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BILL ANALYSIS

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Senate Bill 229 (Substitute S-1 as reported)
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Sponsor: Senator Bev Hammerstrom
Committee: Health Policy

Date Completed: 6-7-06

RATIONALE

Approximately 20% of Americans experience some type of mental disorder, according to Michigan Partners for Parity. Mental illness is considered any disease or condition of the brain that affects a person's thoughts, feelings, behavior, and relationships with others. It is believed that a combination of psychological, environmental, genetic, and biological factors, rather than one specific cause, influences the emergence of mental illness. Although proper treatment can benefit many people with mental illness, many do not receive appropriate treatment and can be at an increased risk of negative results such as unemployment, poverty, homelessness, victimization by others, hospitalization, incarceration, and suicide.

One reason that some people do not obtain treatment for mental illness is the cost. Some insurance plans do not cover mental health services, and many that do impose stricter limitations on use for those services than the plans do for physical health services. These limitations include, for example, higher copays and deductibles, shorter hospital stays, and lower lifetime coverage amounts. Some people believe that insurers that provide coverage for mental health services should be required to do so under the same terms as those they apply to medical services.

CONTENT

Senate Bills 229 (S-1) and 230 (S-1) would amend the Nonprofit Health Care Corporation Reform Act and the Insurance Code, respectively, to require that benefits for mental health services issued by health insurance providers, health maintenance organizations (HMOs), and Blue Cross and Blue Shield of Michigan (BCBSM) not be more restrictive than benefits for medical services.

Specifically, for policies, certificates, or contracts that provided coverage for mental health services issued or renewed on or after January 1, 2007, the insurer, HMO, or BCBSM would have to provide cost-sharing requirements and benefit or service limitations for inpatient and outpatient mental health services that did not place a greater financial burden on the insured, enrollee, or member and were not more restrictive than those requirements and limitations for inpatient and outpatient medical services.

Proposed MCL 550.1416e (S.B. 229)
Proposed MCL 500.3406s (S.B. 230)

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

Given the growing understanding of the nature of mental illness, the continued discrepancy between insurance coverage for mental health services and coverage for physical health services is unfair and constitutes discrimination against those with certain brain disorders. Insurers generally do not decline to cover services for conditions based on which organs they affect or the symptoms they cause. Indeed,

insurers cover other disorders of the brain and central nervous system, such as multiple sclerosis, whose primary symptoms are related to mobility, vision, and other physical functions rather than emotions and behavior.

Children with mental illness are particularly vulnerable due to a lack of access to mental health services. Parents sometimes find themselves in the position of having to take lower-paying jobs so they qualify for Medicaid, or giving custody of their children to another adult or the State so that those children can receive the services they need.

Discrimination by insurance companies against those with conditions such as heart disease or cancer would not be tolerated, nor would discrimination based on race, ethnicity, gender, or religion be tolerated. Disparities between physical and mental health coverage convey a message that the mentally ill are less worthy of basic health care and compound the suffering that they and their families experience.

Supporting Argument

The bills would help reduce the costs of untreated mental illness and alleviate the burden on the public health care system. Several other states have experienced a significant reduction in mental health care spending since the enactment of parity laws because people are able to obtain appropriate treatment before their conditions progress to a severe or crisis level, when treatment is more expensive. Additionally, experience has shown that when people have access to mental health services, they use fewer physical health services.

There also are indirect costs associated with untreated mental illness that could be mitigated by parity laws. According to Michigan Partners for Parity, absenteeism is three times higher among employees with untreated mental illness or addiction disorders than among other employees. Cumulatively, untreated mental illness reportedly costs businesses billions of dollars every year in lost work days and reduced productivity.

Mental illness is treatable. With the proper care, people with mental illness can better maintain employment and become productive taxpayers and citizens. The bills would help ensure that more people had access to the services necessary to facilitate their independence, stability, and economic productivity.

Response: In some states, parity laws went into effect at the same time that managed care was being implemented. In cases in which health care spending was reduced or premiums did not rise by the expected amount, it is unclear whether the parity law or the managed care system was responsible.

Opposing Argument

The bills would add to already increasing health care costs for employers, leading them to pass on even more costs to employees, reduce physical health benefits, or drop coverage altogether. Small businesses and individuals frequently purchase low-cost health care plans on the premise that barebones coverage is better than none at all. Plans with mandated additional services necessarily would cost more. Thus, the bills could inadvertently raise health care costs, lead to fewer insured or employed individuals, and hamper the economic viability of businesses in the State. Subsequently, the public health care system would be further strained.

Businesses should have the flexibility to design benefit plans that fit their budgets, as well as the freedom to negotiate the scope of any health care package with employees. The bills would interfere with the collective bargaining process and restrict an employer's ability to determine an appropriate compensation package in an environment of rising health care costs. Additionally, the bills' requirement for parity in insurance coverage would be anticompetitive, resulting in a guaranteed market for certain services that was not based on quality, cost, or affordability.

Furthermore, the bills would open the door to mandates that insurers cover services for numerous other conditions and diseases that are no less worthy of coverage than mental health services. Insurance companies currently are not required to provide any mental health coverage at all. Therefore, it would not make sense to specify in statute the scope of that coverage if it is offered.

Response: Some states that have enacted parity laws have experienced only minor increases in premiums, and some have actually experienced spending

reductions. In fact, no state that has adopted a parity law has repealed it due to costs, nor has any state reported a loss of jobs or an increase in the number of uninsured. Moreover, the bills would not mandate that insurers provide mental health coverage. They simply specify that, *if* insurers provide such coverage, it would have to be on the same terms as coverage for medical services.

Legislative Analyst: Julie Koval

FISCAL IMPACT

The bills would require that health insurers create parity for cost limits and utilization restrictions between physical and mental health coverages. Estimates of the increased health insurance cost of such parity measures based on studies range from a nominal change up to 3.4%. Thus, for State and local governments, one could expect a resultant change in health insurance costs from 0% to 3.4%. On the State level, this would equate to an amount between $0 and $6.4 million GF/GP. The State's Medicaid program would not be affected as the program is not an insurer as defined in statute. It does appear that the mental health coverage provided to Medicaid clients would meet the standards of the legislation.

Fiscal Analyst: Steve Angelotti

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