

# HOUSE BILL No. 1355

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## DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 5-10-8-9; IC 27-8-5-15.6; IC 27-8-10-3; IC 27-13-7-14.8.

**Synopsis:** Insurance coverage for mental health services. Requires that coverage for state employees, the Indiana Comprehensive Health Insurance Association, and individual and group accident and sickness insurance policies and contracts with health maintenance organizations cover treatment for mental illness, including substance abuse and chemical dependency. Provides that coverage for treatment for mental illness applies to treatment by a mental health service provider. Prohibits financial or treatment limitations greater than those that apply to treatment for a physical health condition. Requires deductibles or out-of-pocket limits to be comprehensive for treatment for mental illness and physical health conditions. Allows for administration of  
(Continued next page)

**Effective:** July 1, 1999.

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**Crosby, Goeglein, Moses**

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January 12, 1999, read first time and referred to Committee on Public Health.

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Digest Continued

mental illness benefits by a managed care organization. (The introduced version of this bill was prepared by the Indiana commission on mental health.)

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First Regular Session 111th General Assembly (1999)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 1998 General Assembly.

## HOUSE BILL No. 1355

A BILL FOR AN ACT to amend the Indiana Code concerning insurance.

*Be it enacted by the General Assembly of the State of Indiana:*

1 SECTION 1. IC 5-10-8-9 IS AMENDED TO READ AS FOLLOWS  
2 [EFFECTIVE JULY 1, 1999]: Sec. 9. (a) ~~This section does not apply~~  
3 ~~to benefits for services furnished after September 29, 2001.~~  
4 (b) ~~This section does not apply if the application of this section~~  
5 ~~would increase the premiums of the health services policy or plan by~~  
6 ~~more than one percent (1%) as a result of complying with subsection~~  
7 ~~(d).~~  
8 As used in this section, "managed care organization" means an  
9 organization that has entered into provider agreements with  
10 mental health service providers (as defined in IC 34-6-2-80) to  
11 provide a continuum of care in the least restrictive, most  
12 appropriate setting for the treatment for mental illness.  
13 (c) (b) As used in this section, "coverage for services for mental  
14 illness" includes benefits with respect to means any condition or  
15 disorder involving mental health, services as defined by the contract,  
16 policy, or plan for health services; However, the term does not include  
17 services for the treatment of including substance abuse or and  
18 chemical dependency that is described in any of the diagnostic



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1 **categories listed in the mental disorders section of the International**  
 2 **Classification of Disease, as periodically revised.**

3 ~~(d)~~ (c) If the state enters into a contract for health services through  
 4 prepaid health care delivery plans, medical self-insurance, or group  
 5 health insurance for state employees, the contract **must provide**  
 6 **coverage for treatment of mental illness by a mental health service**  
 7 **provider (as defined in IC 34-6-2-80) and** may not permit treatment  
 8 limitations or financial requirements on the coverage of services for  
 9 mental illness if similar limitations or requirements are not imposed on  
 10 **the coverage of services for other medical or surgical conditions.**

11 ~~(e)~~ This section applies to a contract for health services through  
 12 prepaid health care delivery plans, medical self-insurance, or group  
 13 medical coverage for state employees that is issued, entered into, or  
 14 renewed after June 30, 1997.

15 **(d) Any deductible or out-of-pocket limits required under a**  
 16 **contract described in subsection (c) must be comprehensive for**  
 17 **coverage of treatment of both mental illness and physical health**  
 18 **conditions.**

19 ~~(f)~~ This section does not require the contract for health services to  
 20 offer mental health benefits:

21 **(e) A contract for health services through prepaid health care**  
 22 **delivery plans, medical self-insurance, or group health insurance**  
 23 **for state employees that does not otherwise provide for**  
 24 **management of care may provide coverage required under**  
 25 **subsection (c) through a managed care organization approved by**  
 26 **the department of insurance.**

27 **(f) The department of insurance shall adopt rules under**  
 28 **IC 4-22-2 for approval of a managed care organization referred to**  
 29 **in subsection (e).**

30 SECTION 2. IC 27-8-5-15.6 IS AMENDED TO READ AS  
 31 FOLLOWS [EFFECTIVE JULY 1, 1999]: Sec. 15.6. (a) This section  
 32 does not apply to benefits for services furnished after September 29,  
 33 2001.

34 ~~(b)~~ As used in this section, "aggregate lifetime limits" means a  
 35 dollar limitation on the total amount that may be paid for services for  
 36 a mental illness:

37 ~~(c)~~ As used in this section, "annual limits" means a dollar limitation  
 38 on the total amount that may be paid for services for a mental illness in  
 39 a twelve (12) month period:

40 ~~(d)~~ As used in this section, "managed care organization" means  
 41 an organization that has entered into provider agreements with  
 42 mental health service providers (as defined in IC 34-6-2-80) to



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1 **provide a continuum of care in the least restrictive, most**  
 2 **appropriate setting for the treatment for mental illness.**

3 (b) As used in this section, "coverage of services for a mental  
 4 illness" includes the services defined under the policy of accident and  
 5 sickness insurance (as defined in IC 27-8-5-1); However, the term does  
 6 not include services for the treatment of means any condition or  
 7 disorder involving mental health, including substance abuse or and  
 8 chemical dependency that is described in any of the diagnostic  
 9 categories listed in the mental disorders section of the International  
 10 Classification of Disease, as periodically revised.

11 (c) This section applies to a policy of accident and sickness  
 12 insurance (as defined in IC 27-8-5-1) that:

13 (1) is issued on an individual basis or a group basis; and

14 (2) is issued, entered into, or renewed after June 30, 1998.

15 (f) (c) This section does not apply to the following:

16 (1) Except for an employee benefit program under IC 5-10-8, an  
 17 employee benefit program that is subject to the federal Employee  
 18 Retirement Income Security Act (29 U.S.C. 1001 et seq.).

19 (2) A group or individual insurance policy or agreement offered  
 20 or sold to:

21 (A) an individual;

22 (B) an association; or

23 (C) a legal business entity that employs less than fifty (50)  
 24 full-time employees.

25 (3) An individual, an association, or a legal business entity whose  
 26 premiums would increase more than one percent (1%) solely as  
 27 a result of complying with subsection (g).

28 (g) (d) A group or individual policy of accident and sickness  
 29 insurance (as defined in IC 27-8-5-1 ) policy or agreement must  
 30 provide coverage for treatment of mental illness by a mental health  
 31 service provider (as defined in IC 34-6-2-80) and may not impose  
 32 aggregate lifetime limits or annual limits permit treatment limitations  
 33 or financial requirements on the coverage of services for a mental  
 34 illness if similar limitations or requirements are not imposed on the  
 35 coverage of services for other medical or surgical conditions.

36 (h) This section does not require a group or individual insurance  
 37 policy or agreement to offer mental health benefits.

38 (e) Any deductible or out-of-pocket limits required under a  
 39 policy described in subsection (d) must be comprehensive for  
 40 coverage of treatment of both mental illness and physical health  
 41 conditions.

42 (f) A policy of accident and sickness insurance that does not



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1 otherwise provide for management of care under the policy may  
 2 provide coverage required under subsection (d) through a  
 3 managed care organization approved by the department.

4 (g) The department shall adopt rules under IC 4-22-2 for  
 5 approval of a managed care organization referred to in subsection  
 6 (f).

7 SECTION 3. IC 27-8-10-3 IS AMENDED TO READ AS  
 8 FOLLOWS [EFFECTIVE JULY 1, 1999]: Sec. 3. (a) An association  
 9 policy issued under this chapter may pay usual and customary charges  
 10 or use other reimbursement systems that are consistent with managed  
 11 care plans, including fixed fee schedules and capitated reimbursement,  
 12 for medically necessary eligible health care services rendered or  
 13 furnished for the diagnosis or treatment of illness or injury that exceed  
 14 the deductible and coinsurance amounts applicable under section 4 of  
 15 this chapter. Eligible expenses are the charges for the following health  
 16 care services and articles to the extent furnished by a health care  
 17 provider in an emergency situation or furnished or prescribed by a  
 18 physician **for a physical or mental condition, including substance**  
 19 **abuse and chemical dependency:**

20 (1) Hospital services, including charges for the institution's most  
 21 common semiprivate room, and for private room only when  
 22 medically necessary, but limited to a total of one hundred eighty  
 23 (180) days in a year.

24 (2) Professional services for the diagnosis or treatment of injuries,  
 25 illnesses, or conditions, other than ~~mental or~~ dental, that are  
 26 rendered by a physician or, at the physician's direction, by the  
 27 physician's staff of registered or licensed nurses, and allied health  
 28 professionals.

29 ~~(3) The first twenty (20) professional visits for the diagnosis or~~  
 30 ~~treatment of one (1) or more mental conditions rendered during~~  
 31 ~~the year by one (1) or more physicians or, at their direction, by~~  
 32 ~~their staff of registered or licensed nurses, and allied health~~  
 33 ~~professionals.~~

34 ~~(4) (3) Drugs and contraceptive devices requiring a physician's~~  
 35 ~~prescription.~~

36 ~~(5) (4) Services of a skilled nursing facility for not more than one~~  
 37 ~~hundred eighty (180) days in a year.~~

38 ~~(6) (5) Services of a home health agency up to two hundred~~  
 39 ~~seventy (270) days of service a year.~~

40 ~~(7) (6) Use of radium or other radioactive materials.~~

41 ~~(8) (7) Oxygen.~~

42 ~~(9) (8) Anesthetics.~~



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- 1           ~~(10)~~ **(9)** Prostheses, other than dental.
- 2           ~~(11)~~ **(10)** Rental of durable medical equipment which has no
- 3           personal use in the absence of the condition for which prescribed.
- 4           ~~(12)~~ **(11)** Diagnostic X-rays and laboratory tests.
- 5           ~~(13)~~ **(12)** Oral surgery for:
- 6                 (A) excision of partially or completely erupted impacted teeth;
- 7                 (B) excision of a tooth root without the extraction of the entire
- 8                 tooth; or
- 9                 (C) the gums and tissues of the mouth when not performed in
- 10                connection with the extraction or repair of teeth.
- 11           ~~(14)~~ **(13)** Services of a physical therapist and services of a speech
- 12           therapist.
- 13           ~~(15)~~ **(14)** Professional ambulance services to the nearest health
- 14           care facility qualified to treat the illness or injury.
- 15           ~~(16)~~ **(15)** Other medical supplies required by a physician's orders.
- 16           An association policy may also include comparable benefits for those
- 17           who rely upon spiritual means through prayer alone for healing upon
- 18           such conditions, limitations, and requirements as may be determined
- 19           by the board of directors.
- 20           (b) A managed care organization that issues an association policy
- 21           may not refuse to enter into an agreement with a hospital solely
- 22           because the hospital has not obtained accreditation from an
- 23           accreditation organization that:
- 24                 (1) establishes standards for the organization and operation of
- 25                 hospitals;
- 26                 (2) requires the hospital to undergo a survey process for a fee paid
- 27                 by the hospital; and
- 28                 (3) was organized and formed in 1951.
- 29           (c) This section does not prohibit a managed care organization from
- 30           using performance indicators or quality standards that:
- 31                 (1) are developed by private organizations; and
- 32                 (2) do not rely upon a survey process for a fee charged to the
- 33                 hospital to evaluate performance.
- 34           (d) For purposes of this section, if benefits are provided in the form
- 35           of services rather than cash payments, their value shall be determined
- 36           on the basis of their monetary equivalency.
- 37           (e) The following are not eligible expenses in any association policy
- 38           within the scope of this chapter:
- 39                 (1) Services for which a charge is not made in the absence of
- 40                 insurance or for which there is no legal obligation on the part of
- 41                 the patient to pay.
- 42                 (2) Services and charges made for benefits provided under the

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1 laws of the United States, including Medicare and Medicaid,  
 2 military service connected disabilities, medical services provided  
 3 for members of the armed forces and their dependents or for  
 4 employees of the armed forces of the United States, medical  
 5 services financed in the future on behalf of all citizens by the  
 6 United States.

7 (3) Benefits which would duplicate the provision of services or  
 8 payment of charges for any care for injury or disease either:

9 (A) arising out of and in the course of an employment subject  
 10 to a worker's compensation or similar law; or

11 (B) for which benefits are payable without regard to fault  
 12 under a coverage statutorily required to be contained in any  
 13 motor vehicle or other liability insurance policy or equivalent  
 14 self-insurance.

15 However, this subdivision does not authorize exclusion of charges  
 16 that exceed the benefits payable under the applicable worker's  
 17 compensation or no-fault coverage.

18 (4) Care which is primarily for a custodial or domiciliary purpose.

19 (5) Cosmetic surgery unless provided as a result of an injury or  
 20 medically necessary surgical procedure.

21 (6) Any charge for services or articles the provision of which is  
 22 not within the scope of the license or certificate of the institution  
 23 or individual rendering the services.

24 (f) The coverage and benefit requirements of this section for  
 25 association policies may not be altered by any other inconsistent state  
 26 law without specific reference to this chapter indicating a legislative  
 27 intent to add or delete from the coverage requirements of this chapter.

28 (g) This chapter does not prohibit the association from issuing  
 29 additional types of health insurance policies with different types of  
 30 benefits that, in the opinion of the board of directors, may be of benefit  
 31 to the citizens of Indiana.

32 (h) This chapter does not prohibit the association or its administrator  
 33 from implementing uniform procedures to review the medical necessity  
 34 and cost effectiveness of proposed treatment, confinement, tests, or  
 35 other medical procedures. Those procedures may take the form of  
 36 preadmission review for nonemergency hospitalization, case  
 37 management review to verify that covered individuals are aware of  
 38 treatment alternatives, or other forms of utilization review. Any cost  
 39 containment techniques of this type must be adopted by the board of  
 40 directors and approved by the commissioner.

41 SECTION 4. IC 27-13-7-14.8 IS AMENDED TO READ AS  
 42 FOLLOWS [EFFECTIVE JULY 1, 1999]: Sec. 14.8. (a) ~~This section~~



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1 does not apply to benefits for services furnished after September 29,  
2 2001.

3 (b) As used in this section, "aggregate lifetime limits" means a  
4 dollar limitation on the total amount that may be paid for services for  
5 a mental illness.

6 (c) As used in this section, "annual limits" means a dollar limitation  
7 on the total amount that may be paid for services for a mental illness in  
8 a twelve (12) month period.

9 (d) As used in this section, "coverage of services for a mental  
10 illness" includes the services defined under the contract with the health  
11 maintenance organization; However, the term does not include services  
12 for the treatment of **means any condition or disorder involving**  
13 **mental health, including** substance abuse ~~or~~ **and** chemical  
14 dependency **that is described in any of the diagnostic categories**  
15 **listed in the mental disorders section of the International**  
16 **Classification of Disease, as periodically revised.**

17 (e) This section applies to a group or individual contract with a  
18 health maintenance organization that is issued, entered into, or renewed  
19 after June 30, 1998.

20 (f) (b) This section does not apply to the following:

21 (1) Except for an employee benefit program under IC 5-10-8, an  
22 employee benefit program that is subject to the federal Employee  
23 Retirement Income Security Act (29 U.S.C. 1001 et seq.).

24 (2) A group or individual contract with a health maintenance  
25 organization offered or sold to:

26 (A) an individual;

27 (B) an association; or

28 (C) a legal business entity that employs less than fifty (50)  
29 full-time employees.

30 (3) ~~An individual, an association, or a legal business entity whose~~  
31 ~~premiums would increase more than one percent (1%) solely as~~  
32 ~~a result of complying with subsection (g).~~

33 (g) (c) A group or individual contract with a health maintenance  
34 organization **must provide coverage for treatment of mental illness**  
35 **by a mental health service provider (as defined in IC 34-6-2-80)**  
36 **and may not impose aggregate lifetime limits or annual limits permit**  
37 **treatment limitations or financial requirements** on the coverage of  
38 services for a mental illness if similar limitations or requirements are  
39 not imposed on **the** coverage of services for ~~other~~ **medical or surgical**  
40 conditions.

41 (h) This section does not require a group or individual contract with  
42 a health maintenance organization to offer mental health benefits.



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1           (d) Any deductible or out-of-pocket limits required under a  
2 contract described in subsection (c) must be comprehensive for  
3 coverage of treatment of both mental illness and physical health  
4 conditions.

5           SECTION 5. [EFFECTIVE JULY 1, 1999] (a) IC 5-10-8-9, as  
6 amended by this act, applies to a contract for health services  
7 through a prepaid health care delivery plan, medical  
8 self-insurance, or group medical coverage for state employees that  
9 is issued, delivered, entered into, or renewed after June 30, 1999.

10           (b) IC 27-8-5-15.6, as amended by this act, applies to a policy of  
11 accident and sickness insurance (as defined in IC 27-8-5-1) that:

12               (1) is issued on an individual basis or a group basis; and

13               (2) is issued, delivered, entered into, or renewed after June 30,  
14 1999.

15           (c) IC 27-8-10-3, as amended by this act, applies to an Indiana  
16 comprehensive health insurance association policy issued,  
17 delivered, entered into, or renewed after June 30, 1999.

18           (d) IC 27-13-7-14.8, as amended by this act, applies to a group  
19 or individual contract with a health maintenance organization that  
20 is issued, delivered, entered into, or renewed after June 30, 1999.

21           (e) This SECTION expires June 30, 2004.  
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