

Complying with Mental Health Parity Requirements: What This Means for Plan Sponsors

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A Buck Consultants Webcast
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Mental Health Parity and Addiction Equity Act of 2008

Agenda

Rich Stover, FSA

- Review of regulations
- Benefit design implications

Stella Antonakis, LMFT, LCSW

- Strategies for benefit delivery and managing cost impact

Question and Answer Session

- Archived Webcast
- Buck *For Your Information* Release

Background

- Mental Health Parity Act of 1996
 - Prohibited lower annual/lifetime dollar limits on MH/SA
 - Did not apply to other types of design provisions
 - Did not apply to substance abuse benefits
- Mental Health Parity and Addiction Equity Act of 2008 (MHPAEA)
 - Extended parity for financial requirements and treatment limitations
 - Extended parity to substance abuse
 - Effective for plan years beginning after October 3, 2009
 - Regulations published February 2, 2010
 - Effective for plan years on/after July 1, 2010
 - Requires communication and new disclosure requirements

What MHPAEA Doesn't Do

Doesn't:

- Require plan to provide MH/SA benefits
- Require plan to cover specific MH/SA conditions
- Specify what services are considered MH/SA services
- Apply to small employers
- Apply to self-funded government plans that opt-out
- Preempt state insurance laws
- Apply to plans that satisfy increased cost exemption
- Significantly change the annual/lifetime dollar requirements

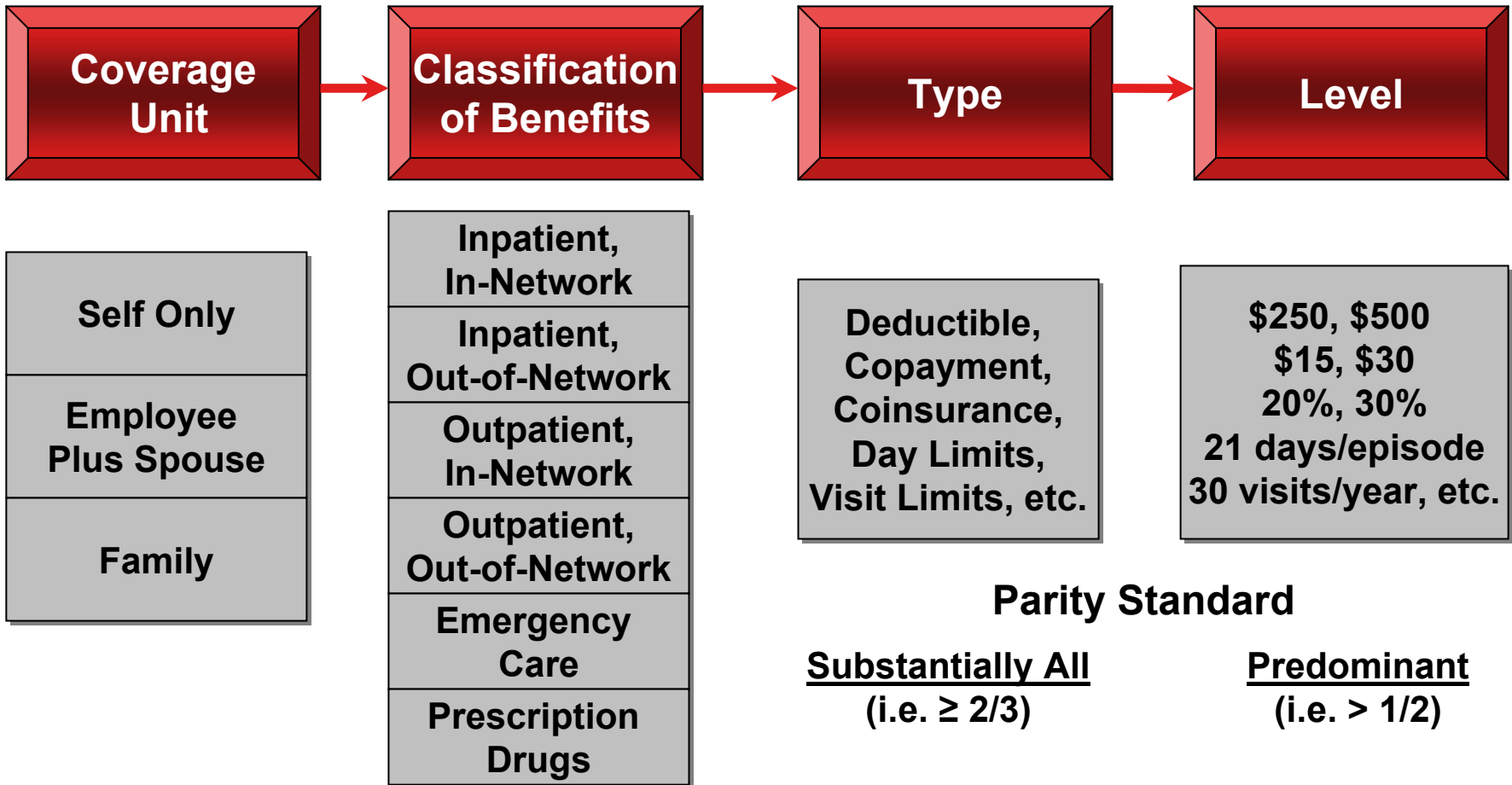
Application of MHPAEA Rules

- Applies to group health plans that provide:
 - Medical/surgery benefits, and
 - Mental health and/or substance abuse benefits
- Applies separately to all combinations of available coverage
- Examples:
 - Three medical options
 - Three medical plans and a standalone EAP
 - Three medical plans and a standalone MH/SA program

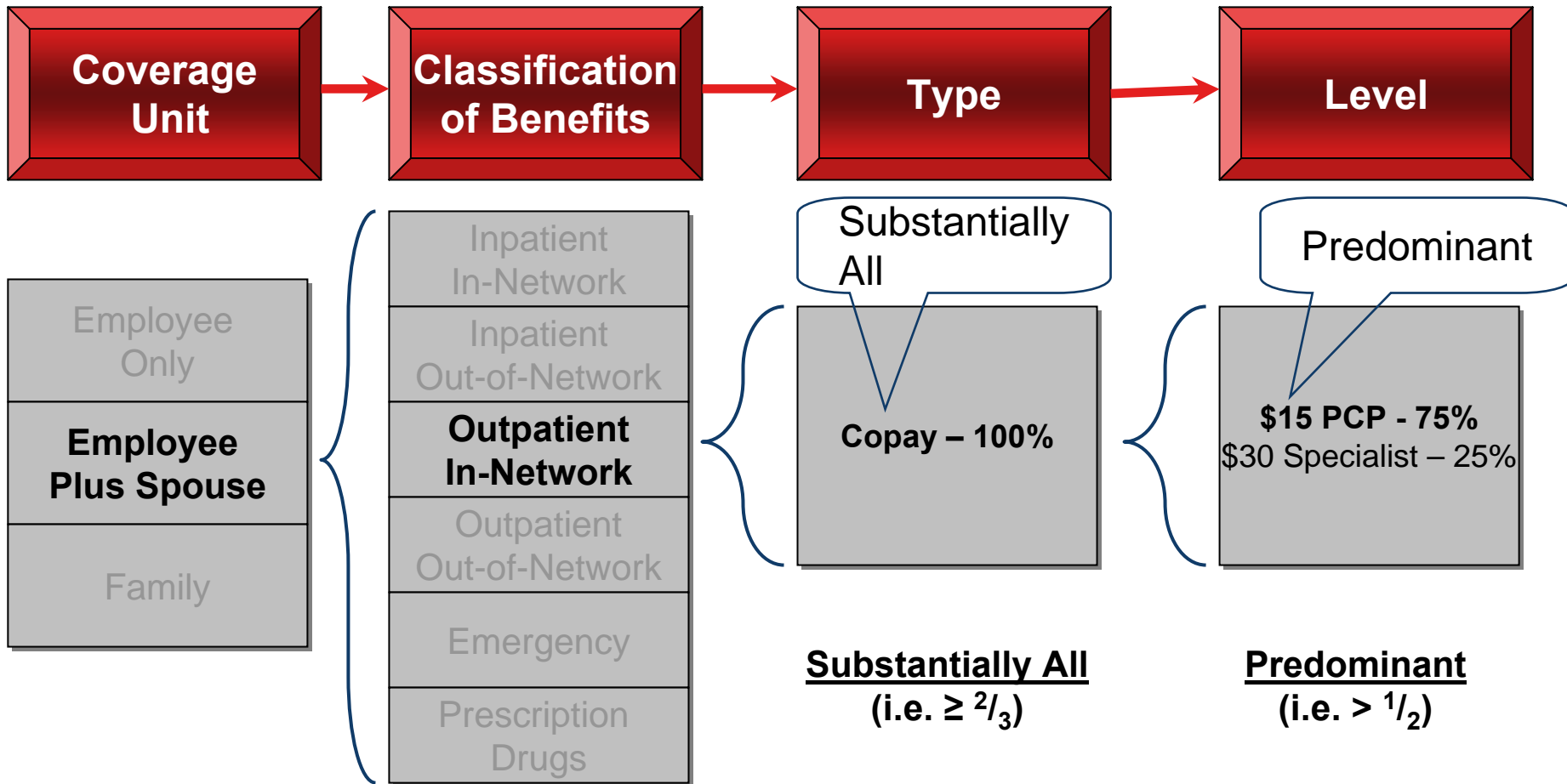
Overview of Financial Requirements and Treatment Limitations

- Financial Requirements
 - Affect the amount of benefits paid
 - Deductibles
 - Coinsurance
 - Copayments
 - Out-of-pocket maximums, etc.
- Treatment Limitations
 - Limit the scope or duration of benefits for treatment
 - Inpatient day limits
 - Office visit limits
 - Waiting periods

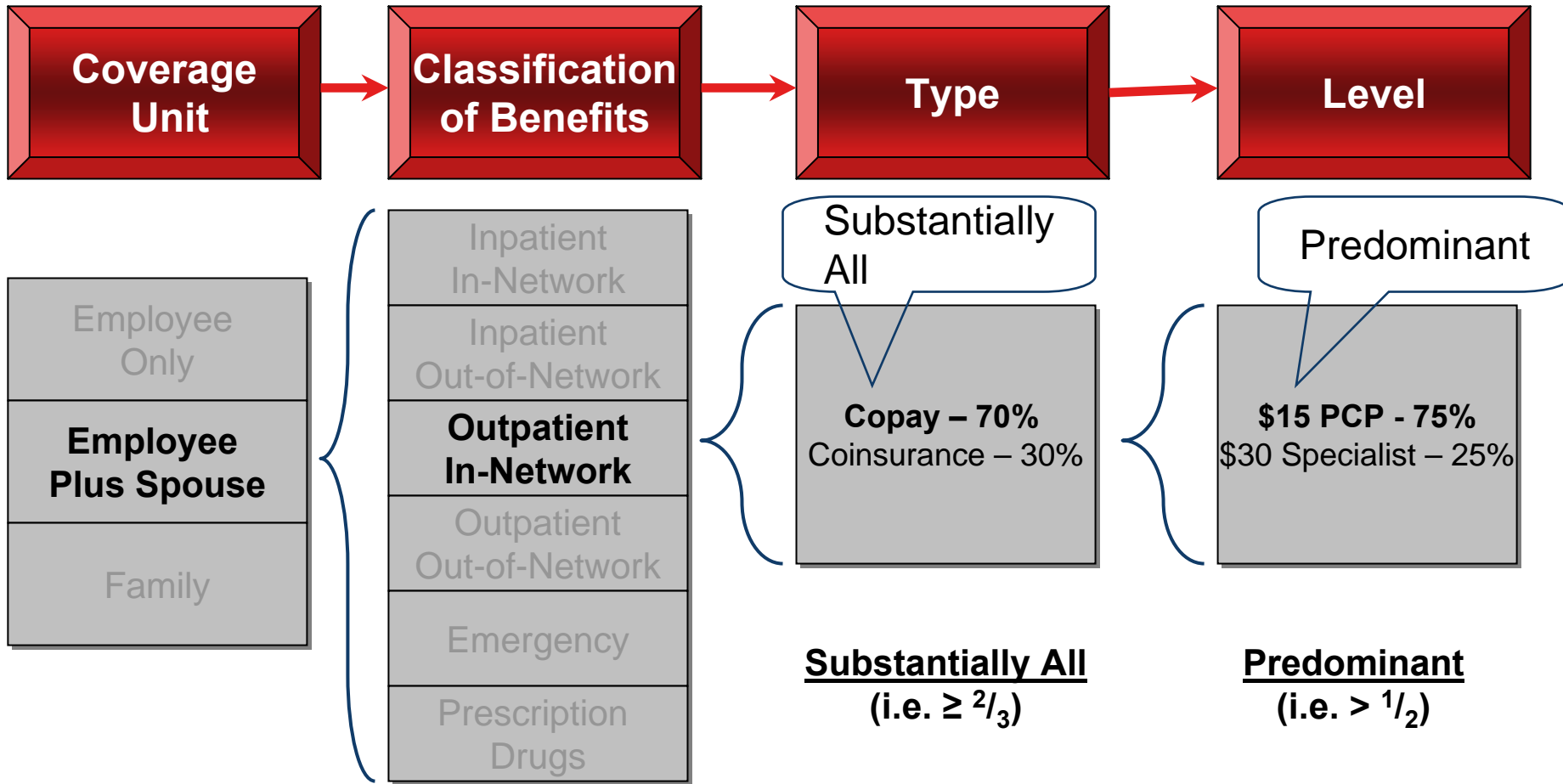
Overview of Financial Requirements and Treatment Limitations (cont.)



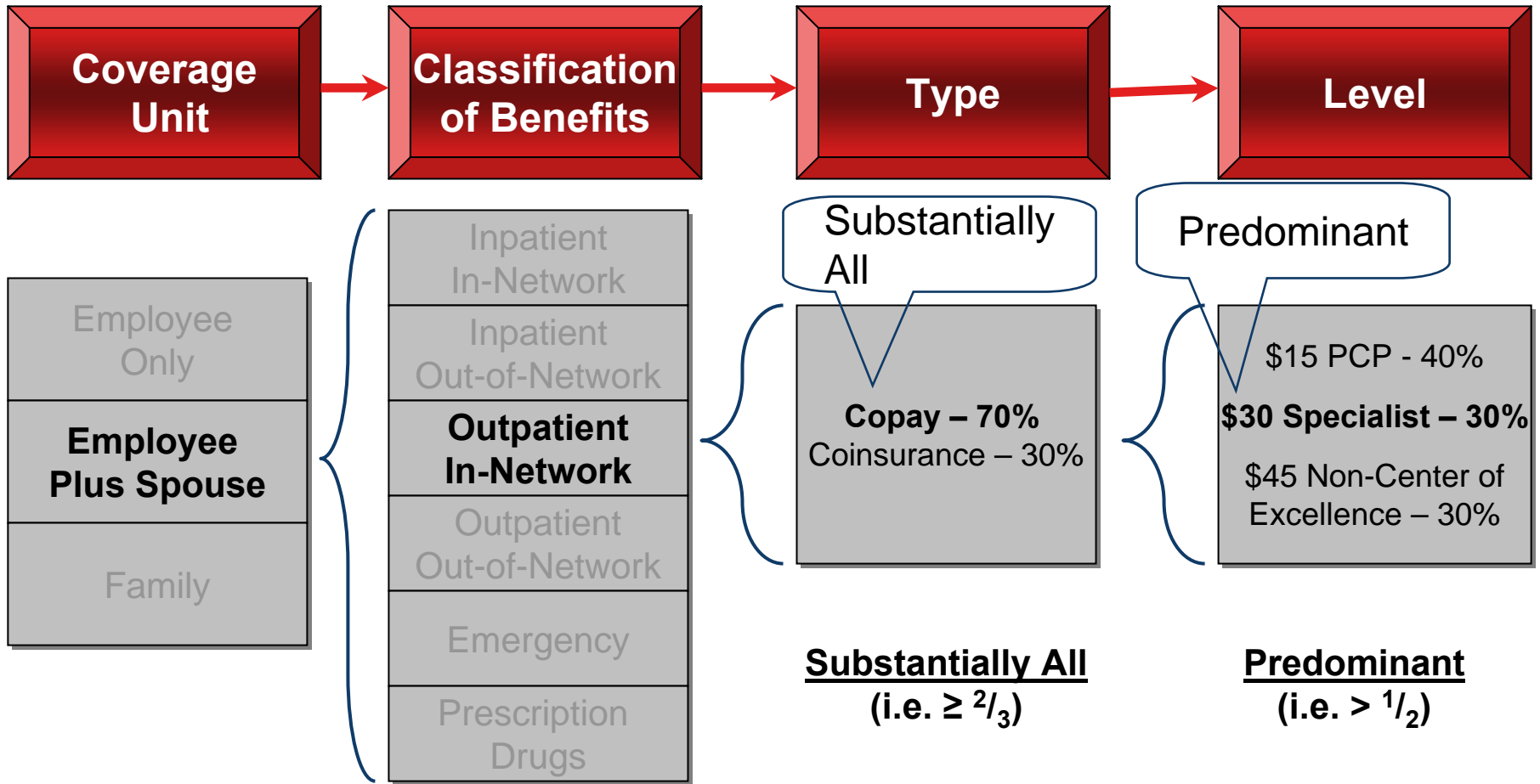
Example 1



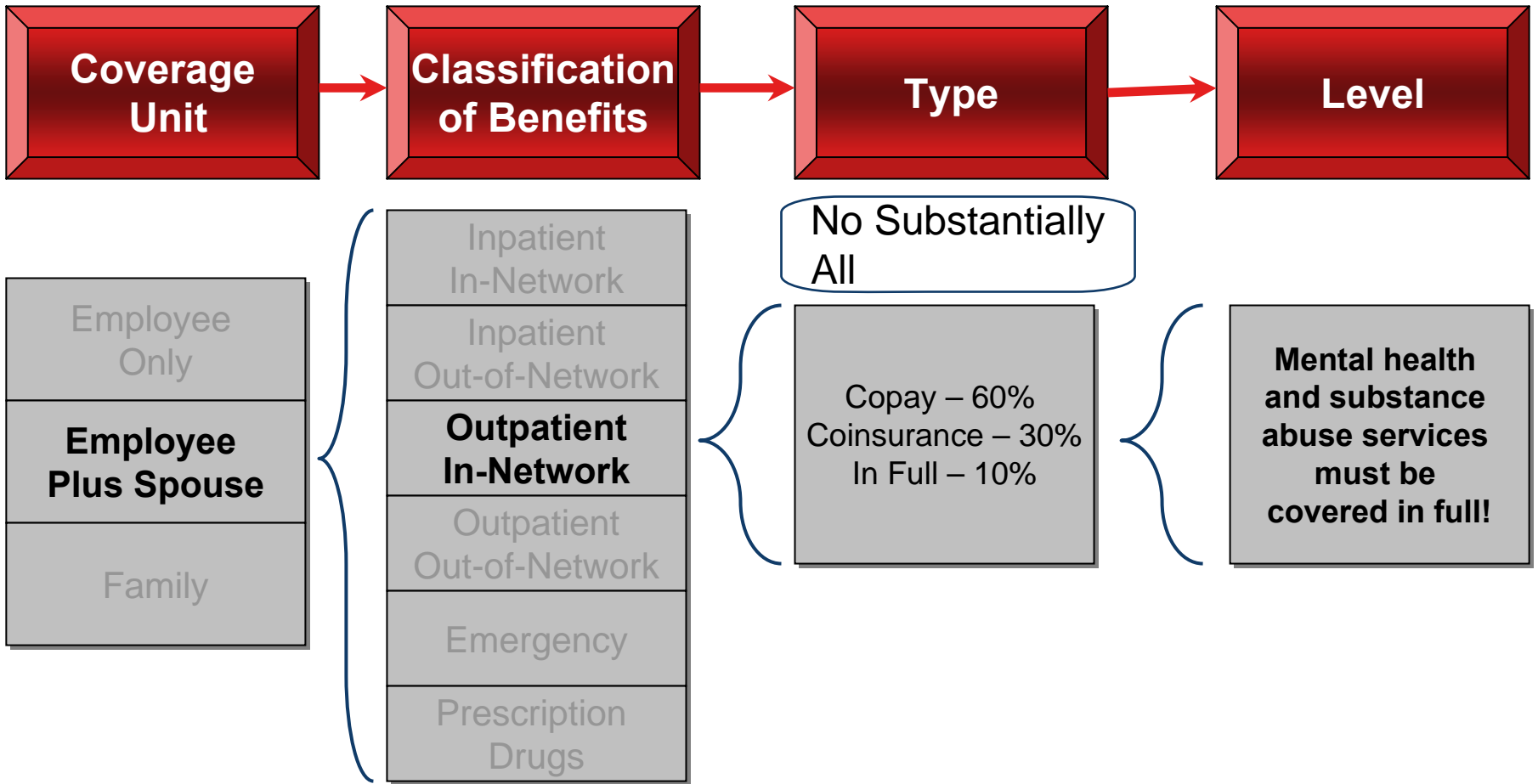
Example 2



Example 3



Example 4



Overview of Financial Requirements and Treatment Limitations (cont.)

Separate MH/SA cumulative requirements prohibited

- Deductibles
 - \$250 for medical/surgical and \$250 for MH/SA
 - \$300 for medical/surgical and \$150 for MH/SA
- Out-of-pocket maximums
- Treatment limitations
- Potential issue for carve-out MH/SA programs

Webcast Poll Question #1

Do you use a carve-out program for mental health or substance abuse benefits?

1. Yes
2. No
3. Uncertain



Non-Quantitative Treatment Limitations

- Illustrative List:
 - Standards for medical necessity or appropriateness
 - Formulary design for prescription drugs
 - Network standards for provider admission or reimbursement
 - Methods for determining UCR charges
 - Standards for paying for high cost therapies until shown lower cost therapy is not effective
 - Exclusions based on completing a course of treatment
- Potential issue for carve-out programs

Non-Quantitative Treatment Limitations

Examples:

- Requiring concurrent review of medical necessity for MH/SA but only retrospective for medical/surgical benefits
- Imposing higher penalty for failure to obtain preauthorization for MH/SA than for medical/surgical benefits
- Automatically excluding prescription drugs prescribed for a MH/SA condition while having a conditional exclusion for medical/surgical benefits
- Requiring exhaustion of EAP benefits before covering MH/SA benefits with no comparable requirement for medical/surgical

New Disclosure Requirements

- Criteria for medical necessity available to:
 - Current or potential participant
 - Beneficiary
 - Contracting provider
- Reason for denial of coverage available to:
 - Participant or beneficiary
- Use form and manner consistent with ERISA requirements
 - ERISA plans must use ERISA requirements
 - Non-ERISA plans can use ERISA requirements

Webcast Poll Question #2

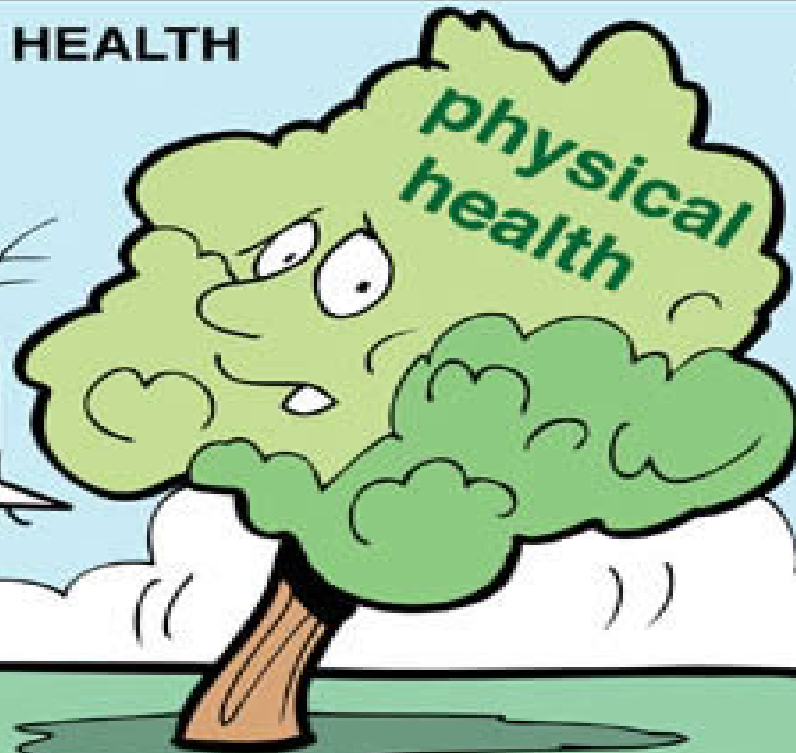
Do you require use of an Employee Assistance Program (EAP) to access mental health or substance abuse benefits?

1. Yes
2. No
3. Uncertain



If we don't get **MENTAL HEALTH** right . . .

.. Then we can't get the rest right – everything has its roots in mental health



mental health

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MH/SA Benefit Design Under Parity

Important Steps:

Determine the predominant financial requirements and treatment limits for medical/surgical benefits for each health plan

Compare MH/SA benefits to medical/surgical benefits for each health plan

Identify all applicable state parity mandates

Adjust MH/SA, medical/surgical, or both to ensure compliance

MH/SA Program Design Under Parity

To Carve-in or Carve-out...

- Carving-in may result in less specialized managed care strategies, causing increased costs
- Carving-in may result in reduced access to MH/SA specialists, who have been shown to produce better outcomes
- Carve-outs could manage significantly more benefit designs rather than single benefits across plans
- Need for real-time administration of shared deductibles (not all behavioral health vendors have the capacity)

MH/SA Program Design Under Parity (cont.)

The Parity act allows employers to choose which conditions to cover

- To determine which conditions to cover, consider the following:
 - Which conditions are known to raise medical costs, reduce productivity, and increase safety concerns?
 - Which conditions are best addressed in medical or educational settings?
 - Which conditions are not amenable to treatment?

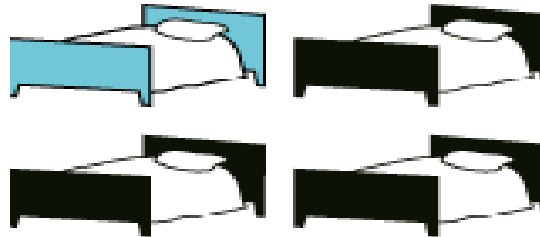
Mental Health and Substance Abuse (MH/SA) Disorders: Types, Prevalence, and Costs

Top Five MH/SAs

- Mood disorders, including bipolar and depressive disorders
- Substance-related disorders, including drug and alcohol abuse
- Delirium, dementia, and amnesic and cognitive disorders
- Anxiety disorders
- Schizophrenia and other psychotic disorders

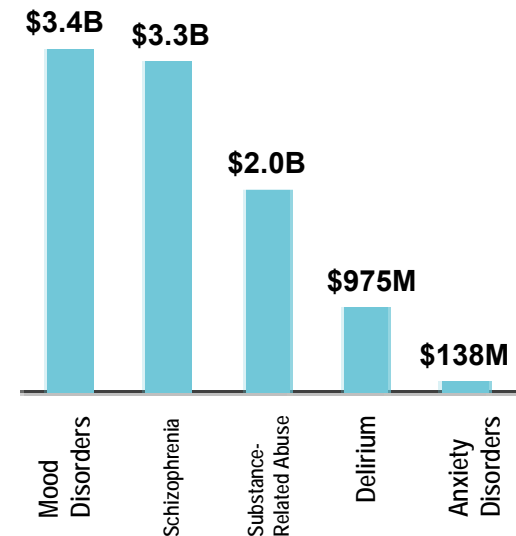
Number of Hospital Stays

Adults with a mental health and/or substance abuse diagnosis accounted for 1 out of 4 hospital stays – 7.6 million hospital stays



Aggregate Costs

Hospitalization for the top 5 MH/SAs costs \$9.9 billion annually



Factors Impacting Cost

- Hidden MH/SA costs
 - Participants being treated by primary care providers
 - Claims not necessarily coded as MH/SA claims
- Parity may lead to more MH/SA specialists treating conditions and potentially better outcomes
- It's more critical than ever for MH/SA vendors to manage to outcomes — their effectiveness can impact costs

Factors Impacting Cost (cont.)

- Employers with more restrictive benefit designs could face more significant increases in short-term
 - Important to look at current design, costs, and utilization
- Analysis of MH/SA, medical, and pharmacy claims data is vital in managing costs
- Use of prevention measures, such as EAPs

Strategies for Managing Cost Impact

Review your current MH/SA plan administrator

- Are best-in-class managed care protocols in place?
- Does your program have a MH/SA focus?
- Are medical necessity criteria being consistently applied?
- Are all levels of care subject to some type of review?
- Does the program use data-driven algorithms to identify non-responders?
- Does your plan administrator provide incentives to its providers for quality and clinical outcomes?

Strategies for Managing Cost Impact (cont.)

- Implement a MH/SA medical integration strategy
 - Target members in high-risk medical populations with MH/SA risk factors or diagnosis
 - Establish formal rules for screening, referral, and co-management of cases with co-morbid MH/SA/medical conditions
- Target prevention measures
 - Encourage members to access EAP benefits
- Implement performance standards with financial guarantees
 - Should also apply to MH/SA benefits carved into medical plan

Next Steps

- Review plan designs for possible issues
 - Financial and non-quantitative requirements
 - Carve-out programs
 - EAPs and management techniques
 - Substance abuse benefits
- Decide which MH/SA conditions to cover
- Review compliance issues with MH/SA vendors
- Determine the projected plan benefit payments
- Determine allowable cost sharing requirements
- Develop and implement compliance strategy
- Communicate to employees

Thank You! Questions?



Contact Information

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