THE NEED FOR A MICHIGAN MENTAL HEALTH PARITY LAW

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What is Parity?

- Insurance coverage of mental illness that is comparable to coverage of other medical conditions
- Elimination of insurance practices that discriminate against people with mental illness
- Providing health insurance coverage based on medical, scientific and actuarial data, not stigma and misinformation

Why is parity legislation needed?

- Health insurance discrimination contributes to stigma that prevents people from receiving treatment
- Cost risks are spread across a large pool of covered lives
- Avoid problem of adverse selection
- People who need coverage do not ask for it

Federal Parity Legislation Enacted

- Signed into law October 3, 2008
- Full mental health and substance use disorder coverage equivalent to physical health coverage
- Exemption for businesses with 50 or fewer employees

Why is a Michigan bill needed?

- To cover >2 million people in Michigan who will be excluded by the exemption of businesses with 50 or fewer employees.
- To demonstrate affirmative efforts to eliminate discrimination in health insurance coverage.

What are the issues which have kept a bill from being enacted in Michigan?

- Cost Questions
  - Economic
  - Social
  - Medical
- Mandates
- Discrimination

What are the cost issues?

- Changes in health insurance premiums
- Medical cost offsets
- Costs of untreated mental health problems to business and industry
- Cost shifts to the public sector
- Societal costs of untreated mental health and substance use disorders

CONGRESSIONAL BUDGET OFFICE COST ANALYSES

- 1996: Estimated premium cost increase = 4.0%
- 2006: Gross premium increase = 0.9% with a net increase in total premiums of 0.4%
- S. 558 Estimated premium cost increase = 0.4%

The Cost of Full Parity One Percent or Less. Period.

- Accurate cost estimates must be based on actuarial analysis (prediction of cost based on past history).

- FACT: Nationally, full parity will increase premiums by less than 1%, costing a typical plan $1.32 per person per month. (CBO, 2006)
- FICTION: MI parity bills would increase premiums by 1% to 4% – based on 1996 CBO forecast.

Actual Premium Changes: States with Parity Laws

Experience of Statewide Implementation

- Maine: 1996 implementation
  <1.0% increase in total cost of health benefits
- Vermont: 1998 implementation
  BCBSVT – 0% impact on rates
- Pennsylvania: 1998 implementation
  2001: impact = 0.43% of total health care premium

States Actual Changes in Total Mental Health Costs

Examples:

- North Carolina: 1992 implementation for state employees: 38% drop in MH costs
- Texas: 1992 implementation for state employees: 48% drop in MH costs
- Ohio: 1990 implementation for state employees: 75% drop in in-patient days; 40% drop in out-patient visits
- Alaska: 1993 implementation for state employees: 64% drop in MH costs after 5 years

No state reported increased total costs for mental health.

Actuarial Analysis: Michigan

PricewaterhouseCoopers

- 1998: maximum gross cost = 3.3%
- 2003: maximum gross cost = 2.0%
- 2003: Insurance premium impact of <1.3% on employers
- 2005: Insurance premium impact of <1.0%

Federal Employees Health Benefit Plan

- Implementation of MH and SA parity in 2001 covering 8.5 million lives

- 2006 cost analysis: implementation of parity can improve insurance protection ***without increasing*** total costs

  New England Journal of Medicine, March 2006

Medical Cost Offset

- Relationship between mental and physical health: documented and beyond debate
- Numerous studies: 75-90% of PCP visits are stress related.
- Medical cost offset: decreased utilization of medical services as the result of mental health intervention

Medical Cost Offset Studies

- Columbia Medical Plan: people with untreated MH problems increased medical utilization by 61%
- Aetna: Medical costs declined from $242 to $162 per person after introduction of MH benefits
- AmJPsychiatry: 4 yr study -8100 people. Those with non-chronic MH problems reduced medical utilization by 7.2%; those who did not receive treatment increased medical utilization by 9.5% over 24 months (cumulative difference=16.9%

Washington Business Group on Health

"Parity in Employer
Sponsored Health Benefit Programs"
2000

"…Through the introduction of appropriate care management, [large employers covered under ERISA] were able to provide generous MH and SA benefits, contain, and, in some cases, reduce costs"

"…employers provide generous MH and SA benefits because…doing so is essential to the corporate bottom line."

Untreated Mental Illness: Billions in Non-Medical Costs to Business and Industry

- Surgeon General's Report: lack of MH parity costs U.S. employers >$70 billion/year in absenteeism and lost productivity
- MIT: annual direct business cost of untreated depression = $28.8 billion
- Of 11 million individuals with depression; 7.8 million (71%) are employed

Untreated Mental Illness: A Significant Disability Issue

Inst. Health and Productivity Management

- M.I. ranks 1st as a leading health reason for work site performance loss
- M.I. ranks 2nd as a leading health cause for absenteeism and STD

WHO Global Burden of Disease Study

- Major depression is the leading cause of disability worldwide

Parity and Substance Use Disorders

- 2006 Mental Health America Survey: 74% believe insurance should cover substance abuse treatment
- Eleven states with parity laws include substance abuse treatment
- 2004: 22.5 million Americans needed treatment for substance use disorders; 3.8 million received treatment

The Cost of Untreated Substance Use Disorders

- Cost to society of illicit drug abuse = $181 billion.
- Combining illicit drug abuse with alcohol and tobacco costs = >$500 billion.
- For every dollar spent on addiction treatment, there is a $4 - $7 reduction in costs of drug related crime.
- Outpatient treatment: total saving can exceed costs by ratio of 12:1.

Cost Issues for Small Business

- Small businesses do not have large pool of covered lives to spread risks for any illness
- Adverse selection: If MH coverage is optional, only those likely to use MH services will select those policies, thereby increasing costs
- Small employers can only recognize the benefits of MH coverage if insurers spread risks over a large pool of covered lives.

Societal Costs of Untreated Mental Health Problems

- Cost shift: costs of treating persons with serious mental illness shift to the public sector and the taxpayer.
- NC study 2005: 42% of adults came into public MH system because private insurance ran out, costing $54,000,000
- MI study 2000: 34% jail population has a diagnosable mental illness

Human Costs

- People with untreated serious mental illness, on average, have a life span 25 years shorter than a controlled matched sample of people without mental illness.

- Source: Thomas Insel, M.D., Director, National Inst. Of Mental Health 2008

Parity Addresses the Cost Issues

- Reduces government costs
  - Reduces cost shifts to the public sector
- Addresses social costs of untreated mental health problems
  - Reduces stigma
- Reduces costs of untreated mental health problems to business and industry
  - Treatment works!
- Provides medical cost offsets

MI PARTNERS FOR PARITY POLL 2000

- 88% of voters randomly polled said mental disorders should be treated the same as other medical conditions
- 83% favored state legislation to create such equity
- 77.2% would be willing to pay an additional 1 – 1 ½ % in premium cost to achieve parity in mental health benefits

End Discrimination Against People with Mental Illness

- "Of all the forms of inequality, injustice in health is the most shocking and the most inhumane." – Martin Luther King, Jr.