Fiscal Note

Bill Number HB0123

Mental Health Parity

21-Feb-00

9:32 AM

The fiscal impact of this bill is phased in over three years. The primary effect could result in an increase in health insurance benefits and an increase in health insurance costs. The actual amount of cost increase will depend on 1) the current level of general health benefits offered; 2) the current level of mental health coverage provided; 3) changes in future health care usage rates; and 4) the type of health care system used by the insurance plan.

The bill requires insurers to offer either one group health policy or one group HMO contract that covers a serious mental illness as defined in the bill. The estimated cost increase ranges to cover this are:

FY 2001	0.7 percent to 6.0 percent
FY 2002	1.1 percent to 9.0 percent
FY 2003	1.5 percent to 12 percent

Several local governments, some institutions of higher education, some public school districts and many small businesses could have a fiscal impact starting in FY 2001, and increasing up to an additional 2.0 percent per year, through FY 2003. It is estimated that premiums for these organizations could rise between 0.7 and 6.0 percent the first year, depending on the factors noted above.

State premiums could rise between 0.7 and 2.8 percent starting in FY 2001 and increase an additional 1 to 3 percent per year through FY 2003. A cost estimate of 1.0 percent for State programs would be approximately $1,114,600 from all sources of funding. The costs for PEHP are not listed below. The State's Public Employee Health Program (PEHP) is not required to adopt the changes to the State Insurance Code, though it has traditionally done so.

A 2.0 percent estimate for institutions of higher education that are not exempt is estimated to be approximately $299,000 from the General Fund. An appropriation of $457,200 from the Uniform School Fund would be required for Public Education for the districts that are not exempt. The estimated combined costs for some local governments could be over $400,000 the first year.

Companies and organizations which are exempt from the provisions of this bill due to the Employee Retirement Securities Act of 1974 (ERISA) will have no fiscal impact.

An appropriation of $9,500 from the General Fund to the Insurance Department is necessary for the next three years to implement the regulatory provisions of the bill. New rate filings could generate approximately $16,000 to the General Fund each of those three years.

Enactment of this bill could generate Medicaid savings because of the increased private insurance coverage, however, this could not be quantified. There may be an increase in revenue to State mental health facilities. It is estimated this could be positive revenue of approximately $450,000 per year and would be used to provide care for additional patients.

	FY 01 Approp.	FY 02 Approp.	FY 01 Revenue	FY 02 Revenue
General Fund	$299,000	$448,500	$0	$0
General Fund	$9,500	$9,500	$16,000	$16,000
Uniform School Fund	$457,200	$685,800	$0	$0
Dedicated Credits Revenue	$0	$0	$450,000	$450,000
TOTAL	**$765,700**	**$1,143,800**	**$466,000**	**$466,000**

Individual and Business Impact

The fiscal impact is three-fold. First, affected individuals will realize a significant savings with the treatment of their condition. Second, the general population of insured individuals may experience a premium increase of between 0.7 and 12 percent over the next three years depending on the benefits of their current plan. This may be paid by the insured individual or their employers. Third, insurance companies must file a rate change form at a cost of $20.00 per form.

There is the potential for savings in the long term due to benefits of more extensive treatment. These cannot be quantified at the present time.

Additional insurance benefits could result in added costs for the mandated benefits. The costs of mandated coverage may be recovered by: 1) reducing other benefits; 2) increasing premiums; 3) reducing insurance company profits; or 4) increasing insurance company losses.