

## Enact Comprehensive Mental Health and Substance Abuse Parity

*Supporters (as of 1/15/2009): Iowa Behavioral Health Association, Iowa Medical Society, Iowa State Association of Counties, Iowa Psychiatric Society, Iowa Academy of Family Physicians, Iowa Association for Marriage and Family Therapy, Iowa Health Systems, Iowa Psychological Association, National Alliance on Mental Illness, American Federation of State, County and Municipal Employees, National Association of Social Workers, Orchard Place, Polk County, Iowa Association of Area Agencies on Aging, Iowa/Nebraska Primary Care Association*

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### Impact of Mental Health Parity on Insurance Premiums (Federal)

- A 2006 study by the New England Journal of Medicine concluded that “When coupled with management of care, implementation of parity in insurance benefits for behavioral health care can **improve insurance protection without increasing total costs.**” (*Howard H. Goldman MD, et al. “Behavioral Health Insurance Parity for Federal Employees,” New England Journal of Medicine, March 30, 2006*)
- All recent estimates have predicted that full parity in mental health benefits, mandated at the federal level, would **increase premiums by only 1-2%.** (*Beth Mellan Harrison. “Mental Health Parity,” Harvard Journal on Legislation, Volume 39, 2002*)
- The Congressional Budget Office reported in June of 2000 that health insurance premiums and overall health costs generally **increase by 1% or less** due to the passage of full parity, which translates into about \$1-\$1.50 per person per month, or about \$12-15/year. (*US Congressional Budget Office, Cost Estimate for S.543, Mental Health Equitable Treatment Act of 2001*)
- A 1998 SAMSHA Study found that adding full and equal coverage for alcohol and drug addiction **only increases premiums by .2%.** (*Substance Abuse and Mental Health Services Administration Study, March 1998*)
- The results of a 2000 Hay Group study showed full mental health and substance abuse parity would **increase premiums by no more than 1.4%.** (*National Institute of Mental Health, “Insurance Parity for Mental Health: Cost, Access, & Quality Final Report to Congress by the National Advisory Mental Health Council”; Hay Group. “Mental Health Benefit Value Comparison MHBVC Version 2.0,” March 14, 2000*)
- **A 2001 PricewaterhouseCoopers study and the Congressional Budget Office both independently found that “a limited parity with selected diagnoses would cost about 90% of the increase of broad based parity.** The premium increase for serious mental illness is 89% of the premium increase for mental health parity.” (*PricewaterhouseCoopers. “Mental Health Parity: Just the Facts.” March 2001*)

## **Impact of Mental Health Parity on Insurance Premiums (States)**

- Independent research by the National Advisory Mental Health Council of the National Institute for Mental Health found that **premiums in states with mental health parity laws rose by only .5%**. (*NAMHC Interim Report, 1997*)
- A research group based at the George Washington University Medical Center independently reviewed 11 previously published studies by states that examined the impact of their own parity laws (Alaska, California, Delaware, Hawaii, Maine, New Jersey, New York, North Carolina, Ohio, Oregon, and Vermont). They found that requiring insurers to cover addiction and mental illness on par with other types of diseases **raises insurance premiums just .2% annually**. (*Join Together. Study: Parity is Cheap, But Must be Mandated and Enforced, November 14, 2003, <http://www.jointogether.org/news/features/2003/study-parity-is-cheap-but-be.html>*)
- The 2001 PricewaterhouseCoopers study found the following statewide experiences following passage of mental health parity: **Maine (less than .5%); New Hampshire (no change); Vermont (0-3%); Maryland (less than 1%); Rhode Island (less than .33%); and Minnesota (less than 1%)**. (*PricewaterhouseCoopers. "Mental Health Parity: Just the Facts." March 2001*)
- **Texas:** After implementation of parity, there was a **47.9% decrease in the cost of mental health and substance abuse care** for Texas state employees covered under Blue Cross/Blue Shield insurance plan. (*SAMHSA Report on Insurance Benefits, 1998; Mental Health Parity White Paper, New Jersey Department of the Public Advocate, 5/4/2007*)
- **Minnesota:** Blue Cross/Blue Shield **reduced its insurance premiums by 5-6% after one year's experience** under the state's comprehensive parity law. (*The Louis de la Parte Florida Mental Health Institute, 1998; National Mental Health Association, "Why Mental Health Parity Makes Good Economic Sense," 2000*)
- **North Carolina:** Mental health expenses have **decreased every year since comprehensive parity for state and local employees was passed in 1992**. Mental health costs, as a percentage of total health benefits, have decreased from 6.4% in 1992 to 3.1% in 1998. Since 1992, hospital days paid by the plan have been reduced by 70%. (*PricewaterhouseCoopers. "Mental Health Parity: Just the Facts." 2000; North Carolina State Health Plan Office*)
- **Ohio:** Ohio saw its **overall health care costs decrease** after they instituted mental health parity for state employees (*National Alliance for the Mentally Ill*)
- **Maryland:** The 2001 PricewaterhouseCoopers study found Maryland's comprehensive parity law resulted in an **increase of less than 1%** in total premiums.

The Substance Abuse and Mental Health Services Administration (SAMHSA) found that **severe mental illnesses accounted for 90% of this cost increase. 89% of the increases in premiums was attributed to severe mental illnesses.**

- **Vermont:** Overall health plan spending for mental health and substance abuse services decreased by 9% following passage of parity, largely attributable to the reduction in inpatient stays. Relative to health care spending, mental health and substance abuse services accounted for 2.47% of the total cost of health care after parity, up from 2.3% pre-parity (only .17% increase in spending overall). **Blue Cross/Blue Shield of Vermont premiums increased 19 cents per member, per month (\$2.28/year), or between 0-3% depending on whether the care was managed. Over six years following passage of parity, the cost of mental health treatment for state workers increased by only .1%. (US Department of Health & Human Services, Substance Abuse & Mental Health Services Administration. "Special Report: Effects of the Vermont Mental Health and Substance Abuse Parity Law" <http://media.shs.net/ken/pdf/SMA03-3822/CMHS9PRI.pdf>)**

### Impacts on Overall Cost of Care

- According to a 2002 study done by the US Department of Health & Human Services' Agency for Healthcare Research and Quality, **the number of people treated for mental health problems in parity states increased by nearly 50%, but the costs of mental health services plans declined by almost 40% over the four-year study period.** Costs for employees and spouses together remained flat over the study period, while costs for children and adolescents declined by 64% (most of this decline was due to reducing the lengths of stay for inpatient mental health treatment). (Study by the Agency for Health Care research & Quality; [www.ahcpr.gov/research/jun02/0602RA23.htm](http://www.ahcpr.gov/research/jun02/0602RA23.htm))
- "According to the Group Health Association, **employees receiving mental health counseling lowered their use of medical insurance by 31%.**" (A New Health Care Prescription, Susan Caminiti, Fortune Magazine, January 24, 2005.)
- While the estimated annual cost to the nation of providing mental health coverage commensurate to physical health coverage for all children and adults is \$6.5 billion, it is also estimated that this **mental health coverage would result in savings for general medical services and indirect costs in the amount of \$8.7 billion - a net annual savings of \$2.2 billion.** (Report of the National Advisory Mental Health Council, October 1993)
- A two-year study found that **medical care costs decreased for those using behavioral healthcare services,** when such costs were generally increasing. (Cuffel et al. "Does managing behavioral health care services increase the cost of providing medical care?" The Journal of Behavioral Health Sciences and Research, November 1999)

- “The mounting empirical evidence is that current plan and historical mental health utilization assumptions do not reflect experience following passage of mental health parity. In systems already using managed care, **implementing parity results in minimal (less than 1%) increase in total health costs during a one-year period.** In systems not using managed care, **introducing parity with managed care results in a substantial (30-50%) reduction in total mental health costs.**” (*Rand Institute, RAND Health 2000*)

## **Societal Impacts of Parity**

- **Since both public and private insurers do not cover substance abuse treatment at the same level as other health programs, states are left to fill the gaps.** State and local governments are forced to finance a greater proportion of substance abuse treatment costs than of other health care costs. Mental health and substance abuse treatment expenditures added up to \$82.2 billion in 1997, with Medicaid and Medicare support at nearly one-third of those costs. **Although state and local governments funded only 13% of all health care services, they funded 28% of all mental health and substance abuse services. Medicaid and state and local governments each paid about 35% of all public expenditures on mental health and substance abuse.** Medicaid alone supported 31% of substance abuse services in 1997. (*State Spending on Substance Abuse Treatment, Anna Scanlon, NCSL, December 2002; [www.ncsl.org/programs/health/forum/pmsas.htm](http://www.ncsl.org/programs/health/forum/pmsas.htm)*)
- Many people receiving mental health services are covered by public rather than private insurance. **In 1996, public sector funding accounted for 52.6% of national health expenditures for the treatment of mental illness.** (*US Department of Health & Human Services, Center for Mental Health Services. Health Care Spending: National Expenditures for Mental Health, Alcohol, and Other Substance Abuse Treatment 1996*)
- A research group based at the George Washington University Medical Center independently reviewed 11 previously published studies by states that examined the impact of their own parity laws (Alaska, California, Delaware, Hawaii, Maine, New Jersey, New York, North Carolina, Ohio, Oregon, and Vermont). They found that **parity eases pressure on state budgets by cutting health, correctional and welfare costs, and increases the number of people entering treatment.** (George Washington University Medical Center. “*Study: Parity is Cheap, But Must be Mandated and Enforced,*” November 14, 2003, <http://www.jointogether.org/news/features/2003/study-parity-is-cheap-but-be.html>)
- A 2001 study by the National Center on Addiction and Substance Abuse estimated that **every American pays \$227 in state taxes to deal with addiction-related problems.** (*The National Center on Addiction and Substance Abuse (CASA) at Columbia University, 2001. “Shoveling Up: The Impact of Substance Abuse on State Budgets.”; New York: [www.casacolumbia.org/publications1456/publications.htm](http://www.casacolumbia.org/publications1456/publications.htm)*)

- Various state studies have concluded that improving access to addiction treatment by mandating parity would result in cost savings to taxpayers. **Minnesota, for example, said in its parity report that 80% of costs were offset in the first year by decreased use of hospital, emergency room, and detox services, as well as reduced arrests. California found that treatment resulted in a 66% decline in criminal activity and 33% fewer hospitalizations.** (*George Washington University Medical Center. Study: Parity is Cheap, But Must be Mandated and Enforced, November 14, 2003, <http://www.jointogether.org/news/features/2003/study-parity-is-cheap-but-be.html>*)
- **For each dollar invested in treatment, studies have found a four to seven dollar cost-savings on crime and criminal justice costs.** the cost of incarcerating someone for five years is \$125,000 - a cost that is much higher than treatment. (*Office of National Drug Control Policy, 1999*).
- Untreated alcohol and drug addiction **costs taxpayers and businesses \$276 billion per year in lost earnings, new prisons and accidents, and unnecessary health care.** On the other hand, economic data shows that **every dollar spent on alcohol and drug treatment saves \$7 in medical and other societal costs** (*National Coalition of State Alcohol and Drug Treatment and Prevention Associations; New York Legal Action Center, 1998; The Economic Costs of Alcohol and Drug Addiction in the US-1992. Executive Summary. Bethesda, MD, National Institute on Drug Addiction/ National Institute on Alcohol Abuse and Alcoholism, 1995*)
- **It is estimated that mental illnesses costs the US \$113 billion annually in indirect costs. Of this amount, \$8 billion is attributed to crime and welfare costs.** (*Mental Health Parity. Harvard Journal on Legislation. Volume 39 (2002); citing National Mental Health Association, Labor Day 2001 Report: Untreated and Mistreated Mental Illness and Substance Abuse Costs, [www.nmha.org/pdfdocs/laborday2001.pdf](http://www.nmha.org/pdfdocs/laborday2001.pdf)*)
- As reported by the Iowa Department of Corrections, **90% of Iowa's inmates are reporting some type of substance abuse problem and 41.2% of them have a mental health diagnosis** (and of that 32% is have a serious mental health diagnosis).
- About 11 million people suffer from depression in a given year, and for nearly two-thirds it goes undiagnosed and untreated. (*Greenberg, Stiglin, Finkelstein, & Berndt. Analysis Group, MIT Sloan School of Management & National Bureau of Economic Research, The Journal of Clinical Psychiatry, 1995*)
- More than 90% of people who commit suicide have a diagnosable mental illness. (*National Institutes of Health Publication No. 01-4584*)
- According to the US Surgeon General, 28-30% of adults have a diagnosable mental or addictive disorder in any given year. The Surgeon General also estimates that over 20% of children have or will have mental or addictive disorders in a given year. Treatment efficacy rates for disorders such as schizophrenia (60%), bipolar disorder

(80%), major depression (80%), panic disorder (80%), and obsessive-compulsive disorder (60%) compare favorably with many well-established medical or surgical treatments. Yet, the Surgeon General concludes “Studies reveal that less than one-third of adults with diagnosable mental disorders, and an even small proportion of children, receive any mental health services in a given year.” (*Source: Mental Health: A report of the Surgeon General*).

- According to a comprehensive study by the World Health Organization, **four of the ten causes of disability worldwide are mental disorders**, and all mental disorders combined account for approximately 15.4% of the overall burden of disease in established market economies worldwide. The World Health Organization has estimated that mental illnesses cause more days of disability than any other illness other than cardiovascular disease. (*Mental Health Parity. Harvard Journal on Legislation. Volume 39. 2002*)
- According to the Social Security Administration, the leading cause of disability in the US is untreated clinical depression.
- Healthcare costs of untreated persons who suffer from alcoholic and drug addiction are 100% higher than those who receive treatment. Of all hospital admissions, at least 25% of those admitted suffer from alcoholism-related complications, and 65% of emergency room visits are alcohol or other drug related. (*Join Together, 1998; Hazelden Foundation, Testimony before the House Committee on Government Reform, 1999*)
- 2002 Des Moines Register Poll showed that 83% of Iowans favored “requiring comparable health insurance coverage for mental illness.”

### **Employer/Business Experiences with Parity**

- Untreated mental illness also results in **nationwide loss of productivity, costing the economy over \$100 billion per year** (adjusted for inflation - estimates of \$79 billion lost in 1990 would be over \$100 billion in 2003). (*Mental Health: A Report of the Surgeon General, 1995*)
- A 1995 MIT Sloan School of Management report showed that **clinical depression costs American businesses \$28.8 billion a year in lost productivity and worker absenteeism. The total annual cost of depression to the United States is \$43.7 billion, on a par with heart disease.** (*Greenberg, Stiglin, Finkelstein, & Berndt. Analysis Group, MIT Sloan School of Management & National Bureau of Economic Research, The Journal of Clinical Psychiatry, 1995*)
- A 2001 US General Accounting Office report on employers in states without parity legislation (and therefore affected by the 1996 parity law) found that **only 3% of responding employers claimed that compliance increased their claims costs.** (*GAO, “Mental Health Parity Act” GAO/HEHS-00-95*)

- An analysis requested by the National Advisory Mental Health Council of the National Institute for Mental Health looked at the effects of a state mental health parity mandates on large employer groups. **Costs per member were reduced by 39% from pre-parity to the third year of parity**, and the portion of the population receiving mental health services increased. **Costs dropped by 9% between Year 1 and Year 4 for adults, and by 75% for dependent children** (due to reduction in pediatric inpatient stays). (Zuvekas SH, Regier DR, Rae D, Rupp A, and Narrow W. *"The Differential Impacts of Mental Health Parity and Managed Care: Evidence from a Large Experiment. 2000)*
- A study of two large employer groups in California that implemented mental health parity on January 1, 2001 **showed decreases in overall health care costs**. (Ronald Branstrom & Roland Sturm. *"An Early Case Study of the Effects of California's Mental Health Parity Legislation," Psychiatric Services, October 2002)*
- A research group based at the George Washington University Medical Center independently reviewed 11 previously published studies by states that examined the impact of their own parity laws (Alaska, California, Delaware, Hawaii, Maine, New Jersey, New York, North Carolina, Ohio, Oregon, and Vermont). They found the **cost of addiction and mental illnesses to individual business declines sharply when all employers are required to provide parity coverage**. (George Washington University Medical Center. *"Study: Parity is Cheap, But Must be Mandated and Enforced,"* November 14, 2003, <http://www.jointogether.org/news/features/2003/study-parity-is-cheap-but-be.html>)
- McConnell Douglas found **absenteeism dropped by 44%** for employees treated for substance abuse issues. When the Kennecott Copper Corporation provided mental health counseling for employees, its **hospital, medical and surgical costs decreased 48.9%**. (GWCMHPC, Inc, 2000. *"Good Mental Health Coverage Brings Big Returns to the Workplace. Marland: Greater Washington Coalition of Mental Health Professionals & Consumers, Inc. and the Washington School of Psychiatry)*
- Chevron reported that it **saved \$10 for every dollar spent on coverage for addiction services**. (Cummings, CR. *Testimony before the Subcommittee on National Security, International Affairs, and Criminal Justice of the Committee on Government Reform and Oversight of the US House of Representatives, 1996)*
- Many large, self-insured employers have reported **greatly reduced overall health care costs after eliminating restrictive mental health coverage limits**, because accessible, timely and appropriate treatment reduces relapse and hospitalization rates and because many people who seek treatment from primary care physicians have medical symptoms related to psychological factors. (Cost Estimate for S.543, *Mental Health Equitable Treatment Act of 2001 - United State Congressional Budget Office)*