

**NORTH CAROLINA GENERAL ASSEMBLY  
LEGISLATIVE ACTUARIAL NOTE**

**BILL NUMBER:** House Bill 503, Sections 4 & 5

**SHORT TITLE:** Family Therapists/Direct Payments

**SPONSOR(S):** Representative Martha Alexander

**SYSTEM OR PROGRAM AFFECTED:** Teachers' and State Employees' Comprehensive Major Medical Plan

**FUNDS AFFECTED:** State General Fund, State Highway Fund, Other State Employer Receipts, Premium Payments for Dependents by Active and Retired Teachers and State Employees

**BILL SUMMARY:** Sections 4 and 5 of the bill convey provider status to licensed marriage and family therapists in the treatment of mental health and chemical dependency illnesses under the Teachers' and State Employees' Comprehensive Major Medical Plan.

**EFFECTIVE DATE:** July 1, 1995

**ESTIMATED IMPACT ON STATE:** The consulting actuary for the Teachers' and State Employees' Comprehensive Major Medical Plan, Alexander & Alexander Consulting Group, Inc., and the consulting actuary of the General Assembly's Fiscal Research Division, Dilts, Umstead & Dunn, both concur in that the bill will not measurably increase the costs to the Plan. Any increases in costs through expanded utilization of services would be expected to be offset through lower professional and institutional unit costs.

**ASSUMPTIONS AND METHODOLOGY:** The Comprehensive Major Medical Plan for Teachers and State Employees is divided into two programs. From October, 1982 through June, 1986, the Plan had only a self-insured indemnity type of program which covered all employees, retired employees, eligible dependents of employees and retired employees, and former employees and their eligible dependents authorized to continue coverage past a termination of employment other than for retirement or disability purposes. A prepaid program of coverage by health maintenance organizations (HMOs) was offered in July, 1986, as an alternative to the Plan's self-insured indemnity program. The benefits of the self-insured indemnity type of program are spelled out in Part 3 of Article 3 of Chapter 135 of the North Carolina General Statutes (i.e., \$250 annual deductible, 20% coinsurance up to \$1,000 annually, etc. paid by the program's members). HMOs are required to offer benefits that are comparable to those provided by the self-insured indemnity program. Employer-paid non-contributory premiums are only

authorized for the indemnity program's coverage for employees and retired employees. All other types of premium in the indemnity program are fully contributory. Premiums paid by employers to HMOs are limited to like amounts paid to the indemnity program with employees and retired employees paying any HMO amounts above the indemnity program's non-contributory rates. Both types of coverage continue to be available in the Plan with seven HMOs currently covering about 16% of the Plan's total population in about 70 of the State's 100 counties. The Plan's employees and retired employees select the type of program that they wish for themselves and their dependents during the months of August and September of each year for coverage beginning in October. The demographics of the Plan as of December 31, 1994, include:

Plan	Self-Insured	Alternative	
	<u>Indemnity Program</u>	<u>HMOs</u>	
<u>Total</u>			
<u>Number of Participants</u>			
Active Employees	203,200	43,700	246,900
Active Employee Dependents	117,500	33,600	151,100
Retired Employees	78,500	3,300	81,800
Retired Employee Dependents	14,000	800	14,800
Former Employees & Dependents with Continued Coverage	2,600	400	3,000
Total Enrollments	415,800	81,800	497,600
<u>Number of Contracts</u>			
Employee Only	211,800	30,700	242,500
Employee & Child(ren)	32,800	10,200	43,500
Employee & Family	39,100	6,400	45,500
Total Contracts	283,700	47,300	331,000
<u>Percentage of Enrollment by Age</u>			
0-29	29.1%	43.8%	31.5%
30-44	23.8	29.3	24.7
45-54	18.8	17.1	18.5
55-64	12.8	7.0	11.9
65+	15.5	2.8	13.4
<u>Percentage of Enrollment by Sex</u>			
Male	40.0%	40.3%	40.1%
Female	60.0	59.7	59.9

Assumptions for the Self-Insured Indemnity Program: For the fiscal year beginning July, 1994, the self-insured program started its operations with a beginning cash balance of \$287.1 million. Receipts for the year are estimated to be \$597 million from premium collections, \$20 million from investment earnings, and \$6 million in risk selection

and administrative fees from HMOs, for a total of \$623 million in receipts for the year. Disbursements from the self-insured program are expected to be \$545 million in claim payments and \$18 million in administration and claims processing for a total of \$563 million for the year beginning July, 1994. For the fiscal year beginning July, 1995, the self-insured indemnity program is anticipated to have an operating cash balance of over \$347 million with a net operating gain of \$60 million for the 1994-95 fiscal year. For the next few years, the self-insured indemnity program is assumed to be able to carry out its operations without any increases in its current premium rates or a reduction in existing benefits until the 1997-98 or 1998-99 fiscal years. This assumption is predicated upon the fact that the program's cost containment strategies (hospital DRG reimbursements, pre-admission hospital testing, pre-admission hospital inpatient certification with length-of-stay approval, hospital bill audits, required second surgical opinions, mental health case management, coordination of benefits with other payers, Medicare benefit "carve-outs", cost reduction contracts with participating physicians and other providers, and fraud detection) are maintained and improved where possible. Current non-contributory premiums rates are \$110.08 monthly for employees whose primary payer of health benefits is Medicare and \$144.60 per month for employees whose primary payer of health benefits is not Medicare. Fully contributory premium amounts for employee and child(ren) contracts are \$68.50 monthly for children whose primary payer of health benefits is Medicare and \$90.12 monthly for other covered children, and \$164.30 per month for family contracts whose dependents have Medicare as the primary payer of health benefits and \$216.18 per month for other family contract dependents. Claim cost trends are expected to increase about 10% annually. Total enrollment in the program is expected to increase about one-half of one percent (0.5%) annually. Growth in the number of enrolled active employees is expected to be a little less than 1% annually, whereas the growth in the number of retired employees is assumed to be a little more than 4% per year. The program is expected to lose about 2% of its number of active employee dependents each year, whereas the number of enrolled retiree dependents is assumed to show no appreciable change from year to year. Investment earnings are based upon a 6% monthly return on available cash balances. The self-insured indemnity program maintains a claim stabilization reserve for claim cost fluctuations equal to 7.5% of annual claim payments without reserving additional funds for incurred but unreported claims.

Assumptions for the Self-Insured Indemnity Program's Mental Health and Chemical Dependency Benefits: Based upon information supplied by the North Carolina Marriage and Family Therapy Licensure Board, there are 452 licensed therapists residing in 56 of the State's 100 counties. Another 49 licensed therapists reside out of the State. Of the number of licensed therapists residing in the State, approximately 75% reside in the counties of Buncombe, Cumberland, Durham, Forsyth, Guilford, Mecklenburg, Orange, Pitt, and Wake. Also according to the Licensure

Board, therapists practice using the following procedure codes under the American Medical Association's Current Procedural Terminology, Fourth Edition (CPT-4):

GENERAL CLINICAL PSYCHIATRIC DIAGNOSTIC OR EVALUATIVE INTERVIEW PROCEDURES

90801 Psychiatric diagnostic interview examination including history, mental status, or disposition (may include communication with family or other sources, interpretation of laboratory or other diagnostic studies. In certain circumstances other informants will be seen in lieu of the patient)

PSYCHIATRIC THERAPEUTIC PROCEDURES

90843 Individual psychotherapy, with continuing diagnostic evaluation, including psychoanalysis, insight oriented, behavior modifying or supportive psychotherapy; approximately 20 to 30 minutes

90844 Same as Code 90843 except approximately 45 to 50 minutes

Average charges by therapists, again according to the Licensure Board, are about \$50 - \$60 per hour. In comparison, selected experience for the Plan's indemnity program has been.

<u>CPT-4 Codes</u>	<u>Sessions</u>	<u>1992</u>		<u>1994</u>	
		<u>Charges</u>	<u>Payments</u>	<u>Sessions</u>	<u>Charges</u>
<u>Payments</u>					
<u>Physicians &amp; Psychologists</u>					
Psychiatric Diagnostic Interview(90801)	6,263	\$584,940	\$286,502	6,570	\$690,578
Average		\$93	\$46		\$105
Individual Medical Psychotherapy					
20-30 Minutes (90843)	16,142	902,087	567,537	15,845	943,854
Average		\$56	\$35		\$60
45-50 Minutes (90844)	122,733	10,491,684	7,306,640	110,854	10,104,413
Average		\$85	\$60		\$91
Unspecified (90841)	4,469	289,729	176,269	2,232	139,518
Average		\$65	\$39		\$63

581,796  
\$37  
6,880,905  
\$62  
83,883  
\$38

<u>CPT-4 Codes</u> <u>Payments</u> <u>Clinical Social</u> <u>Workers &amp; Psychiatric</u> <u>Nurses</u> <u>Individual Psycho-</u> <u>therapy</u>	<u>Sessions</u>	<u>1992</u>		<u>1994</u>		
		<u>Charges</u>	<u>Payments</u>	<u>Sessions</u>	<u>Charges</u>	
20-30 Minutes	1,668	\$71,565	\$43,633	1,311	\$61,282	\$32,445
Average		\$43	\$26		\$47	\$25
45-50 Minutes	48,921	3,664,882	2,503,832	42,838	3,367,878	2,300,369
Average		\$75	\$51		\$79	\$54

**SOURCES OF DATA:**

- o Actuarial Note, Dilts, Umstead & Dunn, House Bill 503, Sections 4 & 5, April 3, 1995, original of which is on file in the General Assembly's Fiscal Research Division.
- o Actuarial Note, Alexander & Alexander Consulting Group, Inc., Senate Bill 368 and House Bill 503, Sections 4 & 5, April 7, 1995, original of which is on file with the Comprehensive Major Medical Plan for Teachers' and State Employees' and the General Assembly's Fiscal Research Division.
- o Membership and Governance Data for Therapists provided by the North Carolina Marriage and Family Therapy Licensure Board's Secretary.
- o A 1995 survey from the American Association for Marriage and Family Therapy on cost and utilization information for licensed marriage and family therapists.
- o Report of the House Committee on Post Office and Civil Service, 99th Congress, for Direct Reimbursement of Certain Health Care Professionals under the Federal Employees Health Benefits Program.

**TECHNICAL CONSIDERATIONS:** None

**FISCAL RESEARCH DIVISION**

733-4910

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**APPROVED BY:** Tom L. Covington **TomC**

**DATE:** April 10, 1995



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