



# HEALTH CARE REFORM OUR UPDATE & ADVICE

MORRIS & REYNOLDS INSURANCE PRESENTS ADVICE & ANSWERS ON AMERICA'S HEALTH CARE REFORM

## MENTAL & SUBSTANCE CARE



### MENTAL HEALTH & SUBSTANCE ABUSE PARITY

**It's about time!** Historically the coverage provided by medical insurance for mental and nervous conditions, and substance abuse such as drug and alcohol treatment has been considerably more limited than coverage for all other covered conditions. As of July 1, 2010 that will change dramatically for **employer groups with 50 or more employees.**

The **Wellstone and Domenici Mental Health Parity and Addiction Equity Act (MHPAEA)** was signed into law on October 3, 2008 by President Bush and seeks to remedy the inequity between benefits for mental health and substance abuse disorders and medical benefits in many group plans. Interim Final Rules (IFR) released on February 2nd and effective April 5, 2010, are applicable to insurance plan years that begin on or after **July 1, 2010.**

As of **July 1, 2010** MHPAEA will require all **employers with 50 or more employees that provide medical and surgical insurance with mental health or substance abuse benefits to provide those benefits in a manner that is no more restrictive than those required for the medical and surgical benefits.**

### THE LAW'S IMPACT

Prior to the law, it has been customary to use a different standard for substance abuse and mental health treatment benefits.

Mental health and substance parity means that **benefits for coverage for mental health and substance use benefits must be at least equal to that coverage provided for physical health benefits.** This means that the plan cannot impose limits on the number of visits, days of coverage or similar limits on scope or duration of mental health or substance treatment that are more restrictive than other medical and surgical benefits.

It is important to note that although nearly all medical insurance plans include some form of mental and substance coverage the new law does not require a health plan to provide mental health and substance use benefits. However, if the plan provides such coverage it must be at parity with physical health coverage.

It is anticipated that over 113 million Americans will be impacted by this law, including over 82 million enrolled in self-funded plans regulated by ERISA who are not subject to state parity laws.

The MHPAEA has significantly increased the mental health benefits protection afforded under the Mental Health Parity Act of 1996, which only required parity for lifetime and annual dollar limits and did not apply to benefits for substance use disorders.

43 States have previously enacted parity laws and while some states have strong parity protections, most are not as comprehensive as the new federal law.



### WHICH PLANS ARE IMPACTED?

**Employers With 50+ Employees:** MHPAEA impacts all group health plans with 50 or more employees, whether self funded (regulated under ERISA) or fully insured (regulated under state law), that provide mental health or substance benefits. It is estimated that about 97% of all medical plans provide some mental health and substance use benefits.

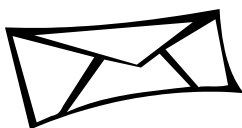
**Individual Health Plans:** The law does not apply to individual health insurance plans.

**Medicare:** The new law does not apply to Medicare patients. In July 2008, however, Congress provided for Medicare coinsurance parity for Medicare patients with the Medicare Improvements for Patients and Providers Act (MIPPA).

Under MIPPA, mental health care is subject to the same coinsurance as other benefits. In January 2010, the coinsurance became 45% followed by 40% in 2012, 35% in 2013 and finally 20% in 2014.

**Medicaid:** The MHPAEA will apply to Medicaid managed care health plans. Medicaid enrollees in these plans will have better access to mental health and substance abuse services.

*Continued on Page Two...*



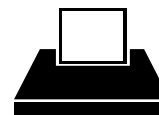
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### MENTAL HEALTH & SUBSTANCE ABUSE PARITY DETAILS

An analysis of the new law finds that:

- Equity coverage applies to all financial requirements, including deductibles, co-payments, coinsurance, and out-of-pocket expenses; and to all treatment limitations, including frequency of treatment, number of visits, days of coverage, or other similar limits.
- As with the 1996 federal parity law, which already requires parity coverage for annual and lifetime dollar limits.
- Mental health and substance abuse benefits are defined broadly to mean benefits with respect to services for mental health conditions and substance abuse disorders, as defined under the terms of the plan and in accordance with applicable federal and state laws.
- A plan may not apply separate cost-sharing requirements or treatment limitations to mental health and substance abuse disorder benefits.
- If a plan offers two or more benefit packages, the law will be applied separately to each package.

### THE ECONOMIC IMPACT OF PARITY

Mental and substance benefits can be removed from many plans, but cost exemptions are available based on set criteria and require the use of a “qualified actuary” and apply for one plan year only. **The Congressional Budget Office estimated that parity will result in cost increases of 0.2 to 0.4 percent for health plans.** As part of its report, the reference studies showed a cost reduction for mental health and substance abuse premiums of 20%-48% when behavioral health carve-out plans are used. Based on such data it would appear that the cost for the benefits will be small, but that the impact of including broad coverage will be sizable and help employees and employers.

Mary Schwartz, a benefit administrator of a major airline’s medical clinic is familiar with the past and current regulations. At the airline, Schwartz said that by carving out mental health and substance abuse benefits from its health plan and placing these services with a stand-alone national behavioral health provider, her company experienced savings on many levels.

*“The savings of HR man hours in the staffing and benefits department was noticeable,”* Schwartz said. *“Issues were often resolved before they came to HR, which resulted in less litigation.”* Schwartz noted that savings were realized in **“reduced turnover and disability claims, and productivity increased as employees were more closely monitored by specialists whose top priority was curing the employees rather than merely treating symptoms”** when employees had robust coverage available from their employer.

Thankfully, as a result of this new law, many employees will now have these important benefits available to them in the exact same manner as any other medical concern.

This should allow for more appropriate care, improve employees’ health and increase productivity at work and at home. Please contact us at any time with your questions about this topic or any other as we are happy to help.

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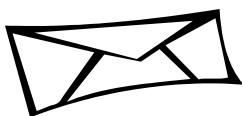


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Sources: The House Committees on Ways and Means, Energy and Commerce, and Education and Labor, 2010 and The National Association of Health Underwriters



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