Mental Health Parity Task Force 1998

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rev.05.22.98

Mental Health Parity Task Force
Draft Work Plan/Time Line
July 9, 1998

Prior to First Meeting

- Finalize Task Force Membership
- Draft guiding principles for Task Force
- Initial research on information available from other states
- Arrange first face-to-face Task Force meeting

August

- Hold first in-person Task Force meeting. Agenda to include
  - review mission from legislation
  - provide background information on parity (federal legislation, etc.)
  - review/approve guiding principles
  - review work plan and time line
  - discuss budget and staffing
  - discuss opportunities for public testimony
- Develop specifications for contract(s) and/or staffing

September

- Selection of contractor(s) and/or staff
- Hold teleconference meeting (one or two). Agenda to include:
  - review definitions of "mental illness", "serious mental illness", "mental injury" and "mental health consumer"
  - review summary information from other states
  - select options for further consideration
  - public testimony?

October

- Hold teleconference meeting (one or two). Agenda to include:
  - summary information from contractor on various approaches to parity
  - begin to formulate potential actions/recommendations to Legislature
  - review outline/table of contents for final report
  - clarify additional information needed

November

- Hold in-person meeting. Agenda to include:
  - Review draft recommendations/actions for inclusion in final report
- Discuss menu of parity options and prioritize options for inclusion in final report

December

- Hold in-person or teleconference meeting(s) to review/adopt final report

Alaska State Legislature

Official Business

Speaker of the House of Representatives

State Capitol
Juneau, Alaska 99801-118:
(907) 465-3720

MEMORANDUM

TO: **Rep. Norman Rokeberg, Co-Chair**
Joint Committee on Electric Utility Restructuring
Rep. Pete Kelly, Co-Chair
Joint Committee on Military Bases in Alaska
Rep. Pete Kott, Co-Chair
Task Force on Census and Redistricting
Rep. Gary Davis, Co-Chair
Task Force on Parity for Mental Health
Rep. Con Bunde, Co-Chair
Long-Term Care Task Force

FROM: **Speaker Gail Phillips** Gail

SUBJECT **Transcription of Committee Minutes**

DATE: **July 24, 1998**

House Records is still in the process of transcribing minutes from the last regular session of the legislature. In order to have your special committee minutes transcribed in a timely fashion, I would suggest you have your staff do the work. House Records is making the backlog a priority and will not be able to transcribe anymore minutes at this time. Records should have their session minutes done by the first of October.

Alaska State Legislature

Official Business

State Capitol
Juneau, AK 99801-1182

July 28, 1998

Dear Task Force Member:

Thank you for agreeing to serve on the Mental Health Parity Task Force. We have many important things to discuss, and a limited time frame.

For that reason, we would like to schedule the Task Force's first meeting on August 19, from 10 a.m. until approximately 3 p.m. We will meet at the Alaska Psychiatric Institute in Anchorage. A working lunch will be provided.

The intent of the meting will be to establish a work plan for the task force, and to receive some background information on the parity issue. A more detailed agenda will be forthcoming.

To assist you with travel arrangements and per diem, please contact Donna Zahina at the Alaska Mental Health Board, 907/645-3071.

Again, thank you for agreeing to work on this important issue. We have enclosed the resolution creating the task force, and a membership roster. Call us at 907/224-2051 if you have any questions.

Sincerely,

Gary

Gary Davis, Representative
Co-Chair Mental Health Parity Task Force

Mental Health Parity Task Force 1998

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Alaska State Legislature

Official Business

Post-it® Fax Note 7671	Date 8/17	# of pages ▶ 6
To Jerry Ritter	From Julie T	
Co./Dept.	Co.	
Phone #	Phone # 224-2051	
Fax # 258-1642	Fax #	

State Capitol
uneau, AK 99801-1182

August 12, 1998

Dear Mental Health Task Force Members,

As you know, the Mental Health Parity Task Force will meet on Wednesday, August 19, 1998 from 10:00 a.m. to 3:00 p.m. at the Alaska Psychiatric Institute (API). Please plan on having lunch at API.

An agenda and meeting materials are attached for your review. A copy of SCR 14, the legislation establishing the Task Force, has already been sent to you under separate cover. If you have any questions about the meeting, you can contact Julie Tauriainen in Representative Gary Davis' office (224-2051), or Walter Majoros at the Alaska Mental Health Board (465-3072). Questions regarding travel arrangements should be directed to the Mental Health Board.

Thank you for your interest in serving on the Task Force; we look forward to seeing you in Anchorage.

Sincerely,

Senator John Torgerson
Co-Chair

Representative Gary Davis
Co-Chair

ALASKA STATE LEGISLATURE

News From The Senate and House Majorities

State Capitol
Juneau, AK 99801
Actuality line: 1-800-478-6540
For Immediate Release: August 18, 1998

Jerry Ritter (907) 258-8164
Wendy Lindskoog (907) 258-8184
web site: http://www.akrepublicans.org
Contact: Julie Tauriainen (907) 224-2051
Walter Majoros (907) 465-3072

Alaska Mental Health Parity Task Force to Meet

Goal is Parity for Insurance Coverage of Mental Illnesses

(ANCHORAGE) -- The Alaska Legislature's Mental Health Parity Task Force will hold its first meeting Wednesday, August 19, 1998, from 10 a.m. until 3 p.m. at the Alaska Psychiatric Institute (API), 2900 Providence Drive, Anchorage.

The Mental Health Parity Task Force was established by the 20th Alaska Legislature to examine how to achieve parity for mental illnesses in insurance coverage. This initial meeting will examine federal legislation regarding parity as well as how other states have implemented it. The task force will also organize itself and establish a work plan for establishing parity in Alaska.

The Mental Health Parity Task Force is composed of four legislators and seven members representing the Administration and the public. The 11-member task force is co-chaired by Rep. Gary Davis (R-Soldotna) and Sen. John Torgerson (R-Kasilof).

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Author: Jerry Ritter at LAA_HPHG
Date: 8/18/98 11:41 AM
Priority: Normal
TO: Andy Peterson at LAA_TRANS, Annette Deal at LAA_TRANS, Barbara Cotting at CC2MHS1, Bill Sykes at LAA_HBAR, Billie Rae Gillas, Bruce Campbell at LAA_TRANS, Cliff Stone at CC2MHS1, Dan Saddler at LAA_HBUN, Darwin Peterson at LAA_TRANS, David Pree at LAA_TRANS, David Stancliff at LAA_TRANS, Denny DeWitt (Dennis Dewitt) at LAA_CAP, Eddie Grasser at LAA_TRANS, Gary Cadd at CC2MHS1, Heather Sickafoose at LAA_HHAN, Jeff Logan at LAA_TRANS, Jennifer Florian at LAA_TRANS, Joel Lounsbury at LAA_TRANS, Judi Jordan at LAA_CAP, Julie Tauriainen at LAA_TRANS, Ken Erickson at CC2MHS1, Kip Knudson at LAA_HHAN, Kristie Keele at LAA_TRANS, Kyle Johansen at CC2MHS1, Larry Labolle at LAA_CAP, lsnckde@laa_mail.legis.state.ak.us at CC2MHS1, Marco Pignalberi at LAA_TRANS, Marieke Barnes, Mark Riehle at LAA_HBAR, Matt Gill at LAA_TRANS, Melinda Hofstad at LAA_CAP, Melissa Myers at LAA_TRANS, Mike Tibbles at CC2MHS1, Myrna Maynard, Myrna McGhie at CC2MHS1, Nicole Thibodeau at CC2MHS1, Noelle Brekke at CC2MHS1, Pat Carter at LAA_TRANS, Pat Springer, Patricia Walker at LAA_CAP, Peter Ecklund at CC2MHS1, Robert Walsh at CC2MHS1, Sara Fisher at CC2MHS1, Shirley Armstrong at LAA_TRANS, Tim Sullivan at LAA_TRANS, Tom Manninen at LAA_TRANS, Tom Wright at LAA_TRANS, Tracy Ashe at LAA_TRANS, Tricia Everson at LAA_CAP, Walter Wilcox at CC2MHS1, Wendy Lindskoog at CC2MHS1
Subject: Press Release 8/18/98

ALASKA STATE LEGISLATURE
News From The Senate and House Majorities

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web site: http://www.akrepublicans.org
For Immediate Release: August 18, 1998
Contact: Julie Tauriainen (907) 224-2051

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# # #

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Electric Utility Restructuring Committee Meets Again
Joint House-Senate Committee Hears from Public

Anchorage -- The Alaska Legislature's Joint Committee on Electric Utility Restructuring held the second of four meetings Tuesday in Anchorage. Co-chairs Senator Bert Sharp and Representative Norman Rokeberg say the committee is attempting to formulate written recommendations for the next Legislature on whether and how to implement electric utility restructuring in Alaska.

"At our first meeting, we heard from invited participants, including utilities and unions," Rokeberg said. "Today it was the public's turn to tell us what they're feeling on this partial deregulation of the utility industry," Rokeberg said.

"We'll be holding at least two more meetings before we make any recommendations, one in Fairbanks in September and at least one more meeting in November," Sharp said. "The more sources we hear from the better the chances that we'll have a handle on what works and what doesn't work as we try to get the best results for individual Alaska consumers," Sharp said.

The full text of this press release is at
http://www.akrepublicans.org/prrokeberg108181998.htm

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Alaska Mental Health Parity Task Force to Meet

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The full text of this press release is at
http://www.akrepublicans.org/prtorgerson108181998.htm

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Mental Health Parity Task Force
Meeting Agenda
Wednesday, August 19, 1998
Alaska Psychiatric Institute

10:00 to Noon	Introductions
	Review of SCR 14/Task Force Mission
	Background Information on Mental Health Parity • Federal Legislation • Facts About Mental Health Parity • States That Have Passed Parity Legislation
	Draft Work Plan and Time Line for Task Force
Noon to 1:00 p.m.	Lunch at API
1:00 to 3:00 p.m.	Review/Approve Guiding Principles for Task Force
	Budget and Staffing Issues • Mental Health Trust Appropriation • Contracts to Facilitate Task Force Work • Role of the Alaska Mental Health Board
	Opportunities for Public Testimony
	Discuss/Set Future Meeting Schedule
	Adjourn

THE MENTAL HEALTH PARITY ACT OF 1996
SUMMARY OF THE LAW

President Clinton signed the Mental Health Parity Act of 1996 (P.L. 104-204) into law on September 26, 1997. This landmark law, which received unprecedented bipartisan support, begins the process of ending the long-held practice of providing less insurance coverage for mental illnesses, or brain disorders, than is provided for equally serious physical disorders.

Key Provisions

Sunsets

⇒ The law takes effect on January 1, 1998, and expires on September 30, 2001.

⇒ The law equates aggregate lifetime limits and annual limits for mental health benefits with aggregate lifetime limits and annual limits for medical and surgical benefits. *(Typical caps for mental illness coverage are $50,000 for lifetime and $5,000 for annual, as compared with $1 million lifetime and no annual cap for other physical disorders.)*

⇒ The law covers mental illnesses (i.e., "mental health services," as defined under the terms of individual plans); it does not cover treatment of substance abuse or chemical dependency.

⇒ Existing state parity laws are not preempted by the federal law *(i.e., a state law requiring more comprehensive coverage would not be weakened by the federal law, nor does it preclude a state from enacting stronger parity legislation).*

⇒ The law applies only to employers that offer mental health benefits; it does not mandate such coverage.

⇒ The law allows for many cost-shifting mechanisms, such as adjusting limits on mental illness inpatient days, prescription drugs, outpatient visits, raising co-insurance and deductibles, and modifying the definition of medical necessity. *(Therefore, lower limits for inpatient and outpatient mental illness treatments are expected to continue, and in some cases, actually expand to help keep costs down.)*

⇒ The law applies to both fully insured state-regulated health plans and self-insured plans that are exempt from state laws under the Employee Retirement Income Security Act (ERISA), which are regulated by the Department of Labor.

⇒ The law has a small business exemption which excludes businesses with 50 employees or less.

⇒ The law allows an increased cost exemption; employers that can demonstrate a one percent or more rise in costs due to parity implementation will be allowed to exempt themselves from the law.

What's Not Covered

The Mental Health Parity Act of 1996 does not provide:

⇒ A mandate for mental health benefits to be offered in health insurance plans;
⇒ Coverage for treatment of substance abuse or chemical dependency;
⇒ Rules for service charges, such as co-payments, deductibles, out-of-pocket payment limits, etc.;
⇒ Designations for the number of inpatient hospital days or outpatient visits that must be covered;
⇒ Coverage in connection with Medicare or Medicaid;
⇒ Restrictions on a health insurance plan's ability to manage care; or
⇒ Provisions for business with 50 or fewer employees.

Federal Regulations

The Clinton Administration issued interim final regulations in the *Federal Register* (December 22, 1997) that set forth the guidelines for implementing the Mental Health Parity Act. The White House and the Office of Management and Budget (OMB) ruled that employers must first comply with the law in 1998 and develop a cost history of at least six months (retrospective data) before seeking an exemption. By contrast, some business groups had argued that firms be allowed to use the exemption based on estimates of higher costs (prospective data), thereby relieving them of the responsibility to ever comply. Those employers who had planned on using the prospective formula have been given a three-month grace period and must comply with the law by March 31, 1998, if they reasonably believed that the one percent cost increase would have been available to them on a prospective basis.

The regulations require employers using the exemption to notify all plan participants and the appropriate enforcement authority (e.g., state insurance commissioner, U.S. Department of Labor, U.S. Department of Health and Human Services, and the U.S. Department of Treasury). While neither the government, nor plan participants, will be able to see the "proprietary" data upon which the exemption is based, employers must provide a summary of the data upon which their one percent cost increase claim is based. This summary must include overall plan expenditures, the dollar value of claims that would have been denied if parity were not in place, and administrative costs attributable to compliance with the law. Plan sponsors will be specifically barred from including any individually identifiable information in a data summary. Once an employer submits a notice under the one percent exemption, they will have to wait 30 days before the exemption becomes effective. However, this notice is not a formal application and employers do not have to wait for approval from the government before proceeding.

The notices that employers provide to the government under the one percent exemption will be part of the public record and will allow third parties, including NAMI and its state and local affiliates, to access the names of these employers.

Benefits for American Families

The principle beneficiaries of the Mental Health Parity Act will be persons with the most severe, persistent and disabling of brain disorders because they are, on average, more likely to exceed annual and lifetime benefits.

Mental Health Insurance Parity

Why Consider it?

- Nine out of 10 insurance companies treat mental illnesses differently from other physical illnesses
- Mental illnesses are biological brain disorders & should be treated like other illnesses
- Mental Illness is treatable and treatment costs less then treatment of many other common physical illnesses
- The ***cost*** of mental health parity is ***minimal*** to non-existent! Based on ***actual*** data from states that have passed parity legislation

Mental Health Insurance Parity

Fact Sheet

General

- Nine out of 10 insurance policies treat mental health differently from physical health problems.
- In 1996 the federal government passed the Mental Health Parity Act, otherwise known as the Dominici Wellstone Law, which goes into effect in January 1998. This law provides partial parity regarding lifetime and annual limits, but there are significant loopholes. It does not provide true parity.
- Fifteen states have passed parity legislation, these states include: Texas, Maine, New Hampshire, Maryland, Rhode Island, Minnesota, Maine, Arkansas, Arizona, Colorado, Connecticut, Indiana, Missouri, South Carolina, and Vermont.
- In 1997, 34 states considered parity legislation, nine states passed legislation while additional states passed legislation in one body and will seek passage in the other body in 1998.

Mental Illnesses *are* Treatable

- Treatment for bipolar disorder has an 80-90% success rate, treatment of major depression 70-80% successful, and treatment of acute schizophrenia is 60% successful. Treatment of heart disease has just a 45-50% success rate and often requires expensive, dangerous surgery. (1)
- Treatment of mental illness is more affordable now then in the past. With new generations of medications continually being developed, there is increased precision in relieving symptoms and eliminating side effects associated with past treatments.
- The annual cost of treating a person with severe diabetes has been found to be more expensive then treating a person with schizophrenia. (1) In Texas, the total cost of treating state employees and family members with brain disorders was one-fifth the cost of treating cardiovascular disease. (2)
- About 2.8% of all adult Americans, some 5 million people, suffer from a brain disorder. Approximately 40% of those people do not or can not seek treatment, in part, due to a lack of adequate insurance coverage. (3)
- It is estimated that 90% of insurance companies offer less benefits for treatment of mental illness then other physical conditions.

Costs of Mental Health Parity

- A study by the Rand Corporation, published in the *Journal of the American Medical Association*, showed that equalizing annual limits - a key to the provision of the federal Mental Health Parity Act - will only increase costs by only $1 per employee per year. (4)
- The same study showed that more comprehensive change required by some state laws (i.e. removing limits on inpatient days and outpatient visits) will increase costs by less than $7 per enrollee per year. (4)
- Since the 1994 passage of the Rhode Island parity bill, premium costs have only increased by 30 cents per person per month. (5)
- In North Carolina, where they passed a parity bill 1992, total mental health costs have actually *declined* 3.4%. (6)
- Persons who have inadequate mental health coverage and need extensive mental health treatment often end up using public resources such as Medicaid and Medicare.
  A total of $26.6 billion was spent on treating severe mental illness in the US in 1990. 57% of all treatment costs for severe mental illness was paid by federal and state entitlement programs at tax-payers expense, whereas, Tax-payers pay only 43% of the costs of all other illnesses. (3)

Alaska

- Prior to the enactment of the federal legislation, the state of Alaska limited the mental health benefits available for their own employees to a $25,000 *lifetime* maximum cost cap, while other medical services were covered up to a $1,000,000 lifetime benefit.
- Many private insurance plan in Alaska have low annual limits on mental health benefits or require larger co-payment for mental health services (such as paying 50% of the cost for mental health services, while paying 70% to 90% for other medical services).

References

1.) National Advisory Mental Health Council, Health care reform for Americans with severe mental illness; report of the National Advisory Mental Health Council, American Journal of Psychiatry, 1993; 150: 1447-1465
2.) FY 94-96, HealthSelect of Texas, administered by Blue Cross-Blue Shield of Texas.
3.) National Institute of Mental Health
4.) Sturm, R. (1997). How Expensive is Unlimited Mental Health Care Coverage Under Managed Care? . *Journal of the American Medical Association*. 278:18. p.1533-1537
5.) Emmet, W., Alliance for the Mentally Ill, Rhode Island, April 1996
6.) Cameron, S., Executive Director, North Carolina Psychological Association, "State Health Plan Data on the Mental Health Benefit," April 30, 1996.

States that have Passed Parity

State	Enactment	Type of Bill	Effective On
Texas	1990	Diagnosis-Based; covers all state employees, including local, county, municipal, public higher education and public school employees.	09/01/91
Maine	1993	Diagnosis-Based; covers all groups of 20 plus employees; raised minimum benefits to 100K lifetime; 60 days annual inpatient; 2K outpatient	01/01/94
New Hampshire	1994	Diagnosis-based; applies only to groups & HMOs regardless of size	01/01/95
Maryland	1994	All mental health and substance abuse; medical treatment only	08/01/94
Rhode Island	1994	Diagnosis-based; all health care and HMO policies; in and outpatient equal	01/01/95
Minnesota	1995	All mental Health and chemical Dependency Services equal to in-patient and outpatient medical services	08/01/95
Maine	1995	Diagnosis-based; groups of 20 plus employees; all co-pays and caps, both annual and lifetime equal to all other medical coverage	07/01/96
Arkansas	1997	Equal coverage for mental health and developmental disorders; limitations are cost increase may not exceed 1.5%; only groups of 50 plus employees	06/01/97
Arizona	1997	Mental Illness, mirrors Federal Domenici-Wellstone law, no substance abuse	
Colorado	1997	Diagnosis-based; all co-payment and caps both annual and lifetime are equal to all other medical coverage	
Connecticut	1997	Diagnosis-based; all insurance and HMOs; coverage equal to medical / surgical	10/01/97
Indiana	1997	Mental illness, mirrors Federal Domenici-Wellstone law, no substance abuse and full parity for state employees; including co-pays, caps and lifetime limits	
Missouri	1997	All DSM-VI in managed care plans only; part of larger managed-care regulatory bill	09/01/97
South Carolina	1997	Mental illness, mirrors Federal Domenici-Wellstone law. no substance abuse	
Texas	1997	Diagnosis-based; employee groups of 50 plus; limitations: 60 outpatient visits & 45 inpatient days annually.	01/01/98
Vermont	1997	All mental health and substance abuse	01/01/98

Mental Health Parity Task Force
Draft Work Plan/Time Line
July 9, 1998

Prior to First Meeting

- Finalize Task Force Membership
- Draft guiding principles for Task Force
- Initial research on information available from other states
- Arrange first face-to-face Task Force meeting

August

- Hold first in-person Task Force meeting. Agenda to include
  - review mission from legislation
  - provide background information on parity (federal legislation, etc.)
  - review/approve guiding principles
  - review work plan and time line
  - discuss budget and staffing
  - discuss opportunities for public testimony
- Develop specifications for contract(s) and/or staffing

September

- Selection of contractor(s) and/or staff
- Hold teleconference meeting (one or two). Agenda to include:
  - review definitions of "mental illness", "serious mental illness", "mental injury" and "mental health consumer"
  - review summary information from other states
  - select options for further consideration
  - public testimony?

October

- Hold teleconference meeting (one or two). Agenda to include:
  - summary information from contractor on various approaches to parity
  - begin to formulate potential actions/recommendations to Legislature
  - review outline/table of contents for final report
  - clarify additional information needed

November

- Hold in-person meeting. Agenda to include:
  - Review draft recommendations/actions for inclusion in final report
- Discuss menu of parity options and prioritize options for inclusion in final report

December

- Hold in-person or teleconference meeting(s) to review/adopt final report

Draft Guiding Principles
for the
Mental Health Parity Task Force
August, 1998

1. Achieving greater parity between mental health and physical health care coverage is an important public policy objective.

2. There needs to be a balance between private and public health care coverage for persons with mental disorders.

3. Whenever possible, mental health coverage should be included as part of comprehensive health care coverage in the public and private sectors.

4. Cost of mental health parity is an important consideration; mental health parity should not place an undue economic burden on employers.

5. Cost of mental health parity should be considered in comparison to costs for physical care coverage.

6. Lack of mental health insurance options needs to be recognized as an impediment to employment for persons with mental disorders.

7. A variety of options should be considered in developing recommendations for addressing mental health parity in Alaska.

8. Mental health parity should be recognized as a mechanism to help reduce reliance on Medicaid and Adult Public Assistance for persons with mental disorders.

Others?

TF recognizes stigma of mental ~~heart~~ health

Alaska State Legislature

Official Business

State Capitol
Juneau, AK 99801-1182

August 25, 1998

Dear Parity Task Force Members,

This is a reminder that the Mental Health Parity Task Force will meet on **Tuesday, September 1 from 10:30 a.m. to 3:00 p.m. at API** (check for meeting room location when you sign in).

The main purpose of the meeting will be to meet with Ron Bachman from Coopers and Lybrand to discuss the actuarial study he will be doing for us as well as background information on approaches that other states have taken with parity. We will also spend some time planning the logistics for our next Task Force meeting.

If you have any questions or concerns regarding the September 1 meeting, please contact Julie Tauriainen in Representative Davis' office (224-2051) or Walter Majoros at the Alaska Mental Health Board (465-3072). Questions regarding travel arrangements should be directed to the Mental Health Board.

We believe that our first meeting went very well and look forward to continuing the work of the Task Force on September 1.

Sincerely,

Rep. Gary Davis
Co-Chair

Sen. John Torgerson
Co-Chair

ALASKA STATE LEGISLATURE

News From The Senate and House Majorities

State Capitol
Juneau, AK 99801
Actuality line: 1-800-478-6540
For Immediate Release: August 18, 1998

Jerry Ritter (907) 258-8164
Wendy Lindskoog (907) 258-8184
web site: http://www.akrepublicans.org
Contact: Julie Tauriainen (907) 224-2051
Walter Majoros (907) 465-3072

Alaska Mental Health Parity Task Force to Meet

Goal is Parity for Insurance Coverage of Mental Illnesses

(ANCHORAGE) -- The Alaska Legislature's Mental Health Patity Task Force will hold its first meeting Wednesday, August 19, 1998, from 10 a.m. until 3 p.m. at the Alaska Psychiatric Institute (API), 2900 Providence Drive, Anchorage.

The Mental Health Patity Task Force was established by the 20th Alaska Legislature to examine how to achieve patity for mental illnesses in insurance coverage. This initial meeting will examine federal legislation regarding patity as well as how other states have implemented it. The task force will also organize itself and establish a work plan for establishing patity in Alaska.

The Mental Health Patity Task Force is composed of four legislators and seven members representing the Administration and the public. The 11-member task force is co-chaired by Rep. Gary Davis (R-Soldotna) and Sen. John Torgerson (R-Kasilof).

###

Mental Health Parity Task Force

Tuesday, September 1, 1998
Alaska Psychiatric Institute
Meeting Agenda

10:30 a.m. to 3:00 p.m. (including working lunch)

Introductions/Roll Call

Dialogue with Ron Bachman of PricewaterhouseCoopers

- Adenda review with Mr. Bachman
- Approaches other states have taken to study Parity
- Actuarial Analysis
  - Scope of actuarial analysis to be provided
  - Experience of other states in developing/costing out options
  - Issues that must be addressed before Alaska's actuarial analysis can be completed

3:00 to 3:30 p.m.

Contract staffing update

Logistics for next Task force meeting

3:30 p.m.

Adjournment

ALASKA MENTAL HEALTH BOARD

Tony Knowles, Governor
STATE OF ALASKA

431 N. Franklin Street, #101
Juneau, Alaska 99801
Office: 907-465-3071
Fax: 907-465-3079

Facsimile Cover Sheet

Date: 9/4 **Number of Pages** 4 **including cover sheet**

Time: _____

To: Rep Gary Davis
Sen John Torgerson

From: Walter ✓ Majoros | Donna ____ Zahina | Richard ____ Rainery | Margo ____ Waring

Comments:

Here are the draft background/ workscope for the staffing contract & draft Task Force budget. I will call at 9:00 am on Tues. Sept 8 for ar teleconference Thanks

Walter

DRAFT

Background Statement and Work Scope for Parity Task Force Procurement

Background Information

The purpose of this contract is to provide staffing and consultation services to the Mental Health Parity Task Force. The Task Force was established by the 1998 Legislature to study the differential treatment of mental disorders versus physical disorders in health insurance coverage, and make recommendations to the 1999 Legislature on how this issue should be addressed within Alaska (see attached copy of SCR 14 which establishes the Task Force). The Task Force is composed of 11 members including representatives from the Legislature, insurance industry, the Department of Health and Social Services, State advisory boards for mental health and alcoholism/drug abuse, and the mental health provider and consumer community.

The issue of mental health parity is also being addressed by the federal government and other states. Recognizing that 90% of health insurance plans provide less mental health than physical health coverage, Congress passed the Mental Health Parity Act of 1996, which equalizes annual and lifetime benefits for mental health and physical health for affected health plans. Primarily due to limitations in the scope and provisions of the federal law, 19 states have passed parity laws ranging from very limited to comprehensive coverage. Each state's approach has been unique regarding such issues as the mental health conditions covered, the scope of coverage, and the pool of affected health plans.

The Alaska Task Force has held two in-person meetings to date. The purpose of the first meeting was to review the task force legislation, hear background information on mental health parity, review a draft work plan and guiding principles, and discuss budget and staffing issues. The purpose of the second meeting was to hear from a national expert who will be conducting an actuarial study on the cost of implementing mental health parity legislation in Alaska. It is anticipated that the Task Force will hold approximately 3 more in-person meetings and periodic teleconferences between September and January. A final Task Force report is expected by mid-January, 1999.

Work Scope

The contractor will be responsible for the following tasks:

- Researching and gathering mental health parity information from various, state, national and private sources. This includes obtaining information from the various states that have passed parity legislation, as well as reports on the impact of implementing parity legislation.
- Analyzing and summarizing information gained through research for consideration by Task Force members in developing its recommendations.
- Staffing approximately three in-person Task Force meetings (averaging 6 hours per meeting), and periodic teleconference meetings. This includes agenda development and preparation of background materials for all meetings. Meeting logistics (travel and meeting room arrangements, copying, etc.) will be covered by State of Alaska staff.

DRAFT

- Revising the Task Force's draft work plan and time line to ensure that all essential tasks are completed.
- Presenting for the Task Force's consideration, the pros and cons of all major policy-related issues which must be addressed in relationship to possible mental health parity legislation in Alaska. Key policy issues include: definitions of mental illness, inclusion or exclusion of substance abuse under parity legislation, definition of eligible expenses, definition of the employer pool to be covered under any proposed parity legislation, mandated versus voluntary coverage, and the continuum of options from partial to comprehensive parity.
- Acting as liaison to PricewaterhouseCoopers, who are conducting the actuarial study for mental health parity in Alaska, and ensuring that the actuarial analysis contains as much Alaska-specific information as possible.
- Writing a final report which includes the Task Force recommendations on parity and other pertinent information.
- Assisting in the development of any proposed legislation and providing in person and/or telephonic testimony at key legislative hearings regarding the Task Force recommendations.

Contract Type and Budget
This is a firm fixed price contract. The total funding anticipated for this contract is $20,000.

Draft
Parity Task Force Budget
September 4, 1998

DRAFT

Personal Services	
AMHB Staff Time	5.0
Travel	
5 meetings @ 3.3	16.5
Contractual	
Bachman 9/1 trip	2.5
Staffing Contract	20.0
Teleconferences	1.2
Meeting Advertising	1.5
Report Printing	3.3
TOTAL	50.0

ALASKA MENTAL HEALTH BOARD
FAX MEMORANDUM

To: Mental Health Parity Task Force: **Date:** Oct. 14, 1998

Sen. John Torgerson
Sen. Johnny Ellis
Marianne Burke
Dr. Cynthia Dodge
Katsumi Kenaston
Elmer Lindstrom
Rep. Gary Davis
Rep. Tom Brice
Joe Heueisen
Banarsi Lal
Pat Murphy

From: Walter Majoros Walter **Phone:** 465-3072
Executive Director

Subj.: 10/26/98 Task Force Meeting

A full agenda and any back up materials for the Monday, October 26, 1998 Task Force meeting will be sent to you next week. In the meantime, I wanted to give you some basic information about the meeting so you can all schedule it into your calendars and make any necessary travel arrangements.

Date: Monday, October 26, 1998

Place: Legislative Information Office
716 W. 4th Avenue, Room 220
Anchorage

Time:

9:30 a.m. to 2:45 p.m.	Task Force Meeting with Working Lunch
3:00 p.m. to 5:00 p.m.	In-person Public Testimony
7:00 p.m. to 9:00 p.m.	Call-in and In-person Testimony

Please feel free to contact me if you have any questions. I hope you all are well and look forward to seeing you on the 26th.

ALASKA MENTAL HEALTH BOARD

FAX MEMORANDUM

To: Mental Health Parity Task Force: Date: Nov. 17, 1998

Sen. John Torgerson	Rep. Gary Davis
Sen. Johnny Ellis	Rep. Tom Brice
Marianne Burke	Joe Heueisen
Dr. Cynthia Dodge*	Banarsi Lal
Katsumi Kenaston	Pat Murphy
Elmer Lindstrom	

From: Walter Majoros Walter Phone: 465-3072
Executive Director

Subj.: December 7, 1998 Task Force Meeting

I am writing to confirm that the Mental Health Parity Task Force meeting has been changed from Friday, December 4 to **Monday, December 7, 1998.** The meeting will run from 9:30 a.m. to 4:30 p.m. and will take place at API; please make your travel arrangements accordingly. Steve Hamilton will mail an agenda and any necessary back-up materials as we get closer to the meeting date. Thanks and I look forward to seeing you all on December 7.

cc. Steve Hamilton

To: Julie From: Darwin
224-5067

ALASKA MENTAL HEALTH BOARD

Tony Knowles, Governor
State of Alaska

431 N. Franklin Street
Juneau, Alaska 99801
Phone: (907) 465-3071
FAX (907) 465-3079
TTY: (907) 465-4764

faxed to Julie
9-14-98

MEMORANDUM

DATE: September 4, 1998

TO: Mental Health Parity Task Force

THRU: Walter Majoros
Executive Director, Alaska Mental Health Board

FROM: Barbara Magnusson
Secretary

SUBJECT: Task Force Travel

The Alaska Mental Health Board will be reimbursing members of the Mental Health Parity Task Force for travel to Task Force meetings. This memo will serve to clarify the Boards travel practices as outlined in their Policies and Practices.

Task Force members are encouraged to have their respective agencies pay travel expenses if at all possible. If agencies are unable to provide funding for travel, members should follow the procedures listed below.

- Travel reservations should be made with the travel agency of their choice. Travel agents should be instructed to call the Alaska Mental Health Board for approval and to obtain the Business Travel Account number (BTA). All travel per state regulations is to be purchased through the BTA.

- Travelers are encouraged to travel at flight specific times to cut down on travel costs and are asked to stay in reasonably priced hotels. When making travel reservations indicate to your travel agent that Avis is the state contract car rental agency.

- Travel authorizations will be generated in the Alaska Mental Health Board office and signed off by the Executive Director.

- Upon completion of travel, please submit the following receipts/backup within 1 week of travel to the Boards office in order to expedite your reimbursement.

  Travel Itinerary
  Final Airline Ticket Stub
  Original Hotel receipts if any
  Original Car Rental Agreement
  Original Receipts for incidentals such as Gas, Parking, Copying
  Telephone calls etc.

If you have any questions regarding travel please feel free to call me at the Board's office at 465-3071.

ALASKA MENTAL HEALTH BOARD
FAX MEMORANDUM

To: Mental Health Parity Task Force: Date: Sept. 16, 1998

Sen. John Torgerson
Sen. Johnny Ellis
Marianne Burke
Dr. Cynthia Dodge
Katsumi Kenaston
Elmer Lindstrom
Rep. Gary Davis
Rep. Tom Brice
Joe Heueisen
Banarsi Lal
Pat Murphy

4 pages total

From: Walter Majoros Walter Phone: 465-3072
Executive Director

Subj.: Staffing contract and meeting information

As directed by the Task Force, a subcommittee met on September 8 to develop the work scope and framework for a contractor to provide staffing/consultation services for the Task Force. Highlights of the meeting and information on the contract procurement process are presented below:

- The background statement, work scope, budget and time frame for the contract were reviewed and approved. A copy of this information is attached.
- Proposals are due on September 22 and we will hold a Proposal Evaluation Committee (PEC) meeting (teleconference) on Friday morning, September 25. The subcommittee is proposing that the PEC consist of: Senator Torgerson, Representative Davis, Cynthia Dodge, Pat Murphy, Joe Heueisen and Walter Majoros. If you have any concerns regarding this composition, please contact me (465-3072) or Julie Tauriainen (224-2051) in Representative Davis' office.
- The subcommittee recommends that we hold a full Task Force teleconference immediately following the PEC meeting. The tentative time for this meeting is **11:00 a.m. on Friday, September 25.** The purpose of the teleconference would be the following:
  - reviewing the PEC recommendations for the consultation contract (I will check with the State procurement specialists to make sure this is allowable).
  - revisiting our meeting schedule. The subcommittee thought we should consider postponing our next in-person meeting until we can have the contract consultant on board to prepare for and attend the meeting.

We will send you updated information on the procurement process and teleconference meeting by the middle of next week. In the meantime, please pencil in 11:00 a.m. on Friday, September 25 for a full Task Force teleconference. Thank you all for your involvement.

Section 1 Program Background Information and Purpose of contract

The purpose of this contract is to provide staffing and consultation services to the Mental Health Parity Task Force. The Task Force was established by the 20th Legislature to study the differential treatment of mental disorders versus physical disorders in health insurance coverage, and make recommendations to the 21st Legislature on how this issue should be addressed within Alaska (see attached copy of SCR-14 which establishes the Task Force). The Task Force is composed of 11 members including representatives from the Legislature, insurance industry, the Department of Health and Social Services, State advisory boards for mental health and alcoholism/drug abuse, and the mental health provider and consumer community.

The issue of mental health parity is also being addressed by the federal government and other states. Recognizing that 90% of health insurance plans provide less mental health than physical health coverage, Congress passed the Mental Health Parity Act of 1996, which equalizes annual and lifetime benefits for mental health and physical health for affected health plans. Primarily due to limitations in the scope and provisions of the federal law, 19 states have passed parity laws ranging from very limited to comprehensive coverage. Each state's approach has been unique regarding such issues as the mental health conditions covered, the scope of coverage, and the pool of affected health plans.

The Alaska Task Force has held two in-person meetings to date. The purpose of the first meeting was to review the task force legislation, hear background information on mental health parity, review a draft work plan and guiding principles, and discuss budget and staffing issues. The purpose of the second meeting was to hear from a national expert who will be conducting an actuarial study on the cost of implementing mental health parity legislation in Alaska. It is anticipated that the Task Force will hold approximately 3 more in-person meetings and periodic teleconferences between September and January. A final Task Force report is expected by mid-January, 1999.

Section 2 Scope of Work, Schedule and Budget

The contractor will be responsible for the following tasks:

- Researching and gathering mental health parity information from various, state, national, and private sources. This includes obtaining information from the various states that have passed parity legislation, reports on the impact of implementing parity legislation and Alaska-specific information on various aspects of mental health parity (actuarial data, etc.).
- Analyzing and summarizing information gained through research for consideration by Task Force members in developing its recommendations.
- Staffing approximately three in-person Task Force meetings (averaging 6 hours per meeting), and periodic teleconference meetings. This includes agenda development and preparation of background materials for all meetings. Meeting logistics (travel and meeting room arrangements, copying, etc.) will be covered by State of Alaska staff.
- Revising the Task Force's draft work plan and time line to ensure that all essential tasks are completed.
- Presenting for the Task Force's consideration, the pros and cons of all major policy-related issues that must be addressed in relationship to possible mental health parity legislation in Alaska. Key policy issues include; definitions of mental illness, inclusion or exclusion of substance abuse under parity legislation, definition of eligible expenses, definition of the employer pool to be covered under any proposed parity legislation, mandated versus voluntary coverage, and the continuum of options from partial to comprehensive parity.
- Acting as liaison to the Pricewaterhouse Coopers, who are conducting the actuarial study for mental health parity in Alaska, and ensuring that the actuarial analysis contains as much Alaska-specific information as possible.
- Writing a final report, which includes the Task Force recommendations on parity and other pertinent information.
- Assisting in the development of any proposed legislation and providing in person and/or telephonic testimony at key legislative hearings regarding the Task Force recommendations.

Work Schedule

The dates below represent the State's time frame. If there are any delays, the rest of the dates will be adjusted accordingly. The estimated contract schedule is as follows;

Issue date of Request for Informal Proposal (RFIP):	September 15, 1998
Questions about RFIP received by:	September 16, 1998
Proposals due by:	September 22, 1998
Evaluation done on:	September 25, 1998
Award made on:	September 29, 1998
Contract begins:	September 29, 1998
Final Task Force report:	January 15, 1999
Contract ends:	May 15, 1999

Amendments to or withdrawals of proposals will only be allowed if acceptable requests are received prior to the deadline set for receipt of proposals. No amendments or withdrawals will be accepted after the deadline unless they are in response to State's request in accordance with 2 AAC 12.290.

Contract Type and Budget

This is a firm fixed price contract. The total funding budgeted for this contract is $20,000.

The State will make payments based on a negotiated payment schedule. Each billing must consist of an invoice and progress report. No payment will be made until the progress report and invoice has been approved by the project director. The State is not responsible for and will not pay local, state, or federal taxes. All costs associated with the contract must be stated in U.S. currency.

ALASKA MENTAL HEALTH BOARD
FAX MEMORANDUM

To: Mental Health Parity Task Force: Date: Sept. 22, 1998

Sen. John Torgerson	Rep. Gary Davis
Sen. Johnny Ellis	Rep. Tom Brice
Marianne Burke	Joe Heueisen
Dr. Cynthia Dodge	Banarsi Lal
Katsumi Kenaston	Pat Murphy
Elmer Lindstrom	

From: Walter Majoros Walter Phone: 465-3072
Executive Director

Subj.: 1. Contractor proposal
2. 11/1/98 teleconference

Contractor Proposal
The winning proposal for the contract to provide staffing/consultation services to the Task Force was C & S Management Associates. A copy of the C & S proposal is attached for all those Task Force members who **did not** sit on the Proposal Evaluation Committee. If you have any questions about the proposal evaluation process, please contact me at 465-3072. I expect to have the contract on-line by the middle of next week.

11/1/98 Teleconference
The full Task Force will hold a teleconference meeting on **Thursday, October 1, 1998 from 11:00 a.m. to 1:00 p.m.**--please put this date on your calendar. To connect with the teleconference, you will need to **call 1-800-315-6338 followed by PARITY# (or 727499#).** I will work with the new contractor to develop an agenda for the meeting and will fax this to you all by next Wednesday.

Thanks again for your ongoing involvement and please contact me if you have questions or need additional information.

8490 fx

Tom Englehart
273-9232
258-3966 fx
800/982-5968

Mental Health Board
431 N Franklin
Rm 101 Juneau
99801

Alaska State Legislature

Official Business

State Capitol
Juneau, AK 99801-1182

September 30, 1998

Dear Parity Task Force Members:

This is a reminder that the Mental Health Parity Task Force will meet by teleconference on **Thursday, October 1, 1998 form 11:00 a.m. to 1:00 p.m.** To connect with the teleconference, please call **1-800-315-6338 followed by PARITY# (or 7274899).**

The main purpose of the meeting will be to meet with Steve Hamilton and Matt Felix from C & S Management Associates, the firm that was recently selected to provide staffing and consultation services to the Task Force. An agenda for the meeting and a description of the services to be provided by C & S Management Associates are attached.

Your participation at the October 1 meeting is strongly encouraged since we will be discussing our meeting schedule and work priorities for the upcoming months. Thank you for your ongoing involvement.

Sincerely,

Rep. Gary Davis
Co-Chair

Sen. John Torgerson
Co-Chair

C&S
MANAGEMENT ASSOCIATES

P.O. Box 34757 • Juneau, Alaska 99803-4757

October 5, 1998

Mental Health Parity Task Force

Dear Task Force Members:

Enclosed please find the proposed minutes for our October 1 teleconference. Please let me know if these meet your expectations with regard to form and content. Is this the level of detail that you expect? I will have out the packets for our October 26 meeting around the 19th. Please let me or Walter Majoros know if there are particular issues (other than the ones identified during the teleconference) that you would like added to the agenda.

I look forward to meeting all of you on the 26th.

Sincerely,

Steven Hamilton

Enclosure: October 1 Teleconference Minutes

Telephone (907) 789-0921 Fax (907) 789-1667

Mental Health Parity Task Force

Thursday, October 1, 1998
Teleconference Meeting
Minutes

---

1. **Call to Order.** The teleconference meeting of the Mental Health Parity Task Force was called to order at 11:09 am by Representative Gary Davis, Co-Chair.

2. **Attendance.** Attending the teleconference were:

Representative Gary Davis, Co-Chair
Representative Tom Brice
Joe Heueisen – Insurance Industry
Elmer Lindstrom – DHSS
Katsumi Kenaston – Consumer
Steven Hamilton – C & S Management Associates
Julie Tauriainen – Rep Davis Staff
Matt Felix – C & S Management Associates
Senator Johnny Ellis
Dr. Cynthia Dodge – Provider
Pat Murphy – AMHB
Walter Majoros – AMHB
Banarsi Lal – ABADA
Sharon Macklin – Bridges Campaign
Pat Ryan Clasby – ASHNA

3. **Introductions.** Members of the task force, staff, and contractors introduced themselves briefly before taking up items on the agenda.

4. **Review of Services.** Steven Hamilton, owner and principal of C & S Management Associates, reviewed the scope of work and services to be provided under the contract. Several points of direction were given by the Task Force:

- Avoid duplication and reinventing; there are many studies that can provide excellent information and insight. Use existing studies and verify the experiences of other states to the extent possible.
- Once the Task Force has arrived at a recommendation or series of recommendations from which legislation can be developed, the contractor will be expected to support those positions through testimony before legislative committees.
- In addition to gathering data, special effort should be made by the contractor to contact providers, consumers, and advocates to obtain qualitative information regarding the impacts of mental illness and insurance limitations on people's lives.
- The contractor will examine the issue of inclusion or exclusion of substance abuse in any parity recommendations and present information and data to address parity both with and without substance abuse.
- Coordination with PricewaterhouseCoopers, who are conducting the national actuarial study, should begin as early as possible to ensure that the Alaska-specific information and assumptions are conveyed in time for a meaningful analysis to take place.

- In addition to public comments on the draft report, public testimony will take place at the first face-to-face meeting, following the completion of business. This will allow interested members of the public, consumers, providers, and other stakeholders to comment at the earliest stages of the project. During this public meeting, priority will be given to those individuals who have not been contacted and interviewed as key informants.

5. **Communications with Contractor.** Walter Majoros agreed to act as primary liaison to the contractors, C & S Management Associates. Walter will provide contact information for other key individuals, such as legislative aides, to the contractor. Steve will distribute both meeting minutes (target 7 days following meetings) and meeting packets (7 to 10 days prior to meetings) by mail.

6. **Verification of Key Policy Issues.** Based on the prior two Task Force Meetings, a set of key policy issues has been developed and was included as part of the issues to be addressed by the contractor. The Task Force again reviewed and, in some cases amplified, these issues during the teleconference:

   (a) **Definition of Mental Illness** – Pat Murphy expressed the hope that the group not get bogged down in the details of mental illness definitions; the true issue is parity.

   (b) **Inclusion or Exclusion of Substance Abuse** – Banarsi Lal reiterated the expectation that the contractor would examine the issue of parity both with and without substance abuse included and present information to cover both possibilities to the Task Force.

   (c) **Definition of Eligible Expenses** – Representative Brice asked for amplification on this issue. Does this define who is a provider? What services are provided?

   (d) **Definition of Existing Employer Pool** – Considerable discussion took place regarding potential employers who may or may not be covered under any proposed parity legislation in Alaska. Examples of such organizations include State of Alaska employees or municipalities who are self-insured. Steve indicated that his first step would be to begin to identify and categorize employers and try to identify insurance coverage for the various groups.

   (e) **Mandatory versus Voluntary Coverage**

   (f) **Continuum of Options from Partial to Comprehensive Parity**

   (g) **Analysis of Actuarial Data, including Alaska-specific Information**

   (h) **Consideration of Public Input**

   (i) **Review/Approval of Final Report** – Steve recommended a time line that calls for completion of a draft report by December 31. The working draft would be distributed to Task Force members during the third week of December. Upon their direction, the contractor would then distribute the draft for public comment. The Committee would receive such comment in written, oral, or testimony format (mid-January meeting). Comments from the all of the relevant groups and the Task Force would then be integrated into the report and the final edition distributed.

   (j) **Development of any Proposed Legislation**

(k) **Others** – Walter indicated that he had added this to ensure that there were no other major issues not included. With the short time available for the completion of work, it will be critical to have the relevant issues identified at the beginning.

7. **Options for Public Input.** The concept of public testimony at the next face-to-face meeting was approved. Walter and Steve will make arrangements.

8. **Determination of Future Meetings:**

(a) October 26, 1998, 9:30 am(Business Meeting and Public Testimony)
(b) November 24, 1998, Time TBA
(c) January 13, 1999, Time TBA
(d) Teleconference late December; date to be announced

9. **Next Meeting Agenda; Details.** Walter suggested that he and Steve work on meeting details and agenda. The Task Force agreed with this approach.

10. **Adjournment.** The meeting was adjourned at 12:50 pm.

Respectfully Submitted

Steven Hamilton
C & S Management Associates

CITY/BOROUGH OF JUNEAU
ALASKA'S CAPITAL CITY

Juneau Recovery Hospital
3250 Hospital Drive
Juneau, Alaska 99801 (907) 585-9508

October 16, 1998

Representative Gary Davis
145 Main Street Lp. Suite 223
Kenai, Alaska 99611

Dear Rep. Davis:

I understand that you are involved in the process of evaluating possible legislation aimed at establishing parity for the provision of mental health/substance abuse treatment services in Alaska. I believe that a parity law would be good for Alaskans, and encourage your support in enacting such legislation. As you are aware, some states, the federal government, and some employers already require that mental health and/or substance abuse treatment be covered in the same manner as other medical care services.

It is critical to support parity for substance abuse treatment services in Alaska, for the overall health and productivity of our State and its' citizens. This makes sense from a fiscal point of view as well as from a humanitarian perspective. As a substance abuse treatment provider, I am aware that our high rate of alcoholism has had devastating effects on our families and our State.

It pleases me that both Mental Health and Chemical Dependency are working together in a fact-finding process since mental illness and substance abuse are so closely linked in their impact on one another. If Chemical Dependency were excluded from parity, a very significant portion of mentally ill individuals would not be eligible for treatment of a condition affecting their overall health and thus, affect their ability to benefit from mental health services.

Other Reasons to Support Parity Include:

- **Fiscal Impact** - The amount of money we spend in Alaska on medical costs, law enforcement, child welfare investigations and foster placement, care of FAS and other alcohol-affected children, as well as other problems directly linked to substance abuse, is staggering and well-documented. According to the U.S. Department of Health and Human Services (DHHS) report, "The Costs and Effects of Parity for Mental Health and Substance Abuse Insurance Benefits" June,1998, **"parity for substance abuse treatment is estimated to raise insurance premiums only 0.2 percent".**

- **Impact on Businesses** - Costs of parity for mental/health substance abuse treatment differ with methods of delivery such as managed care and indemnity

plans. Three states (Arkansas, Maine, and Maryland) exempt small businesses from parity provisions. Alaska could choose, for example, to exempt individual plans or businesses with 25 or fewer employees while offering parity provisions as an option. The DHHS study indicates that "**state parity laws have had a small effect on premiums...** and that **employers have not attempted to avoid parity laws by becoming self-insured, and they do not tend to pass on the costs of parity to employees...due to low costs of adopting parity.**" Also, "**costs have not shifted from the public to private sector because most recipients of public services are not insured**".

> **Treatment Works** - Public treatment programs, once criticized for "revolving door" treatment of chronic alcoholics, have proven that on average, only 15% of client admissions are repeat admissions during the year (1997 Annual Report, State Advisory Board on Alcoholism and Drug Abuse). Individuals with Private insurance often are employed, have adequate housing and support systems, all of which increase the likelihood of an even greater chance of successful recovery.

For these reasons and others, I again encourage your support of legislation to enact a parity law for substance abuse treatment in Alaska. I would be happy to speak with you by telephone or meet with you in Juneau to discuss this matter. If you haven't already received a copy of the U.S. Dept. of Health and Human Services report, "The Costs and Effects of Parity for Mental Health and Substance Abuse Insurance Benefits", June, 1998, I suggest it as an excellent reference. It is available through the Center for Substance Abuse Treatment (CSAT), and can be found on the Internet at http://www.mentalhealth.org.Whatsnew/parity/prtyexsm.htm

Thank you for your attention to this very important issue.

Sincerely,

Pam Watts

Pam Watts, Administrator
Juneau Recovery Hospital

Mental Health Parity Task Force

Monday, October 26, 1998
Meeting Agenda

Legislative Information Office
716 W. 4th Avenue, Room 220
Anchorage, Alaska

9:30 am – 2:45 pm Task Force Meeting

Call to Order

Introductions

Approval of Agenda

Presentation of Work Plan – C & S Management Associates

Information needed by National Contractor

Discussion of Issues

- Definitions used: Mental Disorders versus Seriously Mentally Ill (SMI)
- Services Covered: Experiences of Other States
- Needed Data (lives covered, description of plans, utilization) – Approach/Problems
- Mandatory versus Optional Coverage; relationship to parity

Next Steps; agenda items for next meeting

Note: Lunch will be ordered in

<u>In-Person Public Testimony: 3:00 – 5:00 pm</u>

<u>Call-in and In-Person Public Testimony: 7:00 – 9:00 pm</u>

Call-in # for public testimony
1-800-315-6338 followed by 727489#

SUMMARY OF ACTUARIAL COST ANALYSES OF FEDERAL AND STATE MENTAL HEALTH PARITY

I. FEDERAL MENTAL HEALTH PARITY LEGISLATION

Actuarial studies estimate the cost of mental health parity at between 3 and 4% increase in individual premiums.

According to an actuarial analysis conducted by the firm of Coopers & Lybrand, the full mental health parity as proposed for in the original Domenici-Wellstone amendment, would have ***increased premiums in the private sector by only about 3.2%.***

Additional government and private industry studies have reached similar actuarial conclusions. In a letter to Senator Nancy Kassebaum (R-KS) dated April 23, 1996, the Congressional Budget Office (CBO) estimated the ***cost impact of the Domenici-Wellstone amendment at 4%.*** Results of a Milliman & Robertson study found that ***parity for mental illness would increase plan premiums by only 3.9%.***

II. STATES WITH MENTAL HEALTH PARITY LAWS IN EFFECT

Actual state experiences have resulted in an increase in individual premiums of between 1 and 2.2%, consistent with federal actuarial studies.

MARYLAND

In 1993, Maryland enacted parity for mental illness and drug abuse. Maryland has shown a continuing ***decline in the length of inpatient stays in both psychiatric hospitals and psychiatric units of general hospitals.***

MINNESOTA

Minnesota's full mental health parity legislation became effective August 1, 1995. According to John Gross, director of Health Care Policy-Insurance Federation, "No one has cited rising mental health costs as reasons for premium increases." The Minnesota Department of Commerce, the state agency that regulates indemnity insurance, ***estimated costs of 1% of total premium dollars for mental health parity.*** Medica, an independent consulting organization, estimated Minnesota costs for mental health parity is ***$.26 per member per month (pmpm).*** per mo. per member

NEW HAMPSHIRE

For New Hampshire, mental illness is defined by the most current edition of the Diagnostic and Statistical Manual of Mental Disorders published by the American Psychiatric Association. New Hampshire Blue Cross Blue Shield has indicated that while they do not have final data, the data they have collected gives them no reason to believe that their original estimate of a 1.5% increase in premium costs is inaccurate.

NORTH CAROLINA

In 1992, the North Carolina State Employee Health Plan established mental health and substance abuse benefits with full comprehensive parity of coverage. Since that time, mental health payments as a portion of total health payments have ***decreased from 6.4% to 3.7% of total health care costs for the fiscal year ending June 30, 1995.***

RHODE ISLAND

Rhode Island requires all health insurers to provide coverage for the medical treatment of serious mental illness under the same terms and conditions as coverage for other illnesses and diseases. In Rhode Island, preliminary data indicate that the ***increased premium costs amounts to only 30 cents pmpm.***

TEXAS

In Texas, a parity requirement for the state employees' plan resulted in new initiatives to create a managed behavioral health care benefit, which resulted in a 47.9% decrease in the cost of behavioral health care for the 170,000 enrollees in the managed fee for service, point of service and preferred provider option.

III. COOPERS & LYBRAND ACTUARIAL ANALYSIS OF ADDITIONAL STATES WITH PROPOSED OR PENDING PARITY LEGISLATION.

Projected mental health parity costs of between 1.9 and 3.9% in additional states are consistent with federal actuarial studies and actual state experiences.

ARKANSAS

The projected impact of full parity legislation originally proposed in Arkansas would have ***increased costs by 2.3% or $2.61 pmpm.***

DELAWARE

Actuarial analysis of comprehensive parity legislation proposed in Delaware would have ***increased costs by 3.9% or $5.16 pmpm.***

GEORGIA

Actuarial analysis of full parity legislation originally proposed in Georgia projected an ***increase in costs of only 2.4% or $3.10 pmpm.***

MASSACHUSETTS

Massachusetts proposed a comprehensive parity bill utilizing the SAMHSA definition for functional impairment. This legislation would ***increase costs by only 1.9% or $2.72 pmpm.***

NORTH CAROLINA

The proposed North Carolina mental illness and chemical dependency parity bill would ***increase costs by only 3% or $3.34 pmpm.***

PENNSYLVANIA

Comprehensive mental health legislation currently proposed in Pennsylvania would ***increase costs by only 3.1% or $4.26 pmpm.***

UTAH

Utah's full parity legislation was projected to ***increase costs by 2.4% or $2.69 pmpm.***

VERMONT

Actuarial analysis projected that a comprehensive parity and substance abuse bill would ***increase costs by 3.4% or $3.45 pmpm.***

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
1100 Campanile Building
1155 Peachtree Street
Atlanta GA 30309-3630
Telephone (404) 870 1100
Facsimile (404) 870 1239

January 8, 1999

Steve Hamilton
C&S Management Associates
P.O. Box 34757
Juneau, AK 99803

Dear Steve,

I have made preliminary calculations for the impact of the potential Mental Health and Substance Abuse legislation in Alaska. Actual legislative language, when developed, may alter the results up or down. Cost estimates shown are for Mental Health only and MH & SA together. The cost projections are higher than national averages due to three key factors specific to Alaska. One, the current coverage levels of MH and SA are low. This is true in spite of the SA mandate that requires more upfront reimbursements through equalized deductible and coinsurance rates. The $7,000 over two consecutive years; $14,000 lifetime limit is less than generally available elsewhere. Second, the current level of managed care in Alaska is very low. Most of my weighted pricing is on managed indemnity. Third, mental health and substance abuse utilization rates are high in Alaska. Expanded benefits will cost more than similar expansions in other states.

extraordinary

The four delivery systems assumed are:

Delivery System 1. Indemnity plans with utilization review found on typical medical plans. There is no special mental health or substance abuse focus and the review (preadmission certification and continued stay review) generally only applies to inpatient care.

Delivery System 2. Indemnity plans with specialized mental health and substance abuse utilization review. The utilization review applies to inpatient care, but may also apply to intensive or lengthy outpatient treatments.

Delivery System 3. Preferred Provider (PPO) and Point of Service (POS) plans that have specialized mental health and substance abuse networks. These are not carve-out programs, but act with similar attention to negotiated rates, utilization controls, and limited provider access. There is no gatekeeper mechanism. Plan design and costsharing are primarily used to channel members to network providers.

Delivery System 4. HMO/Gatekeeper plans and carve-out mental health and substance abuse programs. Access to mental health and substance abuse providers is through a primary care gatekeeper or other similar intensive utilization controls. Provider reimbursements are highly negotiated. HMO POS plans are also included.

A summary of the current and four parity options priced within the four delivery systems is:

1. **Current** - typical mental health and substance abuse benefit design as in current market.

2. **MHPA** - limited parity for mental health and substance abuse for annual/lifetime dollar limits. Consistent with the federal Mental Health Parity Act of 1996 (MHPA) except is applicable to groups with 20 or more lives and is mandated.

3. **Catastrophic Parity** - requires parity for any lifetime/annual/episode limits, day and visit limits, and maximum out-of-pocket provisions. Does not require parity for deductibles, copayments, or coinsurance (except after any maximum out-of-pocket limit). stop/loss

4. **Comprehensive Parity** - financial parity with mental health and substance abuse benefits reimbursed under health insurance plans on the same basis as medical/surgical benefits.

Table 1
Mental Health Only

			Percentage Increase in Base Medical Plan for Change to Type of Parity		
Type of Delivery System	#	Distribution	MHPA	Cat	Comprehensive
Fee-for-Service	1	20%	0.1%	2.6%	3.7%
Managed Indemnity	2	55%	0.1	2.0	3.1
PPO & POS	3	20%	0.1	1.6	3.4
HMO & Gatekeeper	4	5%	0.1	1.8	2.3
Composite Market Analysis			0.1%	2.0%	3.2%
Composite PMPM			$0.15	$3.10	$4.87
Net Market Impact			0.04%	0.8%	1.3%
Net PMPM Impact			$0.06	$1.24	$1.95

Similar values were run for mental health and substance abuse parity. Certain assumptions were made as to the impact on parity relative to the existing SA mandate. We assumed under the MHPA that a 20 day and 20 visit limit would replace the current dollar limit. We further assumed that a plan's coinsurance coverage would be decreased to 50%, generally. In spite of these tradeoff limitations, we estimate the cost of the SA coverage to increase slightly.

Under the catastrophic option, the equalized deductible and coinsurance is replaced with unlimited days and visits and a maximum out-of-pocket cost. This tradeoff is substantial and results in increased costs since many of the inpatient stays will exceed the maximum out-of-pocket costs with the excess covered at 100%. However, the deductible and coinsurance value of the existing SA legislation is particularly important to those using outpatient and very short term inpatient (detox) care.

Table 2
Mental Health and Substance Abuse

Type of Delivery System	#	Distribution	Percentage Increase in Base Medical Plan for Change to Type of Parity: Partial MHA	Cat	Comprehensive
Fee-for-Service	1	20%	0.3%	4.1%	5.4%
Managed Indemnity	2	55%	0.2	3.0	4.1
PPO & POS	3	20%	0.2	2.1	4.1
HMO & Gatekeeper	4	5%	0.3	2.2	2.7
Composite Market Analysis			0.2%	3.0%	4.3% — no offsets
Composite PMPM			$0.36	$4.51	$ $6.55
Net Market Impact (with cost shifting)			0.08%	1.2%	1.7% Employer offsets
Net PMPM Impact			$0.14	$1.80	$2.62

The PwC modeling assumes a reasonable, but conservatively low managed care penetration for Alaska. The assumptions were established conservatively to account for the impact of fewer small groups currently using managed care. PwC did not find data available to determine the split of managed care for behavioral health plans in Alaska solely for insured plans.

The "Net Market Impact" reflects how employers respond to any potential increase in benefit costs in a variety of ways including, competitively marketing the plan to obtain lower premiums, intensely negotiating lower provider costs, cutting plan administrative costs, increasing plan costsharing by members, increasing premium contributions by members, reducing other benefits, and in the extreme, dropping plan coverages and reducing wages (or wage increases).

Based upon a preliminary analysis using generally accepted actuarial practices, the total gross impact of the Alaska Catastrophic Parity Option for mental health and substance abuse parity bill is equal to 3.0% of current employer claims or about $4.51 per member per month. However, the employer will respond in various ways to partially offset any potential cost increases. Therefore, the expected net employer contributions for health costs will rise about 1.2% or $1.80 per member per month. Assuming an average of 3 members per family this translates into an equivalent wage increase of $.031 per hour.

I am prepared to develop a full actuarial study with all the pricing details and coverage descriptions once the final legislation is developed and I can review the proposed language.

Sincerely,

Ronald E. Bachman

Ronald E. Bachman FSA, MAAA
Principal, Health care Solutions
PricewaterhouseCoopers L.L.P.

C&S
MANAGEMENT ASSOCIATES

P.O. Box 34757 • Juneau, Alaska 99803-4757

To Jules
MHPTF

February 12, 1999

Senator John Torgerson
State Capitol Room 514
Juneau, AK 99801-1183

Re: Employer Size/Employee Data

Dear Senator Torgerson:

Here is the data on the numbers of employees in each employer size group that you requested. The Department of Labor was able to provide the information for the months of April, May, and June 1998.

	Number of Employees		
Size of Employer	April 98	May 98	June 98
1 – 4 employees	13,716	14,546	15,139
5 – 9 employees	18,129	19,513	20,806
10 – 19 employees	21,971	23,989	26,332
20 – 49 employees	31,544	34,235	36,637
50 – 99 employees	24,538	26,020	27,540
100 – 249 employees	34,631	35,978	35,784
250 – 499 employees	30,468	31,081	31,336
500 – 999 employees	29,712	30,634	30,579
1000 and over	62,346	61,169	58,604

We do not know how many of the large company employees are covered under ERISA policies. Please let me know if there is other information that you need.

Sincerely,

Steven Hamilton

Cc: Alaska Mental Health Board
Representative Gary Davis

Telephone (907) 789-0921 Fax (907) 789-1667

C&S
MANAGEMENT ASSOCIATES

P.O. Box 34757 • Juneau, Alaska 99803-4757

March 25, 1999

Re: Mental Health Parity; Business Owner Survey

Dear Task Force Members:

As we finished the work on the Mental Health Parity Report, I was directed to work with the Alaska State Chamber of Commerce to try and gather some input from Alaska business owners. With the Chamber's cooperation, we put up a survey on-line and publicized it in the Chamber's newsletter. Over the course of about a month and a half, we had nine surveys completed on-line and another three telephone responses.

I am attaching a verbatim copy of the comments received. Because of the small numbers, we are not able to draw any quantitative conclusions from the other information they sent (type of business, location, number of employees, etc.). I have also provided a copy of these comments to Pam LaBolle, the Executive Director of the Alaska State Chamber of Commerce.

As always, if you have questions or concerns you can reach me by telephone at (907) 789-0921 ((888) 803-3515 toll-free outside Juneau), by fax at (907) 789-1667and by e-mail at Steve@csmgt.com.

Sincerely,

Steven Hamilton

Attachment: Comments of Business Respondents

Internet Data Capture Feedback

1. As a private not for profit, we want to provide medical coverage for our employees which covers basic needs but also allows for employees to choose additional coverage. At this same time, we only require a cursory employee contribution since our salaries and stability of employment are not as stable as state government (or even other private businesses). We struggle to achieve some balance with our benefits and premiums but I find it increasingly difficult. Particularly when federal and state governments begin to mandate certain benefit/requirements.

2. I'm not sure whether or not substance abuse is covered in my policy, but I know "mental illness" is not, meaning no counseling or coverage for anti-depressants. Given the connection between mind and body I find it difficult to understand why this disparity exists. There are also other issues, like certain meds and surgical procedures that are only marginally covered, whether or not the procedure was elective. This, despite the fact that my health insurance premium increases roughly 10% per year! :-(

3. I am not in favor of further mandates--it just costs businesses more (like an additional tax). Let the free market work--if enough potential employees ask for it, business will provide it.

4. Mandated health care programs forced on small business, and all rural Alaska businesses are small, places an economic burden on those businesses which tends to either destroy the business or results in no growth because the business owner will maintain a low level of employment that will avoid the insurance requirement. The proponents of this type of legislation, while they may be very well meaning, do not understand the economics of small business. This type of legislation will eventually destroy small rural businesses driving the business to the large towns leaving small rural Alaska communities without so much as a grocery store. I suggest that the proposers of this legislation travel through the small towns of this country and observe all of the empty buildings that used to house the core business of those communities.

5. Insurance coverage should be a matter of choice not mandatory. This would place undue economic and other liability requirements upon employers. I am totally against this from the limited information I have received. Perhaps additional information will be provided prior to any legislative action being taken.

6. Please do not pass on to the business community another unfunded mandate. Passing this bill may cause a good number of business to stop offering health care insurance to their employees all together or they may need to raise the deductible the employee pays in order to cover the increased premiums.

7. Do not hamper the engine that drives Alaska's economy, small business's, with another cost.

8. We pay 100% for the employees' health insurance coverage. This coverage includes a $250 deductible/person, per year or $500/family per year. Mental health is covered at 50%.

Also, every year for the past 5 years we have had an increase in our premiums. This is difficult on the budget, but we do not want to increase the employees' annual deductible or require the employee to pay for a percentage of their coverage.

9. Making employers provide mental health and substance abuse insurance is not reasonable, and would probably INCREASE drug problems.
What the hell....if I get hooked, I can take off work for 6 mos. paid.

Telephone Feedback

1. Currently offer medical insurance but no mental health coverage. 47 employees. If mental health coverage is mandated, we will discontinue medical insurance because of the added expense.

2. Currently offer health care insurance with mental health coverage but MH is not at parity with medical surgical. If parity is mandated, will discontinue all medical insurance because of expense. Why are firms that offer mental health coverage being punished?

3. Juneau firm, 46 employees, offers mental health and substance abuse coverage in its health insurance but mental health is not at parity with medical surgical. Opposes MH parity mandate because they feel it is too expensive. An additional burden to those companies that already provide health care insurance to their employees. Issues in disparity of coverage should be resolved at the insurance company level.