

GENERAL ASSEMBLY OF NORTH CAROLINA

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SENATE BILL 836*

Short Title: Mental Health/Chem. Dep. Parity.

(Public)

Sponsors: Senators Martin of Pitt; Ballance, Carpenter, Cooper, Dannelly, Forrester, Jordan, Kinnaird, Lee, Lucas, Martin of Guilford, Purcell, Warren, and Wellons.

Referred to: Insurance.

April 13, 1999

A BILL TO BE ENTITLED

AN ACT TO REQUIRE PARITY IN HEALTH INSURANCE COVERAGE FOR MENTAL ILLNESS AND CHEMICAL DEPENDENCY TREATMENT.

The General Assembly of North Carolina enacts:

Section 1. G.S. 58-51-50 reads as rewritten:

"§ 58-51-50. Coverage for chemical dependency treatment.

(a) Definitions. – As used in this section, the ~~term~~ term:

(1) 'chemical-Chemical dependency' means the pathological use or abuse of alcohol or other drugs in a manner or to a degree that produces an impairment in personal, social or occupational functioning and which may, but need not, include a pattern of tolerance and withdrawal.

(2) 'Health benefit plan' has the same meaning as in G.S. 58-3-220.

(3) 'Insurer' has the same meaning as in G.S. 58-3-220.

(b) Chemical Dependency Parity Requirement. – ~~Every insurer that writes a policy or contract of group or blanket health insurance or group or blanket accident and health insurance that is issued, renewed, or amended on or after January 1, 1985, shall offer to its insureds~~ Every health insurer shall provide in each group health benefit plan benefits for the necessary care and treatment of chemical dependency that are not less favorable than benefits for physical illness generally. ~~Except as provided in subsection (c) of this~~

1 ~~section, benefits~~ Benefits for treatment of chemical dependency shall be subject to the
2 ~~same durational limits, dollar limits, deductibles, and coinsurance factors limits as are~~
3 ~~benefits for physical illness generally. For purposes of this subsection, 'limits' includes~~
4 ~~durational limits, deductibles, coinsurance factors, co-payments, maximum out-of-pocket~~
5 ~~limits, annual and lifetime dollar limits, and any other dollar limits or fees for covered~~
6 ~~services.~~

7 (b1) Weighted Average. – If a group health benefit plan contains annual limits,
8 lifetime limits, co-payments, deductibles, or coinsurance only on selected physical illness
9 and injury benefits, and these benefits do not represent substantially all of the physical
10 illness and injury benefits under the plan, the insurer may impose limits on the chemical
11 dependency treatment benefits based on a weighted average of the respective annual,
12 lifetime, co-payment, deductible, or coinsurance limits on the selected physical illness
13 and injury benefits. The weighted average shall be calculated in accordance with rules
14 adopted by the Commissioner.

15 (b2) Case Management. – An insurer may use a case management program for
16 chemical dependency treatment benefits to evaluate and determine medically necessary
17 and medically appropriate care and treatment for each patient, provided that the program
18 complies with rules adopted by the Commissioner of Insurance. These rules shall ensure
19 that case management programs are not designed to avoid the requirements of this section
20 concerning parity between the benefits for chemical dependency treatment and those for
21 physical illness generally.

22 (b3) Medical Necessity. – Nothing in this section prohibits a group health benefit
23 plan from managing the provision of benefits through common methods, including, but
24 not limited, to preadmission screening, prior authorization of services, or other
25 mechanisms designed to limit coverage to services for chemical dependency treatment
26 only to those that are deemed medically necessary.

27 ~~(e) Every group policy or group contract of insurance that provides benefits for~~
28 ~~chemical dependency treatment and that provides total annual benefits for all illnesses in~~
29 ~~excess of eight thousand dollars (\$8,000) is subject to the following conditions:~~

30 ~~(1) The policy or contract shall provide, for each 12 month period, a~~
31 ~~minimum benefit of eight thousand dollars (\$8,000) for the necessary~~
32 ~~care and treatment of chemical dependency.~~

33 ~~(2) The policy or contract shall provide a minimum benefit of sixteen~~
34 ~~thousand dollars (\$16,000) for the necessary care and treatment of~~
35 ~~chemical dependency for the life of the policy or contract.~~

36 (d) Provisions for benefits for necessary care and treatment of chemical
37 dependency in group policies or group contracts of insurance shall provide benefit
38 payments for the following providers of necessary care and treatment of chemical
39 dependency:

40 (1) The following units of a general hospital licensed under Article 5 of
41 ~~General Statutes Chapter 131E; Chapter 131E of the General Statutes:~~

42 a. ~~Chemical dependency units in facilities licensed after October 1,~~
43 ~~1984; licensed facilities;~~

- 1 b. Medical units;
2 c. Psychiatric units; and
3 (2) The following facilities or programs licensed ~~after July 1, 1984, under~~
4 Article 2 of Chapter 122C of the General Statutes: Statutes Chapter 122C:
5 a. Chemical dependency units in psychiatric hospitals;
6 b. Chemical dependency hospitals;
7 c. Residential chemical dependency treatment facilities;
8 d. Social setting detoxification facilities or programs;
9 e. Medical detoxification or programs; and
10 (3) Duly licensed physicians and duly licensed practicing psychologists and
11 certified professionals working under the direct supervision of such
12 physicians or psychologists in facilities described in (1) and (2) above
13 and in day/night programs or outpatient treatment facilities licensed ~~after~~
14 July 1, 1984, under Article 2 of ~~General Statutes Chapter 122C. Chapter~~
15 122C of the General Statutes.

16 Provided, however, that nothing in this subsection shall prohibit any policy or contract of
17 insurance from requiring the most cost effective treatment setting to be utilized by the
18 person undergoing necessary care and treatment for chemical dependency.

19 ~~(e) Coverage for chemical dependency treatment as described in this section shall~~
20 ~~not be applicable to any group policy holder or group contract holder who rejects the~~
21 ~~coverage in writing."~~

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

23 "**§ 58-51-55. No discrimination against ~~the mentally ill and chemically dependent.~~**
24 **dependent individuals.**

25 (a) Definitions. – As used in this section, the term:

26 (1) 'Mental illness' has the same meaning as defined in G.S. ~~422C-3(21); and~~
27 122C-3(21), with a mental disorder defined in the Diagnostic and
28 Statistical Manual of Mental Disorders, DSM-IV, or a subsequent
29 edition published by the American Psychiatric Association, except those
30 mental disorders coded in the DSM-IV or subsequent edition as
31 substance-related disorders (291.0 through 292.9 and 303.0 through
32 305.9) and those coded as 'V' codes.

33 (2) 'Chemical dependency' has the same meaning as defined in G.S. ~~58-51-~~
34 ~~50-58-51-50,~~ with a mental disorder defined in the Diagnostic and
35 Statistical Manual of Mental Disorders, DSM-IV, or subsequent editions
36 of this manual.

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

40 (b) Coverage of Physical Illness. – No insurance company licensed in this State
41 under this Chapter shall, solely because an individual to be insured has or had a mental
42 illness or chemical dependency:

- 1 (1) Refuse to issue or deliver to that individual any policy that affords
- 2 benefits or coverages for any medical treatment or service for physical
- 3 illness or injury;
- 4 (2) Have a higher premium rate or charge for physical illness or injury
- 5 coverages or benefits for that individual; or
- 6 (3) Reduce physical illness or injury coverages or benefits for that
- 7 individual.

8 ~~(b1) Coverage of Mental Illness.—A policy that covers both physical illness or~~
9 ~~injury and mental illness may not impose a lesser lifetime or annual dollar limitation on~~
10 ~~the mental health benefits than on the physical illness or injury benefits, subject to the~~
11 ~~following:~~

- 12 ~~(1) A lifetime limit or annual limit may be made applicable to all benefits~~
13 ~~under the policy, without distinguishing the mental health benefits.~~
- 14 ~~(2) If the policy contains lifetime limits only on selected physical illness~~
15 ~~and injury benefits, and these benefits do not represent substantially all~~
16 ~~of the physical illness and injury benefits under the policy, the insurer~~
17 ~~may impose a lifetime limit on the mental health benefits that is based~~
18 ~~on a weighted average of the respective lifetime limits on the selected~~
19 ~~physical illness and injury benefits. The weighted average shall be~~
20 ~~calculated in accordance with rules adopted by the Commissioner.~~
- 21 ~~(3) If the policy contains annual limits only on selected physical illness and~~
22 ~~injury benefits, and these benefits do not represent substantially all of~~
23 ~~the physical illness and injury benefits under the policy, the insurer may~~
24 ~~impose an annual limit on the mental health benefits that is based on a~~
25 ~~weighted average of the respective annual limits on the selected~~
26 ~~physical illness and injury benefits. The weighted average shall be~~
27 ~~calculated in accordance with rules adopted by the Commissioner.~~
- 28 ~~(4) Except as otherwise provided in this section, the policy may distinguish~~
29 ~~between mental illness benefits and physical injury or illness benefits~~
30 ~~with respect to other terms of the policy, including coinsurance, limits~~
31 ~~on provider visits or days of coverage, and requirements relating to~~
32 ~~medical necessity.~~
- 33 ~~(5) If the insurer offers two or more benefit package options under a policy,~~
34 ~~each package must comply with this subsection.~~
- 35 ~~(6) This subsection does not apply to a policy if the insurer can demonstrate~~
36 ~~to the Commissioner that compliance will increase the cost of the policy~~
37 ~~by one percent (1%) or more.~~
- 38 ~~(7) This subsection expires October 1, 2001, but the expiration does not~~
39 ~~affect services rendered before that date.~~

40 ~~(c) Mental Illness or Chemical Dependency Coverage Not Required.—Nothing in~~
41 ~~this section requires an insurer to offer coverage for mental illness or chemical~~
42 ~~dependency, except as provided in G.S. 58-51-50.~~

1 (d) ~~Applicability.~~— ~~Subsection (b1) of this section applies only to group health~~
2 ~~insurance contracts covering more than 50 employees. The remainder of this section~~
3 ~~applies only to group health insurance contracts covering 20 or more employees. For~~
4 ~~purposes of this section, "group health insurance contracts" include MEWAs, as defined~~
5 ~~in G.S. 58-49-30(a)."~~

6 Section 3. Article 3 of Chapter 58 of the General Statutes is amended by
7 adding the following new section to read:

8 **"§ 58-3-220. Mental illness benefits coverage.**

9 (a) Mental Parity Requirement. – A health insurer shall provide in each group
10 health benefit plan benefits for the necessary care and treatment of mental illness that are
11 no less favorable than benefits for physical illness generally. Benefits for treatment of
12 mental illness shall be subject to the same limits as benefits for physical illness generally.
13 For purposes of this subsection, 'limits' includes durational limits, deductibles,
14 coinsurance factors, co-payments, maximum out-of-pocket limits, annual and lifetime
15 dollar limits, and any other dollar limits or fees for covered services.

16 (b) Weighted Average. – If the plan contains annual limits, lifetime limits, co-
17 payments, deductibles, or coinsurance only on selected physical illness and injury
18 benefits, and these benefits do not represent substantially all of the physical illness and
19 injury benefits under the plan, the insurer may impose limits on the mental health benefits
20 based on a weighted average of the respective annual, lifetime, co-payment, deductible,
21 or coinsurance limits on the selected physical illness and injury benefits. The weighted
22 average shall be calculated in accordance with rules adopted by the Commissioner.

23 (c) Case Management. – An insurer may use a case management program for mental
24 illness benefits to evaluate and determine medically necessary and medically appropriate
25 care and treatment for each patient, provided that the program complies with rules
26 adopted by the Commissioner. These rules may only ensure that case management
27 programs are not designed to avoid the requirements of this section for parity between the
28 benefits for mental illness and those for physical illness generally.

29 (d) Medical Necessity. – Nothing in this section prohibits a group health benefit plan
30 from managing the provision of benefits through common methods, including, but not
31 limited to, preadmission screening, prior authorization of services, or other mechanisms
32 designed to limit coverage to services for mental illness only to those that are deemed
33 medically necessary.

34 (e) Definitions. – As used in this section:

35 (1) 'Health benefit plan' means an accident and health insurance policy or
36 certificate; a nonprofit hospital or medical service corporation contract;
37 a health maintenance organization subscriber contract; a plan provided
38 by a multiple employer welfare arrangement; or a plan provided by
39 another benefit arrangement, to the extent permitted by the Employee
40 Retirement Income Security Act of 1974, as amended, or by any waiver
41 of or other exception to that Act provided under federal law or
42 regulation. 'Health benefit plan' includes a blanket health policy or

1 blanket accident and health policy. 'Health benefit plan' does not mean
2 any of the following kinds of insurance:

3 a. Accident.

4 b. Credit.

5 c. Disability income.

6 d. Long-term or nursing home care.

7 e. Medicare supplement.

8 f. Specified disease.

9 g. Dental or vision.

10 h. Coverage issued as a supplement to liability insurance.

11 i. Workers' compensation.

12 j. Medical payments under automobile or homeowners.

13 k. Insurance under which benefits are payable with or without
14 regard to fault and that are statutorily required to be contained in
15 any liability policy or equivalent self-insurance.

16 l. Hospital income or indemnity.

17 (2) 'Insurer' means an insurance company subject to this Chapter, a service
18 corporation organized under Article 65 of this Chapter, a health
19 maintenance organization organized under Article 67 of this Chapter,
20 and a multiple employer welfare arrangement subject to Article 49 of
21 this Chapter.

22 (3) 'Mental illness' has the same meaning as in G.S. 122C-3(21), with a
23 mental disorder defined in the Diagnostic and Statistical Manual of
24 Mental Disorders, DSM-IV, or a subsequent edition published by the
25 American Psychiatric Association, except those mental disorders coded
26 in the DSM-IV or subsequent edition as substance-related disorders
27 (291.0 through 292.9 and 303.0 through 305.9) and those coded as 'V'
28 codes."

29 Section 4. G.S. 58-65-75 reads as rewritten:

30 **"§ 58-65-75. Coverage for chemical dependency treatment.**

31 (a) Definition. – As used in this section, the term 'chemical dependency' means the
32 pathological use or abuse of alcohol or other drugs in a manner or to a degree that
33 produces an impairment in personal, social, or occupational functioning and which may,
34 but need not, include a pattern of tolerance and withdrawal.

35 (b) Chemical Dependency Parity Requirement. – Every group insurance certificate
36 or group subscriber contract under any hospital or medical plan governed by this Article
37 and Article 66 of this Chapter ~~that is issued, renewed, or amended on or after January 1, 1985,~~
38 ~~shall offer~~ shall provide to its insureds benefits for the necessary care and treatment of
39 chemical dependency that are not less favorable than benefits for physical illness
40 generally. Except as provided in subsection (c) of this section, benefits for chemical
41 dependency shall be subject to the same ~~durational limits, dollar limits, deductibles, and~~
42 ~~coinsurance factors~~ limits as are benefits for physical illness generally. For purposes of
43 this subsection, 'limits' includes durational limits, deductibles, coinsurance factors, co-

1 payments, maximum out-of-pocket limits, annual and lifetime dollar limits, and any other
2 dollar limits or fees for covered services.

3 (b1) Weighted Average. – If a hospital or medical plan governed by this Article
4 contains annual limits, lifetime limits, co-payments, deductibles, or coinsurance only on
5 selected physical illness and injury benefits, and these benefits do not represent
6 substantially all of the physical illness and injury benefits under the plan, the group
7 insurance certificate or group subscriber contract may impose limits on the chemical
8 dependency treatment benefits based on a weighted average of the respective annual,
9 lifetime, co-payment, deductible, or coinsurance limits on the selected physical illness
10 and injury benefits. The weighted average shall be calculated in accordance with rules
11 adopted by the Commissioner.

12 (b2) Case Management. – A group insurance certificate or group subscriber contract
13 may use a case management program for chemical dependency treatment benefits to
14 evaluate and determine medically necessary and medically appropriate care and treatment
15 for each patient, provided that the program complies with rules adopted by the
16 Commissioner of Insurance. These rules shall ensure that case management programs are
17 not designed to avoid the requirements of this section concerning parity between the
18 benefits for chemical dependency treatment and those for physical illness generally.

19 (b3) Medical Necessity. – Nothing in this section prohibits a hospital or medical
20 plan governed by this Article from managing the provision of benefits through common
21 methods, including, but not limited, to preadmission screening, prior authorization of
22 services, or other mechanisms designed to limit coverage to services for chemical
23 dependency treatment only to those that are deemed medically necessary.

24 ~~(c) Every group insurance certificate or group subscriber contract that provides~~
25 ~~benefits for chemical dependency treatment and that provides total annual benefits for all~~
26 ~~illnesses in excess of eight thousand dollars (\$8,000) is subject to the following~~
27 ~~conditions:~~

28 ~~(1) The certificate or contract shall provide, for each 12 month period, a~~
29 ~~minimum benefit of eight thousand dollars (\$8,000) for the necessary~~
30 ~~care and treatment of chemical dependency.~~

31 ~~(2) The certificate or contract shall provide a minimum benefit of sixteen~~
32 ~~thousand dollars (\$16,000) for the necessary care and treatment of~~
33 ~~chemical dependency for the life of the certificate or contract.~~

34 (d) Provisions for benefits for necessary care and treatment of chemical
35 dependency in group certificates or group contracts shall provide for benefit payments for
36 the following providers of necessary care and treatment of chemical dependency:

37 (1) The following units of a general hospital licensed under Article 5 of
38 ~~General Statutes Chapter 131E:~~ Chapter 131E of the General Statutes:

- 39 a. ~~Chemical dependency units in licensed facilities;~~ facilities licensed
40 ~~after October 1, 1984;~~
41 b. Medical units;
42 c. Psychiatric units; and

1 (2) The following facilities or programs licensed ~~after July 1, 1984, under~~
2 Article 2 of ~~General Statutes Chapter 122C; Chapter 122C of the General~~
3 Statutes:

- 4 a. Chemical dependency units in psychiatric hospitals;
5 b. Chemical dependency hospitals;
6 c. Residential chemical dependency treatment facilities;
7 d. Social setting detoxification facilities or programs;
8 e. Medical detoxification facilities or programs; and

9 (3) Duly licensed physicians and duly licensed psychologists and certified
10 professionals working under the direct supervision of such physicians or
11 psychologists in facilities described in (1) and (2) above and in
12 day/night programs or outpatient treatment facilities licensed ~~after July 1,~~
13 ~~1984, under Article 2 of General Statutes Chapter 122C; Chapter 122C of~~
14 the General Statutes. After January 1, 1995, 'duly' 'Duly licensed
15 psychologists' ~~shall be~~ are defined as licensed psychologists who hold
16 permanent licensure and certification as health services provider
17 psychologist issued by the North Carolina Psychology Board.

18 Provided, however, that nothing in this subsection shall prohibit any certificate or
19 contract from requiring the most cost effective treatment setting to be utilized by the
20 person undergoing necessary care and treatment for chemical dependency.

21 ~~(e) Coverage for chemical dependency treatment as described in this section shall~~
22 ~~not be applicable to any group certificate holder or group subscriber contract holder who~~
23 ~~rejects the coverage in writing."~~

24 Section 5. G.S. 58-65-90 reads as rewritten:

25 "**§ 58-65-90. No discrimination against ~~the mentally ill and chemically dependent.~~**
26 **dependent individuals.**

27 (a) Definitions. – As used in this section, the term:

28 (1) 'Mental illness' has the same meaning as defined in G.S. ~~422C-3(21); and~~
29 122C-3(21), with a mental disorder defined in the Diagnostic and
30 Statistical Manual of Mental Disorders, DSM-IV, or a subsequent
31 edition published by the American Psychiatric Association, except those
32 mental disorders coded in the DSM-IV or subsequent edition as
33 substance-related disorders (291.0 through 292.9 and 303.0 through
34 305.9) and those coded as 'V' codes.

35 (2) 'Chemical dependency' has the same meaning as defined in G.S. ~~58-65-~~
36 ~~75-58-65-75,~~ with a mental disorder defined in the Diagnostic and
37 Statistical Manual of Mental Disorders, DSM-IV, or subsequent editions
38 of this manual.

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

1 (b) Coverage of Physical Illness. – No service corporation governed by this
2 Chapter shall, solely because an individual to be insured has or had a mental illness or
3 chemical dependency:

- 4 (1) Refuse to issue or deliver to that individual any individual or group
5 subscriber contract in this State that affords benefits or coverage for
6 medical treatment or service for physical illness or injury;
- 7 (2) Have a higher premium rate or charge for physical illness or injury
8 coverages or benefits for that individual; or
- 9 (3) Reduce physical illness or injury coverages or benefits for that
10 individual.

11 ~~(b1) Coverage of Mental Illness. — A subscriber contract that covers both physical~~
12 ~~illness or injury and mental illness may not impose a lesser lifetime or annual dollar~~
13 ~~limitation on the mental health benefits than on the physical illness or injury benefits,~~
14 ~~subject to the following:~~

- 15 ~~(1) A lifetime limit or annual limit may be made applicable to all benefits~~
16 ~~under the subscriber contract, without distinguishing the mental health~~
17 ~~benefits.~~
- 18 ~~(2) If the subscriber contract contains lifetime limits only on selected~~
19 ~~physical illness or injury benefits, and these benefits do not represent~~
20 ~~substantially all of the physical illness and injury benefits under the~~
21 ~~subscriber contract, the service corporation may impose a lifetime limit~~
22 ~~on the mental health benefits that is based on a weighted average of the~~
23 ~~respective lifetime limits on the selected physical illness and injury~~
24 ~~benefits. The weighted average shall be calculated in accordance with~~
25 ~~rules adopted by the Commissioner.~~
- 26 ~~(3) If the subscriber contract contains annual limits only on selected~~
27 ~~physical illness and injury benefits, and these benefits do not represent~~
28 ~~substantially all of the physical illness and injury benefits under the~~
29 ~~subscriber contract, the service corporation may impose an annual limit~~
30 ~~on the mental health benefits that is based on a weighted average of the~~
31 ~~respective annual limits on the selected physical illness and injury~~
32 ~~benefits. The weighted average shall be calculated in accordance with~~
33 ~~rules adopted by the Commissioner.~~
- 34 ~~(4) Except as otherwise provided in this section, the subscriber contract~~
35 ~~may distinguish between mental illness benefits and physical injury or~~
36 ~~illness benefits with respect to other terms of the subscriber contract,~~
37 ~~including coinsurance, limits on provider visits or days of coverage, and~~
38 ~~requirements relating to medical necessity.~~
- 39 ~~(5) If the service corporation offers two or more benefit package options~~
40 ~~under a subscriber contract, each package must comply with this~~
41 ~~subsection.~~

1 (6) This subsection does not apply to a subscriber contract if the service
2 corporation can demonstrate to the Commissioner that compliance will
3 increase the cost of the subscriber contract by one percent (1%) or more.

4 (7) This subsection expires October 1, 2001, but the expiration does not
5 affect services rendered before that date.

6 (e) ~~Mental Illness or Chemical Dependency Coverage Not Required.~~— Nothing in
7 this section requires a service corporation to offer coverage for mental illness or chemical
8 dependency, except as provided in G.S. 58-65-75.

9 (d) ~~Applicability.~~— Subsection (b1) of this section applies only to subscriber
10 contracts covering more than 50 employees. The remainder of this section applies only to
11 group contracts covering 20 or more employees."

12 Section 6. G.S. 58-67-70 reads as rewritten:

13 "**§ 58-67-70. Coverage for chemical dependency treatment.**

14 (a) Definition. — As used in this section, the term 'chemical dependency' means the
15 pathological use or abuse of alcohol or other drugs in a manner or to a degree that
16 produces an impairment in personal, social or occupational functioning and which may,
17 but need not, include a pattern of tolerance and withdrawal.

18 (b) ~~On and after January 1, 1985, every Chemical Dependency Parity Requirement.~~ —
19 Every health maintenance organization that writes a health care plan on a group basis and
20 that is subject to this Article shall ~~offer~~ provide benefits for the necessary care and
21 treatment of chemical dependency that are not less favorable than benefits under the
22 health care plan generally. ~~Except as provided in subsection (c) of this section, benefits~~
23 Benefits for chemical dependency shall be subject to the same ~~durational limits, dollar~~
24 limits, deductibles, and coinsurance factors ~~limits~~ as are benefits under the health care plan
25 generally. For purposes of this subsection 'limits' includes durational limits, deductibles,
26 coinsurance factors, co-payments, maximum out-of-pocket limits, annual and lifetime
27 dollar limits, and any other dollar limits or fees for covered services.

28 (b1) Weighted Average. — If a group health plan contains annual limits, lifetime
29 limits, co-payments, deductibles, or coinsurance only on selected physical illness and
30 injury benefits, and these benefits do not represent substantially all of the physical illness
31 and injury benefits under the plan, the health maintenance organization may impose
32 limits on the chemical dependency treatment benefits based on a weighted average of the
33 respective annual, lifetime, co-payment, deductible, or coinsurance limits on the selected
34 physical illness and injury benefits. The weighted average shall be calculated in
35 accordance with rules adopted by the Commissioner.

36 (b2) Case Management. — A health maintenance organization may use a case
37 management program for chemical dependency treatment benefits to evaluate and
38 determine medically necessary and medically appropriate care and treatment for each
39 patient, provided that the program complies with rules adopted by the Commissioner of
40 Insurance. These rules shall ensure that case management programs are not designed to
41 avoid the requirements of this section concerning parity between the benefits for
42 chemical dependency treatment and those for physical illness generally.

1 **(b3) Medical Necessity.** – Nothing in this section prohibits a health maintenance
2 organization from managing the provision of benefits through common methods,
3 including, but not limited, to preadmission screening, prior authorization of services, or
4 other mechanisms designed to limit coverage to services for chemical dependency
5 treatment only to those that are deemed medically necessary.

6 ~~(e) Every group health care plan that provides benefits for chemical dependency~~
7 ~~treatment and that provides total annual benefits for all illnesses in excess of eight~~
8 ~~thousand dollars (\$8,000) is subject to the following conditions:~~

9 ~~(1) The plan shall provide, for each 12-month period, a minimum benefit of~~
10 ~~eight thousand dollars (\$8,000) for the necessary care and treatment of~~
11 ~~chemical dependency.~~

12 ~~(2) The plan shall provide a lifetime minimum benefit of sixteen thousand~~
13 ~~dollars (\$16,000) for the necessary care and treatment of chemical~~
14 ~~dependency for each enrollee.~~

15 **(d) Provisions for benefits for necessary care and treatment of chemical**
16 **dependency in group health care plans shall provide for benefit payments for the**
17 **following providers of necessary care and treatment of chemical dependency:**

18 **(1) The following units of a general hospital licensed under Article 5 of**
19 **General Statutes Chapter 131E: Chapter 131E of the General Statutes:**

20 a. ~~Chemical dependency units in facilities licensed after October 1,~~
21 ~~1984; licensed facilities;~~

22 b. Medical units;

23 c. Psychiatric units; and

24 **(2) The following facilities or programs licensed after July 1, 1984, under**
25 **Article 2 of General Statutes Chapter 122C: Chapter 122C of the General**
26 **Statutes:**

27 a. Chemical dependency units in psychiatric hospitals;

28 b. Chemical dependency hospitals;

29 c. Residential chemical dependency treatment facilities;

30 d. Social setting detoxification facilities or programs;

31 e. Medical detoxification facilities or programs; and

32 **(3) Duly licensed physicians and duly licensed practicing psychologists and**
33 **certified professionals working under the direct supervision of such**
34 **physicians or psychologists in facilities described in (1) and (2) above**
35 **and in day/night programs or outpatient treatment facilities licensed after**
36 **July 1, 1984, under Article 2 of General Statutes Chapter 122C: under Article**
37 **2 of Chapter 122C of the General Statutes.**

38 **Provided, however, that nothing in this subsection shall prohibit any plan from requiring**
39 **the most cost effective treatment setting to be utilized by the person undergoing**
40 **necessary care and treatment for chemical dependency.**

41 ~~(e) Coverage for chemical dependency treatment as described in this section shall~~
42 ~~not be applicable to any group that rejects the coverage in writing.~~

1 (f) Notwithstanding any other provision of this section or Article, any health
2 maintenance organization subject to this Article that becomes a qualified health
3 maintenance organization under Title XIII of the United States Public Health Service Act
4 shall provide the benefits required under that federal Act, which shall be deemed to
5 constitute compliance with the provisions of this section; and any health maintenance
6 organization may provide that the benefits provided under this section must be obtained
7 through providers affiliated with the health maintenance organization."

8 Section 7. G.S. 58-67-75 reads as rewritten:

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

11 (a) Definitions. – As used in this section, the term:

12 (1) 'Mental illness' has the same meaning as defined in G.S. ~~122C-3(21); and~~
13 122C-3(21), with a mental disorder defined in the Diagnostic and
14 Statistical Manual of Mental Disorders, DSM-IV, or a subsequent
15 edition published by the American Psychiatric Association, except those
16 mental disorders coded in the DSM-IV or subsequent edition as
17 substance-related disorders (291.0 through 292.9 and 303.0 through
18 305.9) and those coded as 'V' codes.

19 (2) 'Chemical dependency' has the same meaning as defined in G.S. ~~58-67-~~
20 ~~70~~ 58-67-70, with a mental disorder defined in the Diagnostic and
21 Statistical Manual of Mental Disorders, DSM-IV, or subsequent editions
22 of this manual.

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

26 (b) Coverage of Physical Illness. – No health maintenance organization governed
27 by this Chapter shall, solely because an individual has or had a mental illness or chemical
28 dependency:

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

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

33 (3) Reduce physical illness or injury coverages or benefits for that
34 individual.

35 ~~(b1) Coverage of Mental Illness. — A health care plan that covers both physical~~
36 ~~illness or injury and mental illness may not impose a lesser lifetime or annual dollar~~
37 ~~limitation on the mental health benefits than on the physical illness or injury benefits,~~
38 ~~subject to the following:~~

39 ~~(1) A lifetime limit or annual limit may be made applicable to all benefits~~
40 ~~under the plan, without distinguishing the mental health benefits.~~

41 ~~(2) If the plan contains lifetime limits only on selected physical illness and~~
42 ~~injury benefits, and these benefits do not represent substantially all of~~
43 ~~the physical illness and injury benefits under the plan, the HMO may~~

1 impose a lifetime limit on the mental health benefits that is based on a
2 weighted average of the respective lifetime limits on the selected
3 physical illness and injury benefits. The weighted average shall be
4 calculated in accordance with rules adopted by the Commissioner.

5 (3) If the plan contains annual limits only on selected physical illness and
6 injury benefits, and these benefits do not represent substantially all of
7 the physical illness and injury benefits under the plan, the HMO may
8 impose an annual limit on the mental health benefits that is based on a
9 weighted average of the respective annual limits on the selected
10 physical illness and injury benefits. The weighted average shall be
11 calculated in accordance with rules adopted by the Commissioner.

12 (4) Except as otherwise provided in this section, the plan may distinguish
13 between mental illness benefits and physical injury or illness benefits
14 with respect to other terms of the plan, including coinsurance, limits on
15 provider visits or days of coverage, and requirements relating to medical
16 necessity.

17 (5) If the HMO offers two or more benefit package options under a plan,
18 each package must comply with this subsection.

19 (6) This subsection does not apply to a health benefit plan if the HMO can
20 demonstrate to the Commissioner that compliance will increase the cost
21 of the plan by one percent (1%) or more.

22 (7) This subsection expires October 1, 2001, but the expiration does not
23 affect services rendered before that date.

24 (e) ~~Mental Illness or Chemical Dependency Coverage Not Required.~~ Nothing in
25 this section requires an HMO to offer coverage for mental illness or chemical
26 dependency, except as provided in G.S. 58-67-70.

27 (d) ~~Applicability.~~ Subsection (b1) of this section applies only to group contracts
28 covering more than 50 employees. The remainder of this section applies only to group
29 contracts covering 20 or more employees."

30 Section 8. Effective January 1, 2000, G.S. 58-50-155 reads as rewritten:

31 "**§ 58-50-155. Standard and basic health care plan coverages.**

32 (a) Notwithstanding G.S. 58-50-125(c), the standard health plan developed and
33 approved under G.S. 58-50-125 shall provide coverage for mammograms and pap smears at
34 least equal to the coverage required by G.S. 58-51-57.

35 (a1) Notwithstanding G.S. 58-50-125(c), the standard health plan developed and
36 approved under G.S. 58-50-125 shall provide coverage for prostate specific antigen
37 (PSA) tests or equivalent tests for the presence of prostate cancer at least equal to the
38 coverage required by G.S. 58-51-58.

39 (a2) Notwithstanding G.S. 58-50-123(c), the standard health plan developed and
40 approved under G.S. 58-50-125 shall provide coverage for reconstructive breast surgery
41 resulting from a mastectomy at least equal to the coverage required by G.S. 58-51-62. all
42 of the following:

- 1 (1) Mammograms and pap smears at least equal to the coverage required by
2 G.S. 58-51-57.
- 3 (2) Prostate-specific antigen (PSA) tests or equivalent tests for the presence
4 of prostate cancer at least equal to the coverage required by G.S. 58-51-
5 58.
- 6 (3) Reconstructive breast surgery resulting from a mastectomy at least equal
7 to the coverage required by G.S. 58-51-62.
- 8 (4) Treatment of chemical dependency and mental illness that is at least
9 equal to the coverage required by G.S. 58-51-50 and G.S. 58-3-220,
10 respectively. The Plan may use a case management program in
11 accordance with G.S. 58-51-50 and G.S. 58-3-220, respectively.

12 (b) Notwithstanding G.S. 58-50-125(c), in developing and approving the plans
13 under G.S. 58-50-125, the Committee and Commissioner shall give due consideration to
14 cost-effective and life-saving health care services and to cost-effective health care
15 providers. ~~This section shall be effective after July 10, 1991."~~

16 Section 9. This act is effective when it becomes law and applies to health
17 benefit plans that are delivered, issued for delivery, or renewed on and after January 1,
18 2000. For purposes of this act, renewal of a health benefit policy, contract, or plan is
19 presumed to occur on each anniversary of the date on which coverage was first effective
20 on the person or persons covered by the health benefit plan.