The fiscal impact of this bill has several facets. First, individuals and groups are not required to accept mental health coverage, though it must be offered. This could keep some groups and individual insurance rates lower. Second, mental health insurance coverage could significantly increase in price, if only select policies offer this type of coverage. Third, there will be some additional costs and revenue to the Insurance Department to review and process changes.

Groups or individuals that decide not to accept mental health coverage may not have any fiscal impact. If the coverage is accepted, it is estimated that this bill could increase health insurance premiums between 0.5 percent and 10.0 percent depending 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; and 4) the type of health care system used by the insurance plan. Employers have options to offer policies but are not required to include mental health in all of them.

The impact on State and local government, public school discticts, State higher education and some private businesses will begin in FY 2002. Some local governments, and many small businesses could have a fiscal impact in FY 2001, based on when their health plan year begins.

State premiums will not be affected in the first year. The State Public Employees Health Program plans to offer two plans with mental health parity provisions as outlined in this bill. Changes in usage rate may affect future costs. The State's Public Employee Health Program is not required to adopt the changes to the State Insurance Code, though it has traditionally done so.

Higher and public education premiums could rise. A 2.5 percent estimate for institutions of higher education that are not exempt is estimated to be approximately $448,000 from the General Fund. An appropriation of $1,028,700 from the Uniform School Fund would be required for Public Education for the districts that are not exempt. Full funding for exempt Public and Higher Education agencies could be up to $3,087,400 from the General Fund and Uniform School Fund.

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.

A one-time appropriation of $4,000 from the General Fund to the Insurance Department is necessary to process forms and implement the provisions of the bill. New rate filings could generate approximately $16,000 to the General Fund.

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	$0	$448,000	$0	$0
General Fund	$4,000	$0	$16,000	$0
Uniform School Fund	$0	$1,028,700	$0	$0
Dedicated Credits Revenue	$0	$0	$450,000	$450,000
TOTAL	**$4,000**	**$1,476,700**	**$466,000**	**$450,000**

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 0.5 and 10 percent 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) utilizing insurance company reserves.