

Mental Health Parity: General Overview

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June 2008

Background

Mental health “parity” is the term used to describe health insurance coverage for mental health conditions that is equal to coverage for physical conditions. Variations in parity provisions among the states and the federal government have led to the use of different terms for different levels of parity, including the following:¹

- **Comprehensive parity** requires insurance coverage of virtually all mental health and substance abuse disorders; requires that any financial or time limits on benefits are the same for both mental health and physical health; and does not allow caps on costs or exclude small group insurance.
- **Partial parity** requires insurance coverage of mental illness but allows limits on coverage. For instance, policies might limit benefits, cover only certain illnesses, or cap the dollar amount of covered services.
- **Mandated coverage** requires that an insurance policy provide some level of benefit for mental health treatment, while a **mandated offering** requires that if mental health benefits are offered, the benefits must be equal to those for physical health conditions.

Montana's Mental Health Insurance Laws

In Montana, the 1999 Legislature passed a partial parity law that requires equal coverage for seven specific severe mental illnesses. Section 33-22-706, MCA, requires both group and individual health insurance policies to provide coverage for:

- schizophrenia,
- schizoaffective disorder,
- bipolar disorder,
- major depression,
- panic disorder,
- obsessive-compulsive disorder, and
- autism.

In addition, the state has mandated a certain level of coverage for mental illness since 1981, under 33-22-703, MCA. While this law requires group insurance coverage of any mental illness, it also allows limits on benefits for both inpatient treatment (21 days) and outpatient treatment (a maximum of \$2,000 per year).

Both of these laws apply only to those health insurance plans that the state can regulate. Thus some insurance plans may not provide this coverage, such as self-insured plans or plans covered under the federal Employment Retirement Income Security Act (ERISA).

¹ "State Mental Health Parity Laws 2007," *National Alliance on Mental Illness*; available at http://www.nami.org/Template.cfm?Section=Issue_Spotlights&template=/ContentManagement/ContentDisplay.cfm&ContentID=45351; accessed May 31, 2008.

History of Montana's Mental Health Insurance Laws

Montana's partial parity law for severe mental illness (33-22-706, MCA) was introduced in 1999 and passed both houses with large margins. That same session, a broader bill for full parity of any mental health condition was introduced. Both bills were heard in a Senate committee on the same day, and the full parity bill was tabled. At the hearing, proponents described parity as a fairness issue in health care coverage. Health insurance companies spoke against parity from a cost perspective; they were particularly opposed to the full parity bill.

The 2001 Legislature extended the partial parity provisions to the Comprehensive Health Association Plan (33-22-1503, MCA), which serves as the high-risk insurance pool for people who cannot otherwise buy insurance. Insurance companies pay for the program, and the state administers it.

Meanwhile, the 2003 Legislature approved a pilot project for a "barebones" health benefit plan for individuals, to see whether people would buy a limited coverage plan. This plan does not need to provide parity for severe mental illness. It will expire on June 30, 2009, unless the Legislature extends it.

The mandate for coverage of other mental health conditions has been in effect since 1981, when the Legislature added it to an existing mandate for coverage of alcoholism and drug addiction.

Federal Parity Legislation

Two bills are pending in Congress that would amend the existing federal parity law. Both would expand on the partial parity provisions originally enacted in 1996 by requiring that coverage be equal to that provided for physical conditions.²

A conference committee is working on the bills. According to the National Alliance on Mental Illness, the Senate bill does not pre-empt any state mandates, but may pre-empt state parity laws that are below the federal standard. The House bill could pre-empt state mandates that do not cover all mental illnesses.

Until a final version is approved, the effects of federal changes on Montana law are difficult to predict.

However, both bills apply only to employers and group health plan sponsors with 50 or more employees. A 2003 survey found that 77% of uninsured Montanans work for a business that has 50 or fewer employees.³ The federal changes would not affect insurance plans offered by those businesses.

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²Jerry Geisel, "Congress closer to requiring parity for mental health benefits," *Financial Week*, May 27, 2008; available at <http://www.financialweek.com/apps/pbcs.dll/article?AID=/20080527/REG/286190733/1036>; accessed May 31, 2008.

³ Steve Seninger, *Household Survey and Employer Survey Findings about Health Insurance Coverage in Montana*, Montana State Planning Grant, February 2004, P. 13.