



TO: Members of the State Assembly
FROM: R.J. Pirlot, Director, Legislative Relations, WMC
Bill Smith, State Director, NFIB
SUBJECT: **Oppose Mental Health Parity Mandate**
DATE: April 14, 2010

The state Assembly is scheduled to consider Assembly Bill (AB) 512 on Thursday, April 15. AB 512 will require group health plans sold in Wisconsin to cover treatment for nervous and mental disorders and alcohol and other drug abuse, commonly referred to as “mental health parity.” A companion bill, SB 362, passed the state Senate on January 28, 2010.

BACKGROUND

Under current law, if a group health plan covers any inpatient hospital services, the plan must pay for a minimum amount of inpatient services for the treatment of nervous and mental disorders and alcohol and other drug abuse. For inpatient services, the minimum amount of coverage is the lesser of (1) 30 days of inpatient treatment or (2) \$7,000, less any applicable cost sharing (\$6,300 if there is no cost sharing). Also under current law, if a group health plan covers any outpatient hospital services, the plan must pay for at least \$2,000 (less any applicable cost sharing; at least \$1,800 if there is no cost sharing) of outpatient services for the treatment of nervous and mental disorders and alcohol and other drug abuse. If a group health plan covers inpatient *and* outpatient hospital services, the total coverage for all types of treatment for mental health and substance abuse problems is not required to exceed \$7,000. SB 362 would remove these mandatory minimum levels of coverage, but retain the general coverage requirements. Private, self-funded plans would not be affected.

Amendments have been introduced which would (1) exempt employers with fewer than 10 employees and (2) exempt employers if they can demonstrate, via a qualified actuary, that the new mandate would increase their health plan costs by 2 percent or more in the first plan year in which the new mandate applies, and by 1 percent in subsequent years. While such amendments would improve the bill, the mandate would still increase health plan costs for many Wisconsin employers.

MENTAL HEALTH PARITY WILL INCREASE COSTS

NFIB and WMC oppose AB 512 and its Senate companion, SB 362, because health care mandates inevitably drive up the cost of health care insurance. Higher costs undermine the ability of employers and their employees to afford to buy health plans. Instead, NFIB and WMC call for greater benefit-design flexibility, empowering small businesses and their employees to determine how much and what kind of health care they can afford.

The recently released social and financial report on AB 512 agrees, this bill will raise costs. The Office of the Commissioner of Insurance (OCI) concludes, on page 6 of this report, that

enactment of AB 512 will raise healthcare insurance costs, statewide, by \$40 million. Starting at the bottom of page 5 of its report, OCI qualifies this estimate, noting that “. . . information is unavailable to determine the cost parity coverage for small groups adds over and above what health plans will incur through providing parity to large groups.” NFIB and WMC is led to conclude, based on this report, that AB 512 will raise costs by \$40 million, statewide, plus an indeterminate amount of added costs for small groups.

FOUR NEW MANDATES ALREADY SIGNED INTO LAW, THIS SESSION

So far, this session, several new healthcare insurance mandates have been signed into law, and Wisconsin businesses are already struggling to pay for their associated added costs:

- **Autism.** The state budget, signed into law this summer, requires all commercial health plans to pay for the cost of treating autism, Asperger’s syndrome, and “pervasive developmental disorder not otherwise specified.” It requires coverage for treatment by a psychiatrist, psychologist, social worker licensed to practice psychology, a paraprofessional practicing under the supervision of one of the aforementioned providers, a professional working under the supervision of an outpatient mental health clinic, a speech-language pathologist, or an occupational therapist. Mandatory minimum levels of coverage will be \$50,000 for “intensive-level” services per year, with a minimum of 30 to 35 hours of care per week for a minimum of 4 years, and \$25,000 for “non-intensive-level” services per year. These mandatory minimum levels of coverage will be annually indexed for inflation.
- **Dependent Coverage.** The state budget requires all commercial health plans, if so requested by an insured, to cover an “adult child” of the insured if the child is (a) over 17 but less than 27 years old, (b) not married, (c) not eligible for the child’s employer’s health plan, if any, and the child’s premium is not greater than under this provision.
- **Contraceptives.** The state budget requires all commercial health plans to cover (a) prescription contraceptives and (b) outpatient consultations, examinations, procedures, and medical services that are necessary to prescribe, administer, maintain, or remove a contraceptive. Under the mandate, “contraceptives” is defined as drugs or devices approved by the federal Food and Drug Administration to prevent pregnancy.
- **Hearing Aids/Cochlear Implants.** Separate legislation, also signed into law, requires all commercial health plans sold in Wisconsin to cover hearing aids and cochlear implants for deaf children under 18 years old.

CONCLUSION

New health care insurance mandates inevitably increase the price of health insurance. So far, this session, four new insurance mandates have been signed into law. Rising health insurance costs are already forcing Wisconsin employers to shift health care cost increases to their employees, reduce health care coverage, or both. Rising health care insurance costs are a major concern for businesses, big and small, as they strive to stay competitive. Rising health care costs undermine the ability of Wisconsin companies to offer health care benefits and, significantly, impede their ability to create and retain good-paying jobs in Wisconsin.

Please oppose AB 512, which will raise the cost of health care insurance.