

**NORTH CAROLINA GENERAL ASSEMBLY**

**LEGISLATIVE FISCAL NOTE**

**BILL NUMBER:** SB 1254 (First Edition)  
(Companion to HB 1567 – First Edition)

**SHORT TITLE:** Mental Health/Chemical Dependency Parity

**SPONSOR(S):** Senators Martin of Guilford and Martin of Pitt

<b>FISCAL IMPACT</b>					
	<b>Yes ( )</b>	<b>No (X)</b>	<b>No Estimate Available ( )</b>		
	<b><u>FY 2000-01</u></b>	<b><u>FY 2001-02</u></b>	<b><u>FY 2002-03</u></b>	<b><u>FY 2003-04</u></b>	<b><u>FY 2004-05</u></b>
<b>REVENUES</b>		None			
<b>EXPENDITURES</b>		None			
<b>POSITIONS:</b>	0				
<b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b> Department of Insurance					
<b>EFFECTIVE DATE:</b> Sections 2, 5, 7, and 10, which require group health plans covering fewer than 10 employees to provide parity on the same limits as those plans covering 10 or more employees, are effective January 1, 2004 and apply to health benefit plans that are delivered, issued for delivery, or renewed on and after that date. The remainder of the act is effective when it becomes law and applies to health plans that are delivered, issued for delivery, or renewed on and after January 1, 2001.					

**BILL SUMMARY:** *Adopted from the Bill Digest for SB1254.*

The bill would require parity in health insurance coverage for mental illness and chemical dependency treatment. Specifically, it amends GS 58-51-50 and GS 58-3-220 to provide that group health plans must impose the same limits on chemical dependency benefits and mental illness benefits as on physical illness benefits. For group health plans covering ten or more employees, "limits" includes day and visit limits, deductibles, coinsurance factors, co-payments, maximum out-of-pocket limits, annual and lifetime dollar limits, and any other dollar limits for fees for covered services prior to reaching any maximum out-of-pocket limit. For group health plans covering less than ten employees, "limits" includes day and visit limits, maximum out-of-pocket limits, and annual and lifetime dollar limits only. Any out-of-pocket limit for group health plans must be comprehensive for coverage of chemical dependency, mental illness, and physical health conditions. It permits insurers to use case management review to determine medical necessity of treatment and requires utilization review criteria for determining when a

patient should be placed in a substance abuse treatment program. These amendments apply to group health benefit plans issued or renewed on or after January 1, 2001. Effective January 1, 2004, group health plans covering fewer than ten employees must provide parity on the same limits as group health plans covering ten or more employees. The bill amends GS 58-65-75 and GS 58-67-70 to require similar chemical dependency parity requirements for group insurance certificates, group subscriber contracts, and health maintenance organization health plans.

The bill also amends GS 58-51-55, GS 58-65-90, and GS 58-67-70 to provide that “mental illness” means a mental disorder defined in the DSM-IV or subsequent edition of the Diagnostic and Statistical Manual of Mental Disorders, except those disorders coded as substance-related disorders and those coded as “V” codes. “Chemical dependency” remains as defined in GS 58-51-50, GS 58-65-75, and 58-67-70, except that it must be listed as a mental disorder in the DSM-IV or subsequent editions of this manual.

#### **ASSUMPTIONS AND METHODOLOGY:**

This bill requires providers of group health plans, group insurance certificates, group subscriber contracts and health maintenance organization health plans to provide parity in health insurance coverage for mental illness and chemical dependency treatment. The bill permits them to use case management programs for treatment provided the program complies with rules adopted by the Commissioner of Insurance. The rules must ensure that the programs are not designed to avoid parity between the benefits for mental illness and chemical dependency treatment and those for physical illness generally. The bill also requires an insurer to apply utilization review criteria to determine when a patient needs to be placed in a substance abuse program. It allows the Department of Insurance to require a health plan or utilization review organization to show compliance with the applicable subsection of the bill.

The Department of Insurance is responsible for monitoring and regulating the activities of insurance companies. Divisions within the Department conduct periodic general, compliance, and target examinations of insurance companies to ensure that they are in compliance with applicable laws and regulations. The Department believes that the review and enforcement activity necessary to ensure that providers are complying with the additional requirements imposed by this bill and providing parity in health insurance coverage for mental illness and chemical dependency falls within the Department’s current review and enforcement activity. Thus, the Department does not anticipate that this bill will have any fiscal impact on them.

#### **FISCAL RESEARCH DIVISION 733-4910**

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**DATE:** May 31, 2000



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