The Mental Health Parity and Addiction Equity Act:

What Are the Research Implications for Employers and EAPs?

By Mark Attridge, Ph.D., M.A. & Tom Amaral, Ph.D.

The Paul Wellstone and Pete Domenici Mental Health Parity and Addiction Equity Act (The Act) was passed into law on October 3, 2008. This federal law requires employers that offer mental health and addiction coverage to do so on the same terms and conditions as those benefits offered for medical and surgical care. This research brief describes the core provisions of the Act, the findings from research on the impact of parity on benefits use and costs, and the implications of this research for employers and employee assistance programs (EAPs).

Core Provisions of the Parity Act

The Act requires benefit plans to provide parity between the financial requirements and the treatment limitations for mental health and substance abuse benefits and those for medical and surgical benefits. The new law expands on the Mental Health Parity Act of 1996, which only provided parity with respect to annual and lifetime dollar limits for mental illness and did not cover addictions.

Some of the core provisions of the Act include:

- The law went into effect on January 1, 2010 for most plans, with some delays allowed for collective bargaining union-based contracts.
- Group health plans at businesses with more than 50 employees are covered by the law. Note that the law does not apply to small employers, which are 95% of all private sector companies and their 45 million workers.
- The Act does not specify which mental health and substance abuse disorders are covered, only that the benefits must be in parity for those disorders that are covered.
- All financial requirements must be in parity, including deductibles, copayments, coinsurance, out-of-pocket expenses, and annual and lifetime dollar limits.
- There must be parity in treatment limitations, such as number of visits, days of coverage, frequency of treatment, and other limits.
- Out-of-network coverage for mental health and addiction treatment must be provided if available for medical and surgical care.
- Explanation and criteria for any insurance claim denial made for medical necessity reasons must be disclosed, if requested.
- The Act covers benefits provided by mental health and substance abuse carve-out plans managed by a separate vendor (i.e., managed behavioral health care organizations).
- The maximum number of clinical sessions at EAPs are not required to be fully used up before referral to benefit providers. Thus, EAPs cannot function in a "gatekeeper" role unless a similar function is matched for medical and surgical benefits.

See the most current regulations at: http://www.federalregister.gov/OFRUpload/OFRData/2010-02167_PI.pdf

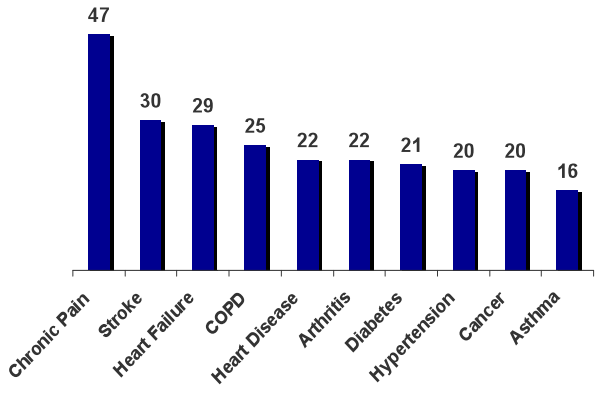
High Prevalence of Behavioral Health Problems in the Workplace

One important reason why parity is needed is the high prevalence of mental health and substance abuse disorders in the workplace. Based on national epidemiological studies, an estimated 40% of the U.S. population will experience mental health or substance abuse disorders at some point during their lifetime.[1] National prevalence data for specific kinds of disorders indicate that:[2-5]

- Serious anxiety disorders are the most common issue, affecting 11% of employees.
- Depression and mood disorders affect an estimated 9% of the American workforce.
- An estimated 9% of employed people suffer from alcohol abuse or alcohol dependence.
- Approximately 8% of workers engage in illicit drug use or prescription drug abuse.

Altogether, up to 30% of working adults meet criteria for requiring professional care for mental disorders or substance abuse each year.

High comorbidity rates between psychological disorders and chronic medical conditions also argue for the potential value of parity, if an emphasis on parity can bring about a whole person approach to health care.[5] Depression, for example, is common among individuals who suffer from chronic pain, stroke, heart failure and many other costly health problems.[6]

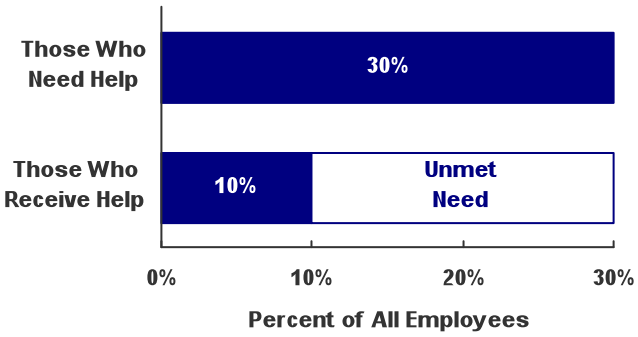


Depression as Percentage of Cases with Other Diagnoses

Low Utilization of Benefits for Mental Health and Addictions

Mental health and substance abuse disorders are clearly among the most common and most costly problems affecting the workplace and yet they are profoundly undertreated. Only an estimated 10% of covered employees presently utilize their health care benefits in a given year for these kinds of problems – and most of these treatments are provided by primary care doctors and not by mental health professionals.[7]

Given that approximately 30% of the U.S. workforce is in need of treatment for behavioral health disorders, while only 10% receive care for these problems, this means that two-thirds of employees who need appropriate care do not receive it. The Parity Act thus has the potential to help close this gap.



Research Studies on the Impact of Parity Laws and Policies

Parity of benefits for mental health and addictions is not a new development. Many organizations already have experience with some form of parity, including the federal government since 2001, 45 of the 50 states, and the majority (61%) of large private sector employers.[8]

Over twenty research studies have been conducted on the impact of parity laws, both at the state and national level. These studies have utilized two kinds of research methods:

- Actuarial research studies use past trend data to predict the projected changes in use and associated costs in care that are most likely as a result of future implementation of parity.

- Retrospective research studies examine the real experiences of changes in use and costs of care by populations before and after parity policies or laws were implemented.

Findings from Actuarial Research Studies on Parity

The results of most actuarial studies predicted very small increases in total health care costs due to the increased availability and anticipated use patterns of mental health and substance abuse services. For example:

- The 2007 Congressional Budget Office study predicted it would increase premiums for group health insurance by 0.16%.[9]
- A 2007 Milliman Consulting national study projected a cost increase of 0.1% to 0.6%.[10]
- A 2007 State of California actuarial study anticipated a cost increase of 0.6%.[11]
- A 2008 State of Massachusetts study predicted a cost increase of 0.1% to 0.3%.[12]

Based on these actuarial studies, the increase in overall benefits costs associated with parity was estimated to be small. The amount of projected increases ranged from only $2 to $6 for every $1,000 spent on total health care benefits.

Findings from Retrospective Research Studies on Parity

The results of retrospective design studies in specific states have found either stable or declining health care insurance costs due to changes in utilization of mental health care after implementing parity.[13] In addition, several large retrospective multi-state studies also indicate that establishing parity for mental health and addiction services had a negligible effect on overall health care costs in the short-term. Some examples include:

National Survey on Drug Use and Health[14]
This study included over 80,000 adults with private health insurance and who had mental health distress, for years 2001-2003. The effect of parity was measured by comparing the self-reported changes in mental health service use within states pre-parity versus post-parity to annual changes over the same period in other states that did not change parity status. The results indicated that parity slightly increased the rates of using mental health services for people with mild or moderate distress but not for those with high distress. Thus, the law slightly increased use for those most likely to need treatment, while not affecting those already getting care for severe conditions.

Study of Children with Mental Health Needs[15]
A national study of over 38,000 families during the years 2000-2002 assessed the financial impact of state mental health parity laws on families of children in need of mental health services. The study found that living in a parity law state significantly reduced the personal financial burden on these families.

Federal Employees Health Benefits Program[16,17]
The most conclusive findings come from several studies of government employees. The Federal Employees Health Benefits Program (FEHBP) is the largest employer-sponsored health benefits system in the U.S., covering 9 million people through more than 200 health plans. The FEHBP's comprehensive parity policy began in 2001. Results of quasi-experimental claims-based studies show that parity lowered mental health and substance abuse out-of-pocket costs for service users in most plans, but it did not significantly increase rates of use for mental health services or the average total mental health care spending among adult service users.

In summary, a wide range of research studies show that the annual cost increase for parity of benefits is, on average, only one-half of one percent (0.5%) of total health care insurance costs. Thus, fears of employers of large cost increases due to parity are unfounded based on the available research evidence. Many of the studies also found that parity tends to appropriately increase the use of outpatient treatment services for mental health and addictions problems and to reduce patient out-of-pocket costs for adults and children.

Implications for Employers

The parity law has implications for how employers can best design and implement their health benefits plans:

- Equalize all financial requirements and treatment limitations for mental health and addictions with medical and surgical care.
- Manage the new benefits by optimizing the quality and value of mental health and substance abuse services covered, including developing a network of high quality providers, assuring access to a full range of treatment settings, and implementing preventive and early identification strategies.
- Educate employees about their new mental health and substance abuse benefits.
- Consider adding brief screening tools to health risk appraisals (HRAs), wellness programs, and other workplace health initiatives to identify those employees in need of help with mental health and substance abuse issues.
- Encourage formal and ongoing integration of behavioral health programs and EAPs with other medical care programs (e.g., disease management, disability management) around creating better operational practices for identification, referral, collaborative treatment and follow-up.

(Case examples of what different employers have done in the area of parity can be found in reports by the Partnership for Workplace Mental Health. See Resources section of this brief.)

Implications for EAPs

Parity also presents implications and opportunities for EAPs:

- Based on the research, EAP personnel can reassure employers and organizations that the Parity Act will likely have little net cost impact on overall health care claims.
- EAPs can educate top-level management on parity's potential business value associated with successfully treating mental health and substance abuse problems, and the program's role in helping employees receive this care.
- When employers and organizations educate their employees about changes in benefits related to parity, this offers a great opportunity to also re-educate employees about the availability and role of the EAP.
- Having better benefits coverage for mental health and addictions supports the EAP practice of referring out to treatment providers and programs for more intensive and long-term care for appropriate cases.
- To maximize return-on-investment (ROI) to organizations, EAPs can closely manage those cases referred to outside providers to facilitate successful treatment and follow-up.
- Recognizing the high comorbidity rate of mental health issues and addictions with medical conditions, EAPs can seek out opportunities to partner with other workplace health programs around collaborative care.
- EAPs can also assist in training other staff on how to use scientifically validated brief screening tools that can help identify mental health and substance abuse problems. These screening tools can be added to population health risk assessments, to intake processes in other health management or coaching programs, and at primary care settings.

Conclusion

The evidence from research studies consistently indicates that creating parity for mental health and addiction services will have a negligible effect on overall health care costs. Additionally, the requirements of the Parity Act may encourage practical methods to engage and treat the whole person – mind and body – in a comprehensive approach. These integrated practices have the potential for returning significant cost savings for the entire health care system. EAPs can play a major role in the promotion of parity benefits through the continued identification, referral, follow-up, and successful treatment of employees and family members in need of care for mental health issues and substance abuse.

Resources

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Partnership for Workplace Mental Health – American Psychiatric Association Foundation. (2009). *Successful Employer Implementation of the Federal Mental Health Parity and Addiction Equity Act.* Research Works, Vol. 1, Issue 3. http://www.workplacementalhealth.org/pdf/rwparityfinal.pdf

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