



## Mental Health Parity A Fact Sheet

- ❖ Mental disorders cost the U.S. \$99 billion in direct treatment costs and \$273 billion a year in ancillary costs—such as lost employment, reduced productivity, criminal justice, traffic accidents and social welfare programs like Medicaid and SCHIP—associated with mental disorders. Depression alone costs the U.S. \$83 billion annually (Depression and Bipolar Support Alliance, February 2006).
- ❖ Insurers increase patients' costs for mental health treatment in three ways—by limiting inpatient days, capping outpatient visits, and requiring higher copayments than for physical illnesses. Over 90 percent of workers with employer-sponsored health insurance are enrolled in plans that impose higher costs in at least one of these ways. Forty-eight percent are enrolled in plans that impose all three limitations (Barry, 2003).
- ❖ Many Americans fail to treat mental and substance abuse disorders—not just because of the cost, but because of the social stigma surrounding mental illness. Insurers that discriminate against individuals with mental illness reinforce that stigma, feeding a vicious cycle of depression and isolation (Barry, 2003).
- ❖ The federal Mental Health Parity Act, signed into law on September 26, 1996, requires that annual or lifetime dollar limits on mental health benefits be no lower than any such dollar limits for medical and surgical benefits offered by a group health plan or health insurance issuer offering coverage in connection with a group health plan (U.S. Department of Labor, 2006).
- ❖ The Mental Health Parity Act requires that companies that employ more than 50 people and that provide some mental health insurance benefits cannot impose lower annual or lifetime dollar limits on mental health benefits than on physical health benefits. Companies, however, are not required to offer mental health benefits, nor are they prohibited from offering mental health patients fewer services and higher out-of-pocket costs (Center for Policy Alternatives, retrieved January 2007).
- ❖ Millions of Americans with mental disorders do not have equal access to health insurance. Many health plans discriminate against these people by limiting mental health and substance abuse healthcare by imposing lower day and visit limits, higher co-payments and deductibles and lower annual and lifetime spending caps. (National Mental Health Association, April 2006)
- ❖ Eighty-three percent of Americans believe it is unfair for health insurance companies to limit mental health benefits and require people to pay more out-of-pocket for mental health care than for other medical care, according to an Opinion Research poll commissioned by the National Mental Health Association. Seventy-nine percent say they support mental health parity legislation even if it results in an increase in their health insurance premiums (Center for Policy Alternatives, retrieved January 2007).
- ❖ Parity, as it relates to mental health and substance abuse, prohibits insurers or health care service plans from discriminating between coverage offered for mental illness, serious mental illness, substance abuse, and other physical disorders and diseases. In short, parity requires insurers to provide the same level of benefits for mental illness, serious mental illness or substance abuse as for other physical disorders and diseases. These benefits include visit limits, deductibles, copayments, and lifetime and annual limits (National Conference of State Legislatures, January 2007).
- ❖ Parity laws contain many variables that affect the level of coverage required under the law. Some state parity laws--such as Arkansas'--provide broad coverage for all mental illnesses. Other state parity laws limit the coverage to a specific list of biologically based or serious mental illnesses. The state laws labeled full parity below provide equal benefits, to varying degrees, for the treatment of mental illness, serious mental illness and biologically based mental illness, and may include treatment for substance abuse. (National Conference of State Legislatures, January 2007)
- ❖ Some type of mental health parity law has been enacted in 46 states; the state parity laws vary considerably and can be divided into three categories: mental health parity or equal coverage laws; minimum mandated mental health benefit laws; and mandated mental health offering laws (National Conference of State Legislatures, January 2007).
- ❖ Parity laws in 21 states include coverage for substance abuse, alcohol or drug addiction (National Conference of State Legislatures, January 2007).

- ❖ In late December 2006, two additional states, Ohio and New York, enacted mental health parity laws. The New York State Psychiatric Association concluded that New York's Timothy Law is the " most significant piece of mental health care access legislation in the state's history. New York's law is the stronger of the two. It will reimburse small businesses -- those with fewer than 50 employees -- for the cost of providing standard coverage of 20 outpatient visits and 30 inpatient days for mental illness in a calendar year. (AMA, 2007).
- ❖ A 2001 U.S. General Accounting Office report on employers in states without parity legislation (and therefore affected only by the 1996 federal parity law) found that only 3% of responding employers claimed that compliance increased their claims costs. Almost no employers had eliminated their mental health benefits in response to the law (GAO, May 2001).
- ❖ A study of two large employer groups in California that implemented mental health parity on January 1, 2001 showed decreases or only mild increases in overall health care costs (Psychiatric Services, October 2002).
- ❖ North Carolina experienced a 70 percent reduction in mental illness hospital days for state employees and their dependents—the only group eligible for parity under the state's law. Oregon's comprehensive parity law resulted in a mere 0.5 percent increase in premium costs. Blue Cross Blue Shield of Vermont's cost increased by just four percent after the state's comprehensive parity law was enacted in 1997—and substance abuse coverage accounted for only 2.47 percent of overall costs (Perlman, February 2006).