The fiscal impact of this bill has several facets. First, groups are not required to purchase mental health coverage, though it must be offered. This could keep some groups insurance rates lower. Second, mental health insurance coverage could significantly increase in price, if only select policies offer this type of coverage. Third, HMO organizations may need to adjust plan rates immediately to comply with the effective date of the bill; and, there will be additional costs and revenue to the Insurance Department to review and process rate changes.

There may be no fiscal impact to groups or individuals that decide not to accept mental health coverage. If the coverage is accepted, it is estimated that this bill could affect health insurance premiums ranging between a savings of 2.0 percent and an increase of 7.0 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. Those organizations that use HMO's including some local governments and school districts, and many small businesses may experience a fiscal impact in FY 2001 depending on the options selected.

State premiums will not be affected in the first year. The State Public Employees Health Program intends to offer two benefit plan options with mental health parity provisions. 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. Some of these organizations may be affected in FY 2001. A 1.0 percent FY 2002 estimate for institutions of higher education that are not exempt is estimated to be approximately $450,000. Costs for public education of 1 percent equal $850,000. This may be required for districts that are not exempt. Groups that use HMO's may have additional expenses in FY 2001.

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

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 $350,000 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	$4,000	$0	$16,000	$0
General Fund			$0	$0
Dedicated Credits Revenue	$0	$350,000	$0	$350,000
TOTAL	**$4,000**	**$350,000**	**$16,000**	**$350,000**

Individual and Business Impact

The fiscal impact is three-fold. First, affected individuals will realize a significant savings in the treatment of their condition. Second, the general population of insured individuals may experience a premium adjustment ranging between a reduction of 2.0 percent to an increase of 7.0 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.

Office of the Legislative Fiscal Analyst