

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

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SENATE BILL 400*

Pensions & Retirement and Insurance Committee Substitute Adopted 4/28/97
Third Edition Engrossed 4/30/97

Short Title: Mental Health Parity.

(Public)

Sponsors:

Referred to:

March 17, 1997

A BILL TO BE ENTITLED

AN ACT TO REQUIRE PARITY IN HEALTH INSURANCE FOR MENTAL ILLNESS.

The General Assembly of North Carolina enacts:

Section 1. G.S. 58-50-155 is amended by adding the following new subsection to read:

"(a2) Notwithstanding G.S. 58-50-125(c), the standard health plan developed and approved under G.S. 58-50-125 shall provide coverage for the treatment of mental illness that is at least equal to the coverage required by G.S. 58-51-55. The plan may use a case management program in accordance with G.S. 58-51-55.

Section 2. G.S. 58-51-55 reads as rewritten:

"§ 58-51-55. No discrimination against the mentally ill and chemically dependent.

(a) As used in this section, the term:

- (1) 'Mental illness' has the same meaning as defined in G.S. 122C-3(21); and
- (2) 'Chemical dependency' has the same meaning as defined in G.S. 58-51-50

1 with a diagnosis found in the Diagnostic and Statistical Manual of Mental Disorders
2 ~~DSM-3-R~~ ~~DSM-IV~~ or the International Classification of Diseases ICD/9/CM, or a later
3 edition of those manuals.

4 (b) No insurance company licensed in this State under ~~the provisions of Articles 1~~
5 ~~through 64~~ of this Chapter shall, solely because an individual to be insured has or had a
6 mental illness or chemical dependency:

7 (1) Refuse to issue or deliver to that individual any policy that affords
8 benefits or coverages for any medical treatment or service for physical
9 illness or injury;

10 (2) Have a higher premium rate or charge for physical illness or injury
11 coverages or benefits for that individual; or

12 (3) Reduce physical illness or injury coverages or benefits for that
13 individual.

14 (c) Nothing in this section prevents any insurance company from excluding from
15 coverage any physical illness or injury ~~or mental illness~~ or chemical dependency which
16 has existed previous to coverage of the individual by the insurance company or from
17 refusing to issue or deliver to that individual any policy because of the underwriting of
18 any physical condition whether or not related to ~~mental illness~~ or chemical dependency.

19 ~~(d) This section applies only to group health insurance contracts covering 20 or~~
20 ~~more employees.~~

21 (d) Every insurer that writes a policy or contract of group or blanket health
22 insurance or group or blanket accident and health insurance shall provide to its insureds
23 benefits for the necessary care and treatment of mental illness that are not less favorable
24 than benefits for physical illness generally. Benefits for treatment of mental illness shall
25 be subject to the same limits as are benefits for physical illness generally. For purposes
26 of this subdivision, 'limits' includes durational limits, deductibles, coinsurance factors,
27 copayments, maximum out-of-pocket limits, annual and lifetime dollar limits, and any
28 other dollar limits or fees for covered services.

29 (e) An insurer may use a case management program for mental illness benefits to
30 evaluate and determine medically necessary and medically appropriate care and treatment
31 for each patient, provided that the program complies with rules adopted by the
32 Commissioner of Insurance. These rules shall ensure that case management programs
33 are not designed to avoid the requirements of this section concerning parity between the
34 benefits for mental illness and those for physical illness generally.

35 (f) Subsections (d) and (e) of this section apply only to group health insurance
36 contracts covering 5 or more employees. The remainder of this section applies only to
37 group health insurance contracts covering 20 or more employees.

38 (g) Subsections (d) and (e) of this section shall not apply to a policy or contract if
39 the insurer demonstrates to the Commissioner that compliance has increased the cost of
40 the policy by two percent (2%) or more on an annual basis."

41 Section 3. G.S. 58-65-90 reads as rewritten:

42 "**§ 58-65-90. No discrimination against the mentally ill and chemically dependent.**

43 (a) As used in this section, the term:

1 (1) 'Mental illness' has the same meaning as defined in G.S. 122C-3(21);
2 and
3 (2) 'Chemical dependency' has the same meaning as defined in G.S. 58-65-
4 75
5 with a diagnosis found in the Diagnostic and Statistical Manual of Mental Disorders
6 ~~DSM-3-R~~ DSM-IV or the International Classification of Diseases ICD/9/CM, or a later
7 edition of those manuals.

8 (b) No ~~hospital, medical, dental or health service~~ corporation governed by this
9 Chapter shall, solely because an individual to be insured has or had a mental illness or
10 chemical dependency:

- 11 (1) Refuse to issue or deliver to that individual any individual or group
12 hospital, dental, medical or health service contract in this State that
13 affords benefits or coverage for medical treatment or service for
14 physical illness or injury;
15 (2) Have a higher premium rate or charge for physical illness or injury
16 coverages or benefits for that individual; or
17 (3) Reduce physical illness or injury coverages or benefits for that
18 individual.

19 (c) Nothing in this section prevents any hospital or medical plan from excluding
20 from coverage any physical illness or injury ~~or mental illness~~ or chemical dependency
21 which has existed previous to coverage of the individual by the hospital or medical plan
22 or from refusing to issue or deliver to that individual any policy because of the
23 underwriting of any physical condition whether or not related to ~~mental illness or chemical~~
24 dependency.

25 ~~(d) This section applies only to group contracts covering 20 or more~~
26 ~~employees.~~

27 (d) Every group insurance certificate or group subscriber contract under a hospital
28 or medical plan subject to this Article shall provide to its insureds benefits for the
29 necessary care and treatment of mental illness that are not less favorable than benefits for
30 physical illness generally. Benefits for treatment of mental illness shall be subject to the
31 same limits as are benefits for physical illness generally. For purposes of this subsection,
32 'limits' includes durational limits, deductibles, coinsurance factors, copayments,
33 maximum out-of-pocket limits, annual and lifetime dollar limits, and any other dollar
34 limits or fees for covered services.

35 (e) The service corporation may use a case management program for mental
36 illness benefits to evaluate and determine medically necessary and medically appropriate
37 care and treatment for each patient, provided that the program complies with rules
38 adopted by the Commissioner of Insurance. These rules shall ensure that case
39 management programs are not designed to avoid the requirements of this section
40 concerning parity between the benefits for mental illness and those for physical illness
41 generally.

1 (f) Subsections (d) and (e) of this section apply only to group contracts covering 5
2 or more employees. The remainder of this section applies only to group contracts
3 covering 20 or more employees.

4 (g) Subsections (d) and (e) of this section shall not apply to a subscriber contract
5 or certificate if the service corporation demonstrates to the Commissioner that
6 compliance has increased the cost of the contract or certificate by two percent (2%) or
7 more on an annual basis."

8 Section 4. G.S. 58-67-75 reads as rewritten:

9 **"§ 58-67-75. No discrimination against the mentally ill and chemically dependent.**

10 (a) As used in this section, the term:

11 (1) 'Mental illness' has the same meaning as defined in G.S. 122C-3(21);
12 and

13 (2) 'Chemical dependency' has the same meaning as defined in G.S. 58-67-
14 70

15 with a diagnosis found in the Diagnostic and Statistical Manual of Mental Disorders
16 ~~DSM-3-R~~ DSM-IV or the International Classification of Diseases ICD/9/CM, or a later
17 edition of those manuals.

18 (b) No health maintenance organization governed by this Chapter shall, solely
19 because an individual has or had a mental illness or chemical dependency:

20 (1) Refuse to enroll that individual in any health care plan covering physical
21 illness or injury;

22 (2) Have a higher premium rate or charge for physical illness or injury
23 coverages or benefits for that individual; or

24 (3) Reduce physical illness or injury coverages or benefits for that
25 individual.

26 (c) Nothing in this section prevents any health maintenance organization from
27 excluding from coverage any physical illness or injury ~~or mental illness~~ or chemical
28 dependency which has existed previous to coverage of the individual by the health
29 maintenance organization or from refusing to issue or deliver to that individual any
30 policy because of the underwriting of any physical condition whether or not related to
31 ~~mental illness or chemical dependency.~~

32 ~~(d) This section applies only to group contracts covering 20 or more employees.~~

33 (d) Every health maintenance organization that issues a health care plan on a group
34 basis for medical and hospitalization care shall provide to its insureds benefits for the
35 necessary care and treatment of mental illness that are not less favorable than benefits for
36 physical illness generally. Benefits for treatment of mental illness shall be subject to the
37 same limits as are benefits for physical illness generally. For purposes of this subsection,
38 'limits' includes durational limits, deductibles, coinsurance factors, copayments,
39 maximum out-of-pocket limits, annual and lifetime dollar limits, and any other dollar
40 limits or fees for covered services.

41 (e) A health maintenance organization may use a case management program for
42 mental illness benefits to evaluate and determine medically necessary and medically
43 appropriate care and treatment for each patient, provided that the program complies with

1 rules adopted by the Commissioner of Insurance. These rules shall ensure that case
2 management programs are not designed to avoid the requirements of this section
3 concerning parity between the benefits for mental illness and those for physical illness
4 generally.

5 (f) This section applies only to group contracts covering five or more employees.

6 (g) Subsections (d) and (e) of this section shall not apply to a health care plan if
7 the HMO demonstrates to the Commissioner that compliance has increased the cost of
8 the plan by two percent (2%) or more on an annual basis."

9 Section 5. This act is effective when it becomes law and applies to contracts
10 issued, delivered, or renewed on or after January 1, 1998. This act expires October 1,
11 2001.