Legislative Budget and Finance Committee

A JOINT COMMITTEE OF THE PENNSYLVANIA GENERAL ASSEMBLY

Offices: Room 400 • Finance Building • Harrisburg • Tel: (717) 783-1600
Mailing Address: P.O. Box 8737 • Harrisburg, PA 17105-8737
Facsimile (717) 787-5487

A Cost and Benefits Study of Mental Health Insurance Coverage Required by Act 1998-150

A Report in Response to Act 1998-150

June 2001

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To the Members of the General Assembly:

Act 150 of 1998 directed our Committee to conduct an actuarial study of the costs and benefits of the mental illness insurance coverage required by the act. The act requires the study to be completed by June 30, 2001, and every two years thereafter. The act also requires the study to be "actuarially sound and subject to peer review by the American Academy of Actuaries." Due to these requirements, the Committee issued a Request for Proposal for assistance with this study in July 2000. In September 2000, the contract was awarded to PricewaterhouseCoopers LLP.

PricewaterhouseCoopers LLP (PwC) was chosen based on cost and the quality of their proposal. We note that in 1997, Ron Bachman, FSA, MAAA, and partner with then Coopers & Lybrand LLP, was the principal author of a privately funded cost analysis of legislation leading up to the final passage of Act 150. As a part of his 1997 work, Mr. Bachman was involved in testimony before the Pennsylvania Legislature as the parity issue was debated. His activities at the time were partially funded by the mental health advocacy community.

Mr. Bachman, now of PwC, is the principal author of this study. PwC disclosed in their proposal that their past and present clients include insurance carriers, health maintenance organizations, employers, industry associations, and government agencies, which "requires PwC to perform studies, such as this one, in an unbiased manner." We considered their knowledge of insurance and employer benefits, as well as their contacts with PwC payer and employer clients within Pennsylvania, to be an asset in collecting and analyzing the information required for this report.

The PwC report is contained herein. As with all LB&FC reports, the public release of this report should not be construed as an indication that the Committee or its individual members necessarily concur with its findings and conclusions.

Sincerely,

Philip R. Durgin
Executive Director

A Cost and Benefits Study of Mental Health Insurance Coverage Required by Act 1998-150

Issued by the Pennsylvania Legislative Budget and Finance Committee

May 11, 2001

Conducted by PricewaterhouseCoopers LLP

An Economic/Actuarial Cost and Benefits Study of Mental Health Insurance Coverage Required by Act 1998-150

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An Economic / Actuarial Cost and Benefits Study of Mental Health Insurance Coverage Required by Act 1998-150

Issued by the Pennsylvania Legislative Budget and Finance Committee

I. Executive Summary

- **The impact of the Act 150 mandated benefits on Large Group health insurance premiums in the Commonwealth is estimated at a total of 14.6 million dollars for plan year 1999. This increase translates into approximately $0.37 per member per month or an increase of .43% of the total monthly health care premium.**

- **The impact of applying the Act 150 mandated benefits to Small Group health insurance premiums in the Commonwealth is estimated at a total of 7.6 million dollars for plan year 1999. This increase translates into approximately $0.44 per member per month or an increase of .35% of the total monthly health care premium.**

- **One payer reported that the estimated cost impact from Act 150 was so small they chose to implement mandated benefits for accounts with under 50 employees and expected the annual premium impact to be less than .5%.**

- **One payer chose to administer Act 150 coverage limits for all mental disorders due to the belief that the available diagnostic professional literature was insufficient to explicitly distinguish severe mental illness from other mental illness.**

- **PwC estimates the cost of expanding coverage to include medically necessary services for all DSM IV disorders would be approximately 25% of the total cost for covering serious mental illnesses as defined in Act 150 or an additional $.09 per member per month for all Large Group health insurance products.**

I.1. Background

Employers generally provide employees with medical insurance benefits that pay for most of the expenses associated with the treatment of medical disorders that payers determine to be medically necessary. Mental health benefits have historically been defined, priced and offered to employees as a separate and distinct benefit. As such, most mental health benefit designs have been developed separately from other medical benefits. One result of this approach has been the lack of parity between mental health and other medical conditions. Mental health parity is usually defined as providing

equivalent financial reimbursement and treatment coverage for mental disorders as provided for medical disorders.

In 1998 the General Assembly of the Commonwealth of Pennsylvania passed Act 1998-150 to address the lack of parity between specific mental disorders and medical disorders. This legislation applies to "any health insurance policy offered to groups of fifty (50) or more employees" and addresses nine particular mental illnesses, collectively referred to as serious mental illnesses. These nine serious mental illnesses include: schizophrenia, bipolar disorder, obsessive-compulsive disorder, major depressive disorder, panic disorder, anorexia nervosa, bulimia nervosa, schizo-affective disorder and delusional disorder. The Act also requires the Legislative Budget and Finance Committee to study the cost and benefit impact of this legislation 18 months after the Act's effective date and every two years thereafter. The Committee contracted with PricewaterhouseCoopers LLP (PwC) to conduct this study.

I.2. Key Findings

I.2.1. Estimate the Impact of Act 150 on health insurance costs/premiums ("the effect on policy premiums").

PwC surveyed insurance and managed care companies (payers) that provide group health plan services to employees residing in the Commonwealth of Pennsylvania regarding the cost/premium impact of Act 150. Collectively, the nine payers responding to the PwC survey submitted data representing approximately 22.5% or over 1.6 million Pennsylvanians covered by self-insured (e.g., ERISA) and commercially insured employer sponsored health insurance plans. The estimated impact of the Act 150 mandated benefits on Large Group health insurance premiums is 14.6 million dollars for plan year 1999. The estimated per member per month cost increase of the Act 150 requirements is $0.37 or an increase of .43% of the total monthly health care premium for 1998 Large Group health insurance products.

I.2.2. Estimate the cost benefit of extending the provisions of this act to all group health insurance policies offered in the Commonwealth.

PwC surveyed insurance and managed care companies that provide group health insurance products to employees residing in the Commonwealth regarding the potential cost benefit of extending the provisions of Act 150 to Small Groups. The cost benefit of extending the Act 1998-150 benefit provisions to Small Groups is estimated at 7.6 million dollars for plan year 1999 or an approximate per member per month increase of $0.44 or an increase of .35% of the total monthly health care premium for 1998 Small Group health insurance products.

I.2.3. Estimate the cost benefit impact of Act 1998-150 coverage for mental illness and the cost benefit impact of Act 1998-150 to those employers who offer policies with more liberal benefits.

PwC assessed the cost benefit impact of Act 150 coverage for mental illness from three perspectives, 1) an employer productivity perspective, 2) an accessibility to care perspective, and 3) by comparing the costs incurred from Act 150 with costs incurred in other states that enacted mental health parity laws. Employers reported no specific changes in productivity, disability or absenteeism that could be attributed to Act 150. While the removal of pre-Act 150 benefit limits did enhance the environment for Pennsylvanians to access and receive medically necessary mental health treatment, providers and payers generally reported that utilization of Act 150 mental health benefits was low. Many mental health providers expressed significant concerns regarding the challenges of complying with an array of managed care payer practices, particularly payer interpretations of medical necessity. Finally, PwC compared the estimated cost benefit impact of Act 150 to the estimated cost impact experienced by other states that passed similar mental health parity legislation. The estimated cost increases associated with Pennsylvania Act 1998-150 fell well within the range of the reported cost impact of similar legislation in other states.

I.2.4. Identify those employers that provide reduced mental health insurance benefits to employees and those employers that provide more liberal mental health insurance benefits than provided in Act 150.

Surveyed companies purchasing Large Group health products reported an increase in their benefit coverage as a result of the Act 150 compliance changes made to their Large Group insurance policies. Furthermore, several employers reported that they voluntarily applied the requirements of the Act to their self-funded (e.g., ERISA) health insurance benefits, which are not subject to Act 150.

I.2.5. Complete an analysis of any mental illness enumerated under Axis I of the Current Diagnostic and Statistical Manual (DSM) of Mental Disorders not covered by this legislation, with specific consideration of whether any of these diagnoses should be included in the definition of serious mental illness.

Specific diagnoses not included in the Act, and suggested for coverage by providers and by a few payers, included Dysthymia and Anxiety Disorders, particularly Post Traumatic Stress Disorder. These disorders can represent early stages of other potentially serious mental illness like Major Depression. Others suggested that medically necessary services for all DSM IV disorders should be covered. PwC estimates the cost of this additional coverage would be approximately 25% of the total cost for covering serious mental illnesses as defined in Act 150 or an additional $.09 per member per month for all Large Group health insurance products.

I.2.6. Describe any actions taken by the Department of Insurance to assure health insurance policies are in compliance with this Section of the Act, and that quality and access to treatment for mental health conditions are not compromised by providing coverage.

The Department of Insurance monitors compliance with the mental health parity provisions of Act 150 through its complaint process. Consumers and providers, in a few reported instances, appealed their case with the Department of Insurance. The Department investigated the claim, contacted the payer and enforced the requirements of Act 150. In every appealed case the final decision was resolved in favor of the claimants. PwC also observed that the Department of Insurance does not separate requests to investigate mental health claims from other non-mental health claims.

Because mental health claim investigations are not segmented, PwC could not obtain a list of such claims to measure the impact or change from 1998 to 1999 from Act 150.

I.2.7. Identify any segments of the Commonwealth's population that may be excluded from access to treatment for mental health conditions as provided by Act 1998-150.

There are approximately 4.5 million insured Pennsylvanians, covered under employer and other health insurance plans, who are not directly covered by Act 150. These Pennsylvanians are covered by individual policies (500,000 individuals), commercially insured group plans provided by companies with fewer than 50 employees (1.4 million individuals), or companies electing to self-insure their employees and be regulated under federal laws (ERISA) rather than the Commonwealth's laws (2.6 million individuals). In addition, there were 3.0 million Pennsylvanians who received health insurance coverage from Medicare and Medicaid, and 1.2 million Pennsylvanians who were uninsured during 1998 and therefore not covered by any public or private plan of care.

I.2.8. Complete an analysis of the use of medical services resulting from the provision of access to mental health treatment as provided by the legislation.

The impact of Act 150 provisions on the use of medical services that resulted from the provision of mental health treatment is unclear at this time. There are no known studies that have addressed the statistical medical cost offset comparing the enhanced mental health benefits such as provided by Act 150 to the utilization of other medical services.

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II. Introduction

II.1. Mental Health Parity

Employers generally provide employees with medical insurance benefits that pay for most of the expenses associated with medically necessary treatments of medical disorders. Mental health benefits, much the same as dental, pharmacy, and vision benefits, have historically been defined, priced and offered to employees as a separate and distinct plan benefit. As such, most mental health benefit designs have been developed separately from other medical benefits. One result of this approach has been the lack of parity between serious mental disorders and other medical disorders. Mental health parity is usually defined as providing equivalent financial reimbursement and treatment coverage for mental health disorders as provided for medical disorders.

Parity advocates have argued that serious mental disorders should be covered in the same manner as any medical disorders. The argument suggests that a serious mental disorder is, in fact, a subset of the broader "medical disorder" category and these serious mental disorders should be covered the same as any medical disorder. In many state governments, and in the federal government, parity advocates have successfully changed or passed laws requiring certain employers and insurance companies (payers) to offer mental health benefits which are either similar to or identical to the covered benefits or cost sharing provisions contained in broader medical plan benefits[1].

II.2. Pennsylvania Act 1998-150

II.2.1. Summary of Act 1998-150

In 1998 the General Assembly of the Commonwealth of Pennsylvania passed Act 1998-150 to address the lack of parity between specific serious mental disorders and other medical disorders (See Appendix). This legislation applies to "any health insurance policy offered to groups of fifty (50) or more employees" and addresses nine particular mental disorders, otherwise referred to as serious mental illnesses. The Act also requires the Legislative Budget and Finance Committee to study the cost and benefit impact of this legislation 18 months after the Act's effective date.

II.2.2. Purpose of Act 1998-150

Act 150 shall apply to any health insurance policy offered to groups of 50 or more employees. "Serious mental illness" refers specifically to an individual diagnosed with: schizophrenia, bipolar disorder, obsessive-compulsive disorder, major depressive disorder, panic disorder, anorexia nervosa, bulimia nervosa, schizo-affective disorder and delusional disorder. These health insurance policies shall provide coverage for serious mental illnesses that meet, at a minimum, the following standards:

- Coverage for serious mental illness shall include at least thirty (30) inpatient and sixty (60) outpatient days annually
- A person covered under such policies shall be able to convert coverage of inpatient days to outpatient days on a one-for-two basis
- There shall be no difference in either the annual or lifetime dollar limits in coverage for serious mental illness and any other illnesses
- Cost-sharing arrangements, including, but not limited to, deductibles and copayments for coverage of serious mental illnesses shall not prohibit access to care.

III. Impact Analysis

III.1. Summary

PwC was engaged by the Pennsylvania Legislative Budget and Finance Committee (LB&FC) in the fall of 2000 to complete an impact analysis of the mental health insurance coverage, which was required by Act 1998-150. PwC developed a study methodology with LB&FC staff designed to answer the eight impact analysis questions required by Act 150. This methodology included the identification of individuals and groups affected by the legislation, a review of the legislation and public comments associated with the legislation, the development of four interest group surveys and the administration of the surveys (see Appendix). PwC administered surveys to four interest groups and solicited comments from over 1000 companies based in Pennsylvania, major insurance companies operating in Pennsylvania, providers and consumers and consumer advocacy groups from the Commonwealth, and compiled a quantitative and qualitative analysis resulting in an impact analysis of Act 1998-150.

III.2. Methodology

PwC met with staff from LB&FC to outline and clarify the impact analysis requirements for Act 150. The focus of this impact analysis was based on eight questions listed in the Act. These questions were designed to quantify and qualify the impact of the legislative mandate that enhanced mental health benefit coverage for individuals who experience severe mental illness. These eight questions and a summary of findings are presented below.

III.2.1. Survey

PwC worked with LB&FC staff to develop a survey and an approach to collect data and input for each of the questions posed by Act 150. Four specific interest groups were identified: employers, insurance and managed care companies (payers), providers and consumers / consumer advocacy groups. Individual consumers were very reluctant to speak publicly about their treatment experience due to the stigma attached to mental illness; therefore mental health advocacy groups primarily represented the later group.

Each survey was tailored to address specific questions noted in Act 150 and to reflect the general interests presented in public comments received during the debate over passage of Act 150.

Employer Survey

The employer survey was designed to ascertain the types of insurance coverage offered to employees and accompanying plan premiums for plan years 1998 and 1999. This information along with the mental health plan limits and associated premium changes provided insight to the cost impact on employer health insurance premiums. Employers were also asked to address changes in managed care practices and changes in the company's mental health plan design, such as cost sharing practices, and summarize any feedback received from employees regarding the expansion of mental health coverage resulting from Act 150. Lastly, the employer survey requested information regarding the impact of Act 150 on the use of employee assistance program services and productivity-related metrics that could be attributed to Act 150.

Payer Survey

The payer survey was similar in design to the employer survey, in that payers were asked to describe the type of insurance coverage offered to employers and accompanying plan premiums for plan years 1998 and 1999. The survey was specifically interested in collecting data regarding the mental health plan benefit characteristics and the accompanying premium changes that resulted from Act 150 requirements. This survey also asked payers to describe the type of feedback they received from members regarding the expansion of mental health benefits and the cost impact of potential future enhancements to Act 150.

Provider Survey

The provider survey was designed to solicit operational and impact information related to Act 150. Providers were asked to describe their relationship with managed care companies and for feedback regarding the manner in which these companies communicated the plan benefit changes resulting from Act 150. Providers were requested to describe and present data, if available, regarding changes in referral patterns, patient volume, accessibility to their services, changes in the authorization

process, co-payments, and the number and types of benefit denials since the implementation of Act 150. Providers were also asked to describe their experience with the grievance and appeal process, and to provide input regarding potential future enhancements to Act 150. Specifically, providers were asked to make recommendations regarding the inclusion/exclusion of specific mental disorders in the definition of serious mental illness.

Consumer Survey

The consumer survey was designed to assess the impact of Act 150 on the lives of Pennsylvanians who have been diagnosed with a serious mental illness. These survey questions focused on the type and amount of treatment received by an individual, feedback on the overall treatment experience comparing the time before implementation of Act 150 to after the implementation of Act 150. This survey also requested feedback regarding the grievance and appeal process, and to learn about how employers / payers communicated the plan benefit changes to individual employees / beneficiaries.

III.2.2. Data Collection

With the assistance of LB&FC staff, PwC identified employers, payers, providers and consumer advocacy groups within the Commonwealth. The identified groups represented over 1,000 employers, over 25 payers (including behavioral health managed care companies), the primary behavioral health provider groups and the representative consumer advocacy groups. PwC then contacted representatives from each interest group to solicit feedback regarding the impact of Act 150. Feedback was obtained using a targeted survey instrument (see Appendix).

III.2.3. Data Analysis

PwC utilized the results of the interest group survey and Internet-based census data to create a quantitative and qualitative impact analysis of Act 150. The survey data, described above, was collected and aggregated to control for individually identifiable information. The payer data was then categorized into two groups reflecting the language in Act 150: commercially insured groups of fifty or more (designated as Large Groups) and commercially insured groups of 2-49 (designated as Small Groups). A

weighted average was calculated for each group's population and insurance premium data. These results were then incorporated into a PwC economic and actuarial model, which was designed to assess the cost and impact of parity at both a state and federal level (see Appendix). This PwC model has been shown to be effective at assessing the impact of health care coverage characteristics on specific populations including employer-based populations, government sponsored populations, and populations that are uninsured.

IV. Findings

This section of the report provides a detailed response to each of the eight questions posed by Act 150. Each question is addressed independently and references are listed at the end of the report.

IV.1.1. Estimate the Impact of Act 150 on health insurance costs/premiums ("the effect on policy premiums").

Health insurance costs/premiums refer to the fees paid (typically on a monthly basis) by employers and beneficiaries to insurance or managed care companies in order to participate in a group health plan.

PwC surveyed insurance and managed care companies (payers) that provide group health plan services to employees residing in the Commonwealth of Pennsylvania regarding the cost/premium impact of Act 150. These payers were asked to complete a survey (see Appendix - Payer Survey) designed to assess the impact of Act 150 on their cost structure, utilization management and other business practices. Specifically, the survey requested information pertaining to the number of covered lives and premiums for specific group insurance products during 1998 and 1999. One way to characterize group insurance products is through the number of individual employees who enroll in a particular product. For example, a Large Group insurance product was defined, for the purpose of this impact analysis, as a group of 50 or more employees who participate in a commercially insured group health insurance plan. A Small Group insurance product was defined as a group of 2-49 employees who participated in a commercially insured group health insurance plan.

The survey also requested information delineating the type of insurance coverage (Indemnity, PPO, POS, HMO) that was offered by the payer and specific information regarding mental health premiums and benefit coverage during 1998 and 1999. This mental health coverage question was designed to assess the nature of the covered mental health benefits for both years as well as the change in premium to the mental health benefit that resulted from the Act 150 mandate.

Lastly, the payer survey sought information pertaining to utilization management practices, other mental health plan design changes, information on beneficiary feedback and input on the cost impact of potential enhancements to Act 150 requirements.

Collectively, the nine payers responding to the PwC survey submitted data representing approximately 22.5% or over 1.6 million Pennsylvanians covered by self-insured (e.g., ERISA) and commercially insured employer sponsored health insurance plans.

The impact of Act 150 mandated benefits on Large Group health insurance premiums in the Commonwealth is estimated at a total of 14.6 million dollars for plan year 1999 (see Summary Data table below). This number was calculated from completed payer surveys and telephone interviews. The formula used to calculate this premium increase multiplies the estimated number of Pennsylvanians covered by Large Group health insurance products in 1998 by the average weighted increase attributable to Act 150 requirements. The estimated per member per month cost increase of the Act 150 requirements is $0.37 or an increase of .43% of the total monthly health care premium for 1998 Large Group health insurance products.

During the survey process, PwC learned that some carriers found the increase to be so insignificant that one carrier implemented the Act 150 requirements in early 1999, but did not adjust the rate increase until renewal dates that occurred later in the calendar year. Another carrier reported no increase was required for their Indemnity and PPO products, and that only a small percentage increase was required for POS and HMO groups to add a rider that covered the specific requirements mandated by Act 150. Finally, some employers who self-fund their employee health insurance reported that they voluntarily complied with the Act 150 requirements for all employee health benefit plans in order to maintain consistency with all mental health benefits (i.e., "serious mental illnesses" and "non-serious mental illnesses").

Summary Data[2]

Estimated number of Pennsylvanians in 1998:	12,002,000
Estimated number of non-elderly (under age 65) Pennsylvanians in 1998 (84.3% of population):	10,117,000
Estimated number of Pennsylvanians covered by employer insurance in 1998 (72.2% of Non-elderly population)	7,305,000
Estimated number of Pennsylvanians covered by Act 150 (Non ERISA, insured health plans with over 50 employees)	3,300,000
Reported 1999 *per member per month* (pmpm) premium increase, attributable to Act 150 for Non-ERISA, insured health plans with over 50 employees:	$0.37 pmpm
Estimated annual total Large Group premium increase to cover Act 150 provisions in 1999 (number of Large Group members x monthly Large Group premium increase x 12 months):	$14,586,000

IV.1.2. Estimate the cost benefit of extending the provisions of this act to all group health insurance policies offered in the Commonwealth.

Act 150 specifically applies to health insurance policies covering groups of fifty or more employees, referred to in this report as Large Group policies. Payers also provide group health insurance coverage to groups of less than 50 employees. Products for 2-49 employees are referred to as Small Group health insurance products.

This section addresses the cost benefit of extending the provisions of Act 150 to Small Groups health insurance policies offered in the Commonwealth. PwC surveyed insurance and managed care companies that provide group health insurance products to employees residing in the Commonwealth regarding the potential cost benefit of extending the provisions of Act 150 to Small Groups.

The cost benefit of extending the provisions of this Act to Small Groups is estimated at 7.6 million dollars for plan year 1999. The formula used to calculate this premium increase multiplies the estimated number of Pennsylvanians covered by Small Group health insurance products in 1998 by the average weighted increase attributable to Act 150 requirements. This estimated cost of the Act 150 requirements represents an approximate per member per month increase of $0.44 or an increase of .35% of the total monthly health care premium for 1998 Small Group health insurance products.

Ordinarily the actuarial percentage increase estimated for Small Group products (.35%) would be larger than for Large Group products (.43%). However, the weighted average developed from the reported payer populations resulted in a greater premium increase for Large Group products compared to Small Group products. It should also be noted that while the estimated average cost increase is not large, the impact of this increase on any one employer could be significantly different depending on the type and amount of mental health insurance coverage offered.

A few payers responding to the payer survey noted that their companies implemented the Act 150 mandated benefits for all products, including those Small Group products with under 50 employees. The stated rationale for this decision was to maintain consistency across specific group health products, particularly those small or community group products covering 2 to 99 members, which overlapped with the Act 150 requirements.

Summary Data[3]

Estimated number of Pennsylvanians in 1998:	12,002,000[4]
Estimated number of Pennsylvanians employed in civilian labor force in 1998:	5,489,000[5]
Estimated number of Pennsylvanians covered by employer insurance in 1998 (72.2% of Non-elderly population)	7,305,000
Estimated number of Pennsylvanians receiving employer-based health insurance from Small Group health insurance products (small group is defined as groups with less than 50 participating individuals):	1,430,000
Estimated 1999 *per member per month* (pmpm) premium increase for Small Group health insurance products attributable to Act 150 provisions:	$0.44 pmpm
Estimated 1999 Small Group premium increase to cover Act 150 provisions (number of individual and small group members x small group premium increase):	$7,607,000

IV.1.3. Estimate the cost benefit impact of Act 1998-150 coverage for mental illness and the cost benefit impact of Act 1998-150 to those employers who offer policies with more liberal benefits.

PwC assessed the cost benefit impact of Act 150 coverage for mental illness from three perspectives, 1) an employer productivity perspective, 2) an accessibility to care perspective, and 3) by comparing the costs incurred from Act 150 with costs incurred in other states that enacted mental health parity laws. PwC surveyed payers regarding the impact of Act 150 on levels of productivity, and rates of disability and absenteeism. Employers reported no specific changes in productivity, disability or absenteeism that could be attributed to Act 150.

PwC also interviewed providers and payers from around the Commonwealth regarding the medical cost offset of Act 150 requirements (see Appendix - Provider and Payer Surveys). While the removal of pre-Act 150 benefit limits did enhance the environment for Pennsylvanians to access and receive medically necessary mental health treatment, providers and payers generally reported that utilization of Act 150 mental health benefits was low. Many mental health providers expressed significant concerns regarding the challenges of complying with an array of managed care payer practices. These concerns included confusion over eligibility and who was covered by the Act, interpretation of covered Act 150 benefits, unclear and inconsistent communication of Act 150 mandated benefits and, disagreement between providers and payers over what constituted medical necessity for the treatment of a serious mental illness.

This debate over what constitutes medical necessity is important in assessing the cost benefit of Act 150, because each payer's definition of medical necessity, more than insurance coverage limits, influences who gets access to treatment and the amount of reimbursement for treatment. Medical necessity definitions are developed based on professional literature, available data on best practices, and reference guidelines from public agencies[6], but are subject to interpretation by the payers' care managers. Several providers suggested that because mental illnesses often lack the physical evidence

present in physical illnesses and injuries, payers are more likely to deny payments for mental disorders based on the medical necessity criteria.

PwC also compared the estimated cost benefit impact of Act 150 to the estimated cost impact experienced by other states that passed similar mental health parity legislation. The estimated cost increases associated with Pennsylvania Act 1998-150 fall well within the range of the reported cost impact of similar legislation from other states. A 1998 study, published by the National Institute of Mental Health, suggests the states of Texas, North Carolina, and Maryland, after passing mental health parity legislation, experienced a premium rate increase that was similar to the percentage increase reported by Pennsylvania-based payers.[7]

Employers and payers providing more benefits that were more liberal than required by Act 150, reported a positive cost benefit, although no employer or payer could quantify this impact. In one instance, a payer chose to apply the Act 150 benefit coverage limits to all mental disorders due to the belief that the available diagnostic professional literature was insufficient to explicitly distinguish severe mental illness from other mental illness. In another instance, the payer reported that, for continuity reasons, this payer would accommodate the Act 150 coverage provisions for their entire community book of business, which covered Groups of 2-99 individuals. This payer went on to say some rate increases resulted from these product enhancements associated with the Act 150 requirements, but they were expected to result in less than .5% of the total monthly health care premium for groups with existing mental health benefits.

Additionally, several employers reported that they voluntarily implemented the Act 150 mandate for their self-insured (e.g., ERISA) employee health insurance plans and found no additional cost impact to these plans. (According to the Employee Retirement Income Security Act of 1974, otherwise known as ERISA, employers are allowed to self-insure many of the benefits they offer employees. These ERISA benefits are only subject to specific federal laws and are not subject to state laws. Employers operating in multiple states frequently opt to self-insure their plan benefits in order to simplify the

administration of their benefits.) Finally, surveyed employers did not make any changes in employee cost sharing policies as a result of the Act 150 provisions, nor did they experience feedback from employees regarding the Act 150 provisions. However, a few employers noted that it might be too early to assess the overall impact of Act 150 because the implementation of the Act's provisions did not take place until later in 1999.

IV.1.4. Identify those employers that provide reduced mental health insurance benefits to employees and those employers that provide more liberal mental health insurance benefits than provided in Act 150.

PwC solicited feedback on the impact of Act 150 from over 1,000 large and small employers. Respondents to the survey (see Appendix - Employer Survey) as well as phone conversations with employers suggest that no employers reduced mental health insurance benefits to employees. Surveyed companies purchasing Large Group commercial health insurance products reported an increase in their benefit coverage as a result of the Act 150 compliance changes made to their Large Group insurance policies. Furthermore, as noted earlier, several employers reported that they voluntarily applied the requirements of the Act to their self-funded (e.g., ERISA) health insurance plan benefits, which were not subject to Act 150, and one payer reported that they extended coverage to all mental disorders, not just those defined in Act 150.

IV.1.5. Complete an analysis of any mental illness enumerated under Axis I of the Current Diagnostic and Statistical Manual (DSM) of Mental Disorders not covered by this legislation, with specific consideration of whether any of these diagnoses should be included in the definition of serious mental illness.

PwC surveyed providers and payers from across the Commonwealth regarding the covered severe mental illness disorders defined in Act 150. The providers surveyed included psychologists and psychiatrists whose practices ranged from providing strictly outpatient treatment to providing a combination of outpatient and facility-based (inpatient) treatment. The feedback was consistent across providers and mixed across payers. According to many of the providers and some of the payers, the apparent clinical logic for mandating benefits for certain mental disorders seems unclear, and they

suggested the Commonwealth expand the Act 150 mandated benefit coverage to include medically necessary services for all mental disorders included in the DSM IV. The providers noted that the American Psychiatric Association and other professional organizations have developed, over a period of decades, a scientific and peer-reviewed structure and methodology for identifying, defining and labeling known mental disorders.

Specific diagnoses not included in the Act, and suggested for coverage by providers and a few payers, included Dysthymia and Anxiety Disorders, particularly Post Traumatic Stress Disorder. These disorders, such as Dysthymia, can represent the early stages of other potentially serious mental disorders like Major Depression. Therefore, the Commonwealth may find that early detection and treatment of these and other such mental disorders may prevent the onset and treatment of other more serious and costly mental disorders.

Some providers and payers also recommended the Commonwealth include substance abuse disorders in the list of covered disorders. Pennsylvania Act 1989-106, however, already mandates substance abuse coverage and multiple modes of treatment for groups consisting of two or more individuals.

Covered Mental Disorders

According to Act 150, serious mental illness means any of the following mental illnesses as defined by the American Psychiatric Association in the most recent edition of the Diagnostic and Statistical Manual (DSM-IV):

- Schizophrenia
- Bipolar Disorder
- Obsessive-Compulsive Disorder
- Major Depressive Disorder
- Panic Disorder
- Anorexia Nervosa
- Bulimia Nervosa
- Schizoaffective Disorder
- Delusional Disorder

The following disorders represent the complete list of diagnosable Axis I and Axis II* mental disorders as defined by the American Psychiatric Association. Treatment for the specific disorders listed below may or may not be defined as "medically necessary" and

may or may not be covered for reimbursement purposes by a particular payer or health plan:

Disorders Usually First Diagnosed in Infancy, Childhood, or Adolescence

- Mental Retardation*
- Learning Disorders
- Motor Skills Disorder
- Communication Disorders
- Pervasive Developmental Disorder
- Attention-Deficit and Disruptive Behavior Disorders
- Feeding and Eating Disorders of Infancy or Early Childhood
- Tic Disorders
- Elimination Disorders
- Other Disorders of Infancy, Childhood or Adolescence

Delirium, Dementia, and Amnestic and Other Cognitive Disorders

- Delirium
- Dementia
- Amnestic Disorders
- Other Cognitive Disorders

Mental Disorders Due to a General Medical Condition Not Elsewhere Classified

Substance-Related Disorders

- Alcohol-Related Disorders
- Amphetamine-Related Disorders
- Caffeine-Related Disorders
- Cannabis-Related Disorders
- Cocaine-Related Disorders
- Hallucinogen-Related Disorders
- Inhalant-Related Disorders
- Nicotine-Related Disorders
- Opioid-Related Disorders
- Phencyclidine-Related Disorders
- Sedative-, Hypnotic-, or Anxiolytic-Related Disorders
- PolySubstance-Related Disorders
- Other Substance-Related Disorders

Schizophrenia and Other Psychotic Disorders

- *Schizophrenia***
- Schizophreniform Disorder
- *Schizoaffective Disorder***
- *Delusional Disorder***
- Brief Psychotic Disorder
- Shared Psychotic Disorder
- Psychotic Disorder due to a General Medical Condition
- Psychotic Disorder not otherwise specified

Depressive Disorders

- *Major Depressive Disorder***
- Dysthymic Disorder
- Depressive Disorder not otherwise specified

Bipolar Disorders

- *Bipolar Disorder***
- Cyclothymic Disorder
- Bipolar Disorder not otherwise specified
- Mood Disorder due to a General Medical Condition
- Mood Disorder not otherwise specified

Anxiety Disorders

- *Panic Disorder* (with or without Agoraphobia)**
- Agoraphobia without history of Panic Disorder
- Specific Phobia
- Social Phobia
- *Obsessive-Compulsive Disorder***
- Posttraumatic Stress Disorder
- Acute Stress Disorder
- Generalized Anxiety Disorder

- Anxiety Disorder due to a General Medical Condition
- Anxiety Disorder not otherwise specified

Somatoform Disorders
- Somatization Disorder
- Undifferentiated Somatoform Disorder
- Conversion Disorder
- Pain Disorder
- Hypochondriasis
- Body Dysmorphic Disorder
- Somatoform Disorder not otherwise specified

Factitious Disorders
- Factitious Disorder
- Factitious Disorder not otherwise specified

Dissociative Disorders
- Dissociative Amnesia
- Dissociative Fugue
- Dissociative Identity Disorder
- Depersonalization Disorder
- Dissociative Disorder not otherwise specified

Sexual and Gender Identity Disorders
- Sexual Dysfunctions
- Paraphilias
- Gender Identity Disorders

Eating Disorders
- *Anorexia Nervosa****
- *Bulimia Nervosa****
- Eating Disorder not otherwise specified

Sleep Disorders
- Primary Sleep Disorders
- Sleep Disorders Related to Another Mental Disorder
- Other Sleep Disorders

Impulse-Control Disorders Not Elsewhere Classified

Adjustment Disorders

Personality Disorders*
- Paranoid Personality Disorder
- Schizoid Personality Disorder
- Schizotypal Personality Disorder
- Antisocial Personality Disorder
- Borderline Personality Disorder
- Histrionic Personality Disorder
- Narcissistic Personality Disorder
- Avoidant Personality Disorder
- Dependent Personality Disorder
- Obsessive-Compulsive Personality Disorder

Other Conditions that may be a Focus of Clinical Attention

Additional Codes
- V-Codes

* **Personality Disorders and Mental Retardation are defined by the DSM IV as Axis II mental disorders.**

** **Disorders covered by Pennsylvania Act 1998-150**

PwC also completed an actuarial analysis to calculate the cost of extending coverage from the limited list of serious mental illnesses to medically necessary services for all DSM IV mental disorders. PwC estimates the cost of this additional coverage would be approximately 25% of the total cost for covering the Act 150 serious mental illnesses or

an additional $.09 per member per month. The total estimated impact for this increased coverage would be approximately 3.7 million dollars per year for Large Group health insurance products covered by Act 150.

IV.1.6. Describe any actions taken by the Department of Insurance to assure health insurance policies are in compliance with this Section of the Act, and that quality and access to treatment for mental health conditions are not compromised by providing coverage.

The Department of Insurance monitors compliance with the mental health parity provisions of Act 150 through its complaint process. PwC spoke with employees within the Department of Insurance regarding their administrative responsibilities relative to Act 150 and to consumers and providers who believed they had not received the necessary access and/or authorization for mental health treatment.

Consumers and providers, in a few reported instances, appealed their case to the Department of Insurance. The Department investigated the claim, contacted the payer and enforced the requirements of Act 150. In every appealed case, reviewed by PwC, the final decision was resolved in favor of the claimants. Of note was one finding where the Department of Insurance was asked by providers to investigate a reoccurring issue associated with the authorization of mental health services by a managed care company. At issue were payer practices that required consumers to formally "apply" for Act 1998-150 benefit enhancements in order to receive coverage and reimbursement for treatment of a mental disorder. Act 1998-150 contains no provisions requiring consumers to apply for benefit enhancements, and the Department of Insurance followed up with the managed care company and resolved the issue.

PwC also observed that the Department of Insurance does not separate requests to investigate mental health claims from other non-mental health claims. Because mental health claim investigations are not segmented, PwC could not obtain a list of such claims to measure the impact or change from 1998 to 1999 from Act 150.

Many of the provider concerns regarding quality and access to care focused on managed care practices, rather than deficiencies in Act 150. Obtaining managed care authorization for the treatment and reimbursement of a mental disorder, including a serious mental illness, is based on a three-step process. The first step requires an initial provider diagnosis of a mental disorder, which is based on the DSM-IV, published by the American Psychiatric Association. The second step requires the individual to experience functional impairment due to the mental disorder. In other words, just because an individual is diagnosed with a mental disorder, they may or may not be experiencing symptoms of the mental disorder, and may or may not be able to function independent of treatment. Lastly, an individual who is diagnosed with a mental disorder and is functionally impaired must meet the medical necessity criteria established by their specific managed care company in order to receive pre-authorization and reimbursement for their treatment. Department of Health regulations implementing Act 1998-68 pertaining to utilization review procedures of managed care plans, which are soon to be finalized, will require plans to provide more specific reasons and rationales for their medical necessity decisions.

IV.1.7. Identify any segments of the Commonwealth's population that may be excluded from access to treatment for mental health conditions as provided by Act 1998-150.

According to the U.S. Census, the number of Pennsylvanians in 1998 was approximately 12 million people. The Act 150 provisions applied to an estimated 3.3 million Pennsylvanians who participated as members of employer-based Large Group health insurance policies in 1998. There are approximately 4.5 million insured Pennsylvanians, covered under employer and other health insurance plans, who are not directly covered by Act 150. These Pennsylvanians are covered by individual policies (500,000 individuals), commercially insured group plans provided by (1) companies with fewer than 50 employees (1.4 million individuals), or (2) companies electing to self-insure their employees and be regulated under federal laws (ERISA) rather than the Commonwealth's laws (2.6 million individuals). In addition, there were 3.0 million Pennsylvanians who received health insurance coverage from Medicare and Medicaid,

and 1.2 million Pennsylvanians who were uninsured during 1998 and therefore not covered by any public or private plan of care.

Several consumer groups and providers also noted that while Act 150 may cover children, the Act does not cover many of the types of serious emotional disturbances and mental disorders experienced by children, some of which are listed in section IV.1.5 of this report. Several states use the following U.S. Center for Mental Health Services' definition of serious emotional disturbance, which has been used to support state applications for Community Mental Health Services Block Grant awards:

> Children with a serious emotional disturbance are persons:
> 1. from birth up to age 18,
> 2. who currently or at any time during the past year,
> 3. have had a diagnosable mental, behavioral, or emotional disorder of sufficient duration to meet diagnostic criteria specified within DSM-IV,
> 4. that results in functional impairment, which substantially interferes with or limits the child's role or functioning in family, school, or community.

These definitions were adopted by the Substance Abuse and Mental Health Services Administration (SAMHSA) and published in the Federal Register on May 20, 1993. The mental health community proposed this language to be included in the Domenici-Wellstone Amendment for 1996 U.S. S.1028 ("The Health Insurance Reform Act"). This amendment was proposed to prevent insurers from imposing treatment or financial limits on mental health services that are not imposed on physical health services.

Alternatively, language that address children through a modified definition of serious mental illness could be:

> The term "severe mental illness" means an illness that is defined through diagnosis, disability and duration, and includes disorders with psychotic symptoms such as schizophrenia, schizoaffective disorder, bipolar disorder, dementia, autism, and other pervasive developmental disorders, as well as severe forms of other disorders such as major depression, panic disorder, obsessive compulsive disorder, multiple personality disorder, anorexia nervosa, bulimia, learning disorder associated with brain damage, phobia associated with

significant functional impairment, and disruptive behavior disorders of childhood, as determined by the Secretary of Health and Human Services.[8]

Summary Table[9]

Estimated number of Pennsylvanians in 1998:	12,002,000
Estimated number of Pennsylvanians covered by Act 150 (Non ERISA, insured health plans with over 50 employees):	3,293,000
Estimated number of Pennsylvanians obtaining health insurance from a Self-Insured employer plans, work for employers with less than 50 employees or purchase Individual health insurance coverage:	4,508,000
Estimated number of Pennsylvanians obtaining health insurance from Medicare:	1,885,000
Estimated number of Pennsylvanians obtaining health insurance from a Medicaid:	1,076,000
Estimated number of uninsured Pennsylvanians in 1998:	1,240,000

IV.1.8. Complete an analysis of the use of medical services resulting from the provision of access to mental health treatment as provided by the legislation.

The impact of Act 150 provisions on the use of medical services that resulted from the provision of mental health treatment is unclear and anecdotal at this time. There are no known studies that have addressed the statistical medical cost offset comparing the enhanced mental health benefits such as those provided by Act 150 to the utilization of other medical services.

Prospectively, the position advocated by providers and consumer advocates has generally been that through the provision of enhanced outpatient benefits to individuals with serious mental illness, the less likely the individual is to need inpatient mental health or other medical benefits, particularly emergency room visits. Furthermore, these groups have suggested in public comments, and received support from some payers, that the social impact of not treating severe mental illness early would be high in terms of lost work, absenteeism, disability, and in extreme cases premature death.

Appendix

Section 5 of Act 1998-150

Section 5. The act is amended by adding a section to read:

Section 635.1.[10] *Mental Illness coverage.* (a) As used in this section:

(1) "Serious mental illness" means any of the following mental illnesses as defined by the American Psychiatric Association in the most recent edition of the Diagnostic and Statistical Manual: schizophrenia, bipolar disorder, obsessive-compulsive disorder, major depressive disorder, panic disorder, anorexia nervosa, bulimia nervosa, schizoaffective disorder, and delusional order.

(2) "Health insurance policy" means any group health, sickness, or accident policy, or subscriber contract or certificate issued by an entity subject to one (1) of the following:

(i) This act.

(ii) The act of December 29, 1972 (P.L. 1701, No. 364), known as the "Health Maintenance Organization Act."

(iii) 40 Pa.C.S. Ch. 61 (relating to hospital plan corporations) or 63 (relating to professional health services plan corporations).

(b) This section shall apply to any health insurance policy offered, issued, or renewed on or after the effective date of this section in this Commonwealth to groups of fifty (50) or more employees: Provided, That this section shall not include the following policies: accident only, fixed indemnity, limited benefit, credit, dental, vision, specified disease, Medicare supplement, CHAMPUS (Civilian Health and Medical Program for the Uniformed[11] Services) supplement, long-term care, disability income, workers' compensation or automobile medical payment.

(c) Health insurance policies covered under this section shall provide coverage for serious mental illnesses that meet at a minimum the following standards:

(1) coverage for serious mental illnesses shall include at least thirty (30) inpatient and sixty (60) outpatient days annually;

(2) a person covered under such policies shall be able to convert coverage of inpatient days to outpatient days on a one-for-two basis;

(3) there shall be no difference in either the annual or lifetime dollar limits in coverage for serious mental illnesses and any other illnesses;

(4) cost-sharing arrangements including, but not limited to, deductibles and copayments for coverage of serious mental illnesses, shall not prohibit access to care. The department shall set up a method to determine whether any cost-sharing arrangements violate this subsection.

(d) The Legislative Budget and Finance Committee shall undertake a study of the cost and benefits of this section eighteen (18) months after the effective date of this section. The committee shall prepare a report of its study for the General Assembly on or before June 30, 2001, and every two years

thereafter. Such study and report shall include, but not be limited to, an analysis of the following: the effect on policy premiums; the cost benefit of extending this act to all group health insurance policies offered in this Commonwealth; the cost benefit of this enhanced level of coverage for mental illness and the cost benefit to those employers who offer policies with more liberal benefits; the identity of employers who, after the effective date of this section, provide reduced mental health insurance benefits to employees and who provided[12] more liberal mental health insurance benefits than provided in this act; an analysis of any mental illnesses enumerated under axis 1 of the Current Diagnostic and Statistical Manual of Mental Disorders not covered under this section, with specific consideration of whether any of them should be included in the definition of serious mental illness; actions taken by the department to assure health insurance policies are in compliance with this section and that quality and access to treatment for mental health conditions are not compromised by providing coverage under this section; identify any segments of this Commonwealth's population that may be excluded from access to treatment for mental health conditions; and an analysis of the use of medical services resulting from the provision of access to mental health treatment as provided by this section.

(1) The department shall fully cooperate and provide all nonconfidential data, records, reports, and information that the committee may request in connection with this study.

(2) The study and report authorized in paragraph (1) must be actuarially sound and subject to peer review by the American Academy of Actuaries. Any assumptions upon which the study and the report are based must be common to the current health insurance market in Pennsylvania.

Pennsylvania Legislative Budget and Finance Committee
Study of the Cost and Benefits of Pennsylvania Act 1998-150
Employer Impact Survey and Data Request

The 1998 Pennsylvania State Assembly passed Act 150, which mandates employers employing more than 50 full time employees to ensure their insured health benefit plans contain specific provisions for the coverage of serious mental illness. As part of the Act 150 requirements, the Pennsylvania Legislative Budget and Finance Committee is required to perform a legislative impact analysis to assess the effect of the Act on the employers, insurers, providers, and the lives of individuals and families affected by serious mental illness. Your responses to the following six questions will be kept confidential and will be aggregated with other employer responses to assist the Legislature in assessing the impact of Act 150.

Employer Name:_____

Would you be willing to publicly represent your company's responses if requested: yes___ no___

Contact Person:_____

Phone Number:_____

Total Number of Employees as of December 31, 1998:_____

1. Please complete the following table, which summarizes the insurance coverage for your employees and their accompanying plan premiums.

	Total Number of Employees in PA		Total Health Care Premium for employees in PA**	
Type of Insurance	As of December 31, 1998	As of December 31, 1999	1998 plan year	1999 plan year
Indemnity				
PPO				
POS				
HMO				
Total				

**Include the total premium for the combined employer and employee contribution

	Did your health plan contain mental health limits of less than 30 inpatient days and 60 outpatient visits in 1998?	If yes, give the % premium increase in the 1999 renewal attributable to expanded mental health coverage*
Type of Insurance		
Indemnity		
PPO		
POS		
HMO		
Total		

*Source for this answer could be found in documentation for 1999 renewal pricing for insured groups with mental health services covering less than 30 days inpatient and 60 outpatient visits.

2. Describe 1999 and 2000 changes in managed care practices for mental health services.

3. Describe 1999 and 2000 changes in plan design (employee cost sharing) for mental health services.

4. Describe feedback you received from employees and/or providers regarding the expansion of mental health coverage due to Act 150.

5. Describe any changes to your employee assistance program (EAP) in 1999 (and relation to Act 150)

6. Describe changes in productivity, disability and/or absenteeism in 1999 or 2000. Are any of these changes attributed to Act 150?

Pennsylvania Legislative Budget and Finance Committee
Study of the Cost and Benefits of Pennsylvania Act 1998-150
Payer/Insurer Impact Survey and Data Request

The 1998 Pennsylvania State Assembly passed Act 150, which mandated employers employing more than 50 full time employees, to ensure their employee health insurance policy contains specific provisions for the coverage of serious mental illness. As part of the Act 150 requirements, the Pennsylvania Legislative Budget and Finance Committee is required to perform a legislative impact analysis to assess the effect of the Act on the insurers, employers and the lives of individuals and families who are affected by serious mental illness. Your responses to the following questions are appreciated and they will be aggregated with other insurer/payer responses to assist the Legislature in assessing the impact of Act 150.

Company Name:_____

Contact Person:_____

Would you be willing to publicly represent your responses if requested: yes____ no____

Phone Number:_____

1. Please complete the following table, which categorizes the numbers and premiums associated with the covered lives you service.

Coverage	Total Number of Members residing in PA		Total Premium received for members residing in PA	
	As of December 31, 1998	As of December 31, 1999	1998	1999
Individuals				
Small Groups (<50)				
Self Insured				
Large, Insured Groups*				
Total				
Members in FEHBP**				

* The market effected by 1998 Act 150 is limited to insured, large groups (50+ employees)

2. Please complete the following tables, which categorizes the type of insurance and level of mental health coverage you offer

Type of Insurance	Total Number of Members residing in PA		Total Premium received for members residing in PA	
	As of December 31, 1998	As of December 31, 1999	1998	1999
Indemnity				
PPO				
POS				
HMO				
Total				
Members in FEHBP**				

** FEHBP refers to members covered by the Federal Employee Health Benefit Plan

Mental Health (MH) Coverage	Total Number of Members with MH coverage less than 30 inpatient days and 60 outpatient visits		Average increase and range of increase in premiums for 1999 renewals attributable to expanded mental health coverage***	
	As of December 31, 1998	As of December 31, 1999	% average increase	% range of increase
Indemnity				
PPO				
POS				
HMO				
Total				
Members in FEHBP				

*** Source for this answer may be found in documentation for 1999 renewal pricing for insured groups with mental health services covering less than 30 inpatient days and 60 outpatient visits.

3. Describe 1999 or 2000 changes in your company's managed care practices for mental health services for insured groups with 50+ employees.

4. Describe 1999 or 2000 changes in your company's plan design (cost sharing) for mental health services for insured groups with 50+ employees.

5. Describe any feedback received from your company's members and/or contracted providers regarding the expansion of mental health coverage due to Act 150.

6. Describe any cost or coverage impact resulting from a potential future enhancements to Act 150:

   - ❖ Expansion to cover all mental health services
   - ❖ Expansion to include substance abuse services
   - ❖ Expansion to make Act 150 provisions applicable to Small Group contracts
   - ❖ Expansion to make Act 150 provisions applicable to Individual contracts

Pennsylvania Legislative Budget and Finance Committee
Study of the Cost and Benefits of Pennsylvania Act 1998-150
PROVIDER INTERVIEW

NAME: _____

ADDRESS: _____

PHONE: _____

DISCIPLINE: _____

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1. What insurance companies, managed care plans and managed behavioral health organizations do you participate in?

2. How did each of these companies communicate changes in benefits and administrative procedure as a result of Act 1998-150?

3. Comparing your experiences before 1999 to your experience now, do you notice any differences in the following: (also explain differences):

   - Volume and type of referrals
   - Referrals from PCPs
   - Types of covered conditions and types of covered services
   - Meeting access standards for initial appointments
   - If not a psychiatrist, length of time for initial psychiatric appt.
   - Number of subsequent visits authorized at one time; total length of covered treatment
   - Process for receiving authorizations for routine treatment, for high-risk treatment, for crisis treatment?
   - Amount charged for co-payment
   - Number and types of benefit denials

4. Have you filed any formal complaints with your health plan, employer or insurance commissioner regarding your behavioral health coverage since 1999? Explain.

5. Have you filed any formal appeals of health plan coverage decisions since 1999? Explain.

6. What recommendations do you have for including other DSM Axis 1 diagnoses, including substance abuse diagnoses, in mental health benefits coverage?

7. Other experiences, observations, comments concerning the provision of treatment since mental health benefits were expanded.

Pennsylvania Legislative Budget and Finance Committee
Study of the Cost and Benefits of Pennsylvania Act 1998-150
CONSUMER/FAMILY INTERVIEW

NAME: _____

ADDRESS: _____

PHONE: _____

HEALTH COVERAGE: _____

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1. What condition (Dx) are you being treated for?

2. How long have you received treatment for this condition under your present health coverage?

3. Comparing your treatment experience before 1999 to your experience now, do you notice any differences in the following: (also explain differences):

   - access to providers (choice, length of time to get an appointment)
   - authorization for treatment
   - number of sessions or days authorized at one time and for the course of treatment
   - quality of providers
   - provider's discipline (MD, Ph.D., MSW)
   - amount charged for copayment

4. Have you filed any formal complaints with your health plan, employer or insurance commissioner regarding your behavioral health coverage since 1999? Explain.

5. Have you filed any formal appeals of healthplan coverage decisions since 1999? Explain.

6. Do you recall receiving any communication or notice from your employer or health plan regarding the expansion of mental health benefits?

7. Other experiences, observations, comment concerning your treatment since mental health benefits were expanded.

Summary Actuarial and Economic Data

Aggregate Reported Payer Data*

Group Type	1998 Lives	1998 Premium	1998 premium (reported as per member per month)	Reported premium increase due to Act 150 (reported as per member per month
Large Group	807,000	$884,400,000	$92	$0.37
Small Group	248,000	$375,300,000	$125	$0.44
Other Types of Coverage	1,500,000			

Aggregate Reported Type of Payer Coverage*

Type of Plan	1998
Indemnity	968,000
Preferred Provider Organization (PPO)	207,000
Point of Service (POS)	226,000
Health Maintenance Organization (HMO)	170,000
Federal Employee Health Benefit Plan (FEHBP)	74,000
Total	1,645,000

* All reported payer data is rounded and will only approximate data described in the report.

Pennsylvania 1998 Estimated Population Characteristics

Health Insurance Source:	Population	% of Total Population
Medicare	1,885,000	15.7%
Medicaid	1,076,000	9.0%
No Coverage	1,240,000	10.3%
Individual Policies	497,000	4.2%
Employer Coverage	7,304,000	60.8%
Total Commonwealth Population	12,002,000	100.00%

Pennsylvania 1998 Estimated Distribution of Employees by Employer Size

Number of Employees (per employer)	Total	Covered by Act 150	Not covered by Act 150
<25 Employees	1,125,000	0	1,125,000
25-50 Employees	307,000	0	307,000
50-99 Employees	613,000	613,000	0
100-499 Employees	1,176,000	911,000	265,000
500+ Employees	4,083,000	1,768,000	2,315,000
Total	7,304,000	3,292,000	4,012,000

Endnotes

[1] The American Psychiatric Association, State of the States: Parity Laws. September 2000. Internet website - http://www.psych.org/pub_pol_adv/stateparity92000.cfm.

[2] PwC Economic and Actuarial Parity Analysis Model, R. Bachman and J. Rodgers, 2001.

[3] PwC Economic and Actuarial Parity Analysis Model R. Bachman and J. Rodgers, 2001.

[4] Pennsylvania Fact Sheet, Pennsylvania State University, Institute of State and Regional Affairs

[5] U.S. Bureau of Census, American Fact Finder, Labor Force Status and Employment Characteristics: 1990. Internet website - http://factfinder.census.gov. Estimated for 1998 using State census numbers for 1998.

[6] Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services. Internet website - http://www.ahcpr.gov.

[7] Parity in Financing Mental Health Services: Managed Care Effects on Cost, Access and Quality. An Interim Report to Congress by the National Advisory Mental Health Council, Varmus, 1998. National Institutes of Health. U.S. Department of Health and Human Services, National Institute of Health, National Institute of Mental Health.

[8] U.S. Substance Abuse and Mental Health Services Administration (SAMHSA) published in the Federal Register on May 20, 1993.

[9] PwC Economic and Actuarial Parity Analysis Model, R. Bachman and J. Rodgers, 2001.

[10] "634" in enrolled bill.

[11] "uniform" in enrolled bill.

[12] "provide" in enrolled bill.

Agency Response to This Report

COMMONWEALTH OF PENNSYLVANIA
INSURANCE DEPARTMENT
Office of Rate and Policy Regulation
1311 Strawberry Square
Harrisburg, PA 17120
Fax (717) 787-8555 Telephone (717) 787-0684

May 31, 2001

Philip R. Durgin
Executive Director
Legislative Budget and Finance Committee
P.O. Box 8737
Harrisburg, PA 17105-8737

Dear Mr. Durgin:

Thank you for providing the Insurance Department with a draft copy of the Legislative Budget and Finance Committee's study on the costs and benefits of mental health insurance coverage required by Act 150 of 1998.

While the Department appreciates the opportunity to read and comment on this draft report, we do not intend to comment on the specific methods used or on the conclusions reached by the contractor in their analysis and determination of the cost impact of the mental health coverage mandate on employer insurance costs. The information provided in this report did not allow for a fuller examination of the methods used or conclusions reached in the report.

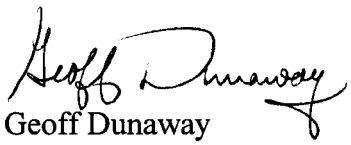
However, we would note that the Department performed its own analysis of behavioral health services coverage costs last year and our findings demonstrated that the cost for behavioral health benefits are significantly higher than those estimated in this report. Factors that may have contributed to some of the large differences between these cost estimates include differences in the populations studied as well as differences in the scope and duration of the benefits covered. The Department's study focused on enrollees in several large HMOs compared with the report's focus on mainly indemnity-based coverage. In addition, the Department's study covered both mental health and substance abuse services compared with only mental health services in the report.

Regarding the Department's actions to assure insurance carrier compliance with the act, the report comments that the Department regulations on Act 68 of 1998, "which have yet to be finalized, may affect the procedures used to appeal medical necessity and other managed care decisions." The Department already promulgated Act 68 regulations on March 11, 2000, which are currently in effect. The Act 68 statutory and regulatory requirements apply to managed care plans when reviewing and implementing benefit decisions and determinations, including those for mental health coverage, and we are currently applying the appropriate consumer appeal processes and procedures consistent with the Act.*

***The report text was modified to clarify that it is the Department of Health's regulations pertaining to Act 68 that have not yet been finalized.**

Thank you again for this opportunity to comment on this report. Please contact me at 717/787-0684 if you have any questions regarding this letter or if I can be of any further assistance in this matter.

Sincerely,



Geoff Dunaway
Director, Accident and Health Bureau

c: M. Diane Koken, Insurance Commissioner