



Washington Coalition for Insurance Parity

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PARITY BENEFITS SMALL BUSINESS

OVERVIEW

The Washington State Legislature should extend the state's existing mental health parity law to include the small group (small business) and individual insurance markets. "Mental health parity" means mental health services are covered by insurance in a manner comparable to other health services. The extension of parity to these two markets would enhance access and increase affordability of mental health care to **540,000** Washington residents still experiencing insurance discrimination.

In the last 15 years, at least 36 states have enacted some form of mental health parity legislation. No state has ever repealed or weakened its parity law. In 2001, the federal government granted full parity to its nine million employees. The extensive research literature on mental health parity laws and the actual experience of the federal government and at least nine states provide overwhelming evidence that parity has a negligible effect on the cost of insurance premiums.

An actuarial analysis published in December 2006 by Milliman Inc. shows that extending mental health parity to the individual and small group markets in Washington State will minimally increase insurance premiums. The highest estimates show the premium increases to be less than one percent in the small group market and only 1.5 percent in the individual market. These estimates do not take into account the many benefits and financial savings from parity.

Washington State excludes individuals and small businesses with 50 or fewer eligible employees from the 2005 mental health parity law. We can learn from the experience of Connecticut, Maryland, Minnesota, New Mexico, Rhode Island, and Vermont that requiring health plans to provide mental health coverage comparable to physical health coverage for the small business market produces only minimal increases in insurance premiums.

Studies in Maryland, Minnesota, and Vermont show premium increases due to mental health parity ranging from "not detectable" to only 1.5 percent. None of the studies concludes or suggests that a mental health parity law negatively affects small or large employers' ability to offer health insurance.

To obtain further information about the affects of mental health parity on small business, a survey was conducted between May and August 2006 by the Washington Coalition for Insurance Parity through the Offices of the Insurance Commissioners in the states of Connecticut, Maryland, Minnesota, New Mexico, and Vermont. The survey produced no evidence of significant cost increases, nor of small employers dropping health coverage due to the parity laws.

BENEFITS TO BUSINESS

Extending mental health parity would result in minimal increases in insurance premiums for small businesses and individuals. *These small increases, however, would be more than offset by the benefits to small businesses from increased productivity, less absenteeism, reductions in other health care costs, and fewer claims for disability and unemployment insurance due to untreated mental illnesses.* Psychiatric disorders are the most frequent cause of disability and lost productivity among working adults. The evidence is overwhelming:

- In 1999, the U.S. Surgeon General reported that the indirect costs of mental illness imposed an estimated \$79 billion loss on the U.S. economy in 1990. According to the U.S. Department of Labor, that \$79 billion would be worth *more than \$123 billion* today.
- According to Greg Simon, MD, MPH, a nationally recognized Senior Scientific Investigator at Group Health Cooperative: "...the costs of effective mental health care are more than offset by the benefits to businesses and other employees. Several large epidemiologic studies document that disability due to depression is at least as great as that due to major medical conditions such as diabetes, emphysema, or arthritis. *Among working people, those with a depressive or anxiety disorder miss at least twice as many days of work due to illness as those without.* The prevalence of significant psychiatric disorders is high – nearly one in ten adults will experience a significant psychiatric illness in any given year and nearly one in five will do so at some time in life." (Emphasis added.) (Greg Simon, *The Business Case for Mental Health Parity*, January 13, 2004.)
- In a February 2006 interview for *Employee Benefit News*, Helen Darling, president of the National Business Group on Health, notes: "Mental health and substance abuse disorders currently cost U.S. employers billions of dollars annually in lost worker productivity. All will benefit if we reduce the terrible burden of depression and other serious mental health problems that sap strength, productivity and a decent quality of life out of employees and their families."
- The cost to businesses in absenteeism, lost productivity, and claims for disability and unemployment insurance due to untreated mental illness is *far greater* than the cost of mental health parity. For example, the Institute of Medicine's 2006 *Quality Chasm Series* reported: "Indeed, workers with depression have been found to lose 5.6 hours a week of productivity as compared to 1.5 for workers without depression."
- Henry Harbin, chairman of Magellan Health Services, the nation's largest managed mental health firm, said that parity can reduce costs by getting mental health patients back to work. Harbin also noted that Magellan has yet to see an increase in costs greater than one percent in any of the states that have enacted similar mental health parity laws. (Committee on Education and the Workforce, Subcommittee on Employer-Employee Relations, U.S. House of Representatives, March 2002.)

Mental health parity reduces state government costs for imprisonment, hospitalization, homelessness, and public assistance. It improves the overall health of the community. Appropriate and effective mental health treatment reduces total health care expenditures and the need for other costly medical services such as hospital and emergency room services. Parity improves outcomes for people with other chronic disorders, such as heart disease, diabetes, and cancer. (Washington Coalition for Insurance Parity, *Costs and Savings Summary*, September 2006.)

STATE PARITY LAWS

Six states have enacted mental health parity laws requiring comparable health insurance for small businesses. Three of the six states have done extensive studies of the impact of their parity laws on insurance premiums – Maryland’s law was enacted in 1994, Minnesota’s in 1995, and Vermont’s in 1997. These states offer Washington State more than 30 years of combined experience with mental health parity in the small group market:

➤ **Maryland**

Maryland’s mental health parity law requires full parity. An actuarial study found the marginal cost of mental health and substance abuse treatment equaled **only 0.5 percent** of premium. The study also found that about half of the employers with self-funded plans covered mental health and substance abuse benefits at or above the level required by the parity law. Some plans carve out these services to a specialty vendor who manage the benefits. Under benefits management there is a reduced probability of a policyholder ever using the maximum level of the benefit, and therefore the marginal cost would be less. (Maryland Health Care Commission, *Study of Issues Related to the Small Group Market*, January 1, 2004; and *Study of Mandated Health Insurance Services, A Comparative Evaluation*, January 15, 2004.)

➤ **Minnesota**

Minnesota’s mental health parity law of 1995 applies to managed care plans only, although most non-managed Blue Cross/Blue Shield plans offer mental health parity voluntarily in order to be competitive with managed care products. A study of the parity law’s effect in Minnesota found that for 90 percent of the Minnesota market using managed care, the mental health parity law resulted in cost increases of **only about 0.5 percent**. Minnesota does not find any evidence of employers dropping health coverage after implementation of the 1995 law. (John E. Goss, Director of Health Care Policy, Minnesota Department of Commerce, email interview, May 2006.)

➤ **Vermont**

Vermont’s mental health parity law of 1997 was rigorously studied and showed little impact on the cost to small businesses in premium increases or on their ability to offer health insurance. Of the employers offering health insurance when the parity law went into effect on January 1, 1998, just 0.3 percent (accounting for only 0.07 percent of Vermont employees) reported dropping coverage because of parity. The survey indicated that Vermont employers did not self insure as a result of parity. Vermont’s results are also consistent with numerous studies that conclude parity laws do not have a sizable impact on health plan spending for mental health services. At the same time, access to outpatient mental health services improved after the parity law was implemented. The likelihood of obtaining mental health services rose between 18 and 24 percent as a result of parity. (Rosenbach, Margo et al., *Effects of the Vermont Mental Health and Substance Abuse Parity Law*, U.S. Department of Health and Human Services, 2003.)

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In 2005, the Oregon State Legislature enacted a comprehensive mental health parity law for the large and small group insurance markets. The Oregon Business Association publicly supported mental health parity legislation for Oregon State. The association is made up of 263 active business members of which almost 78 percent are companies employing 50 or fewer people.

A recent study of several state parity laws found they successfully increased access to mental health care for those with relatively mild mental health problems. The goal of increasing access at a reasonable cost appears to be fulfilled for a group of employees who may not have received care before, those with mild to moderate mental health conditions. (Harris K.M., Carpenter C, Bao Y, *The Effects of State Parity Laws on the Use of Mental Health Care*, Medical Care, June 2006).

PARITY POLLING RESULTS

➤ **State and National Level**

Mental health parity has broad statewide and national support. A January 2005 poll of 750 likely voters in Washington State showed that **86 percent** supported mental health parity, while **79 percent** supported parity even if they would experience an increase in premiums of less than one percent. A 2004 national poll by the American Psychological Association showed that **85 percent** of Americans supported parity. In 2002, a poll by the National Mental Health Association (recently renamed Mental Health America) showed that **79 percent** of Americans supported parity legislation, even if it resulted in an increase in their health insurance premiums.

➤ **Small Businesses**

According to 388 small businesses (those with 50 or fewer employees) surveyed from May to August of 2006, “...**more than three-quarters of respondents say that mental health services should received coverage equal to that given other services in an insurance plan.**” (Emphasis added.) Surveys were collected from businesses in Ellensburg, Federal Way, Dayton, Sammamish, Olympia, Seattle, Richland, Everett, Tacoma, Burien, Lacey, Edmonds, Walla Walla, and Yakima. (Northwest Federation of Community Organizations and University of Washington, School of Public Health and Community Medicine, *Northwest Health Gap Study: Quality Health Insurance Out of Reach for Small Businesses*, October 2006.)

CONCLUSION

Based on the actual experience of other states and the December 2006 Milliman actuarial study, expanding Washington’s mental health parity law to include individuals and small businesses will not lead to significant premium increases or a significant number of discontinued health insurance policies in Washington State. Under an expanded mental health parity law, Washington residents working for small businesses or buying individual insurance policies can expect improved access to mental health care.

Now is the time to end the discrimination against mental illness and honor the treatment needs of Washington State residents. When making a decision on mental health parity, the more than 100 small businesses and 150 organizations of the Washington Coalition for Insurance Parity respectfully urge the Washington State Legislature to follow the overwhelming amount of research, actual experience, and studies that support parity. Numerous experts cite extensive research supporting the fact that parity does not cost too much; it actually saves money.

Most important, mental health parity is simply the right thing to do!

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