate lifetime limits and lifetime payment limits currently in statute.

(The introduced version of this bill was prepared by the Indiana Commission on Mental Health.)

Effective Date: July 1, 1999.

Explanation of State Expenditures: (Revised) This bill makes changes to the statute requiring parity in health benefit coverage of mental health (MH) services for state employees, as well as for insurance policies and HMO contracts in general. Fiscal impacts to the state are summarized in the table below.

Provisions affecting the state in its provision of health benefits to state employees include: (1) elimination of the sunset date in current statute of September 29, 2001, for the mental health parity provisions; and (2) increasing the 1% cap on health plan premiums to 4% (i.e., Current statute provides that if the mental health parity provisions cause health plan premiums to increase by more than 1%, the parity provisions would not have to be implemented. This bill increases the cap to 4%.).

Current statute requires mental health parity in the health benefit plans for state employees. Mental health parity requires that the health plans may not permit treatment limitations or financial requirements on the coverage of services for mental illness, not including substance abuse/chemical dependency (SA) if similar limitations or requirements are not imposed on coverage of services for other conditions. By amendment, parity is to also include substance abuse and chemical dependency benefits.

Financial requirements include both cost sharing (such as copayment or coinsurance amounts) and annual or lifetime spending limits (such as annual or lifetime benefit maximums). Treatment limitations include service limits (such as the number of outpatient visits or inpatient hospital days). Potential fiscal impacts to the state are summarized in the following table.

Current Situation	This Bill's Provisions	Cost Impact *
Sunset Date: September 2001 for parity provisions.	**Sunset Date:** Eliminated.	Potential impact. This bill would preclude administrative option after Sept. 2001.
Cap: Parity not required if parity causes premiums to increase by more than 1%.	**Cap:** Parity not required if parity causes premiums to increase by more than 4%.	Potential impact. This bill would preclude administrative option if MH parity provisions in current statute and provisions in this bill have an impact on premiums between 1% and 4%. **
Current Coverage: - MH Services (Already covered) - SA Services (Already covered)	**Coverage required by bill:** - MH (None) - SA (None)	No impact, since MH services and SA services are already covered for state employees.
Parity Provisions: - MH (Financial and Treatment) - SA (None)	**Parity Provisions:** - MH (Financial and Treatment) - SA (Financial and Treatment)	- MH (No Fiscal Impact) - SA ($160,000 estimated cost to health plans)
*** Note: State could respond to anticipated premium increases by (a) increasing employer contributions; (b) increasing employee contributions; (c) reducing health coverage; or (d) reducing or dropping other employee benefits.**		
** Note: Current statute requires the state to implement mental health parity for state employees if the anticipated premium increase is 1% or less. The estimated aggregate increase in premiums is estimated to be about 1.66%, or about $2.7 million for FY2000. According to the Department of Personnel, the state is currently intending to implement the mental health parity provisions. The effect of raising the cap from 1% to 4% is to eliminate the state's option of not implementing parity. This fiscal impact could only be attributed to this bill if it is assumed that the state was not going to implement parity unless required to do so by this bill.		

However, the state could respond to anticipated premium increases by (a) increasing employer contributions; (b) increasing employee contributions; (c) reducing health coverage; or (d) reducing or dropping other employee benefits. Also, these estimates do not incorporate any potential savings that might exist on employee productivity, absenteeism, or future medical care.

The Department of Insurance may encounter additional undetermined expenses for certifying exemptions for those policies with premium impacts of greater than 4%.

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) The potential impact to local governments and school corporations that provide health insurance to their employees as an employee benefit are summarized, below.

Currently	This Bill's Provisions	Fiscal Impact *
Sunset Date: September 2001 for parity provisions.	**Sunset Date:** Eliminated	Probable impact on those local governments and school corps. who would have chosen to drop or reduce Mental Health coverage after 2001.
Cap: Parity not required to be implemented if parity causes premiums to increase by more than 1%.	**Cap:** Parity not required to be implemented if parity causes premiums to increase by more than 4%.	Probable impact on those entities with premium increases (due to parity provisions in current statute and provisions in this bill) that are between 1% and 4%.
Current Requirements for Coverage: - MH Services (None) - SA Services (None)	**Coverage required by bill:** - MH (None) - SA (None)	No Fiscal Impact.
Parity Provisions: - MH (Lifetime and Annual dollar limits, only) - SA (None)	**Parity Provisions:** - MH (Financial and Treatment) - SA (Financial and Treatment)	- MH Parity: Depending upon type of health plan, cost of full parity is estimated to range up to 0.6% of current premiums for HMOs and up to 4.8% of current premiums for Fee-For-Service and Preferred Provider Organization plans.
*** Note: Employers could respond to anticipated premium increases by (a) increasing employer contributions; (b) increasing employee contributions; (c) reducing or dropping health coverage; or (d) reducing or dropping other employee benefits.**		

Employers could respond to anticipated premium increases by (a) increasing employer contributions; (b) increasing employee contributions; (c) reducing or dropping health coverage; or (d) reducing or dropping other employee benefits. Also, these estimates do not incorporate any potential savings that might exist on employee productivity, absenteeism, or future medical care.

Explanation of Local Revenues:

State Agencies Affected: All

Local Agencies Affected: Local Governments and School Corporations.

Information Sources: The Costs and Effects of Parity for Mental Health and Substance Abuse Benefits, Substance Abuse and Mental Health Services Administration, U.S. Department of Health and Human Services, March 1998 (electronically available at: http://www.mentalhealth.org).

Issues in Mental Health Care Benefits: The Costs of Mental Health Parity, EBRI Issue Brief, Employee Benefit Research Institute, February 1997.