

Department of Legislative Services  
 Maryland General Assembly  
 2013 Session

FISCAL AND POLICY NOTE

Senate Bill 585  
 Finance

(Senator Middleton, *et al.*)

**Health Insurance - Federal and State Mental Health and Addiction Parity Laws -  
 Report on Compliance**

This bill requires health maintenance organizations, insurers, and nonprofit health service plans (collectively known as carriers) that offer a specified health insurance policy, contract, or certificate that is subject to the federal Mental Health Parity and Addiction Equity Act (MHPAEA) to submit a report to the Insurance Commissioner outlining how each policy, contract, or certificate complies with MHPAEA and applicable State mental health and addiction parity laws.

**Fiscal Summary**

**State Effect:** Special fund expenditures increase by \$60,600 for the Maryland Insurance Administration (MIA) in FY 2014 for one additional compliance officer to ensure compliance with the reporting requirements. Future years reflect annualization and inflation. Revenues are not affected.

(in dollars)	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Revenues	\$0	\$0	\$0	\$0	\$0
SF Expenditure	60,600	77,800	81,400	85,200	89,200
Net Effect	(\$60,600)	(\$77,800)	(\$81,400)	(\$85,200)	(\$89,200)

*Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect*

**Local Effect:** None.

**Small Business Effect:** None.

## Analysis

**Bill Summary:** The reporting requirement applies to a carrier even if mental health and substance use disorder benefits are offered through a contract with another entity. The report must be submitted with the rate and form filing for each policy, contract, or certificate issued or delivered in calendar 2015 and annually thereafter. The report must be submitted by the carrier-designated MHPAEA compliance officer and is a public record. The report must include, at a minimum:

- a list of all covered and excluded mental health and substance use disorder benefits and the standards used to define and classify such services;
- the annual and lifetime dollar limits, cumulative financial requirements, and treatment limitations placed on mental health and substance use disorder benefits and medical and surgical benefits and verification that a single aggregate value is applied to both categories of benefits;
- the relevant cost data and the source of the cost data used to determine that the financial requirements and treatment limitations that apply to mental health and substance use disorder benefits are no more restrictive than the predominant requirements or limitations for medical and surgical benefits;
- all nonquantitative treatment limitations that apply to each covered benefit and all clinical guidelines used to justify any different nonquantitative treatment limitations for mental health and substance use disorder benefits;
- the standards for participation in provider networks, in-network provider reimbursement rates for relevant billing codes, and reimbursement rates for services provided by out-of-network providers that apply to mental health and substance use disorder services and comparable medical and surgical services; and
- formulary rules for the coverage of medications used to treat mental health and substance use disorders.

**Current Law:** Maryland's mental health parity law (§ 15-802 of the Insurance Article) prohibits discrimination against an individual with a mental illness, emotional disorder, drug abuse disorder, or alcohol abuse disorder by failing to provide benefits for the diagnosis and treatment of these illnesses under the same terms and conditions that apply for the diagnosis and treatment of physical illnesses.

Chapter 152 of 2012 (HB 443) established requirements for health benefit plans to be certified as qualified health benefit plans under the Maryland Health Benefit Exchange (MHBE). Chapter 152 requires a health benefit plan to meet any other requirements established by MHBE, including demonstrating compliance with MHPAEA. The MHBE *Carrier Reference Manual* states that MIA will perform a review of contract and certificate forms and rates to ensure compliance with MHPAEA.

MHPAEA requires group health plans of large employers, as well as qualified health plans sold in health insurance exchanges and in the small group and individual markets as of January 1, 2014, to equalize health benefits for addiction and mental health care and medical and surgical services in many fundamental ways.

MHPAEA prohibits group health plans from imposing separate or more restrictive financial requirements or treatment limitations on mental health and substance use disorder benefits than those imposed on other general medical benefits. Patients can no longer be denied insurance reimbursement when they reach a lifetime or annual spending cap imposed on mental health or substance use disorder care. MHPAEA also imposes nondiscrimination standards on medical management practices, medical necessity determinations, and provider network and compensation practices (“nonquantitative treatment limitations”). While an employer is not required to offer any health insurance coverage for addiction or mental health care, the coverage of any service for these disorders – including a primary care practitioner’s treatment of depression or the coverage of any medication for a mental or substance use disorder in a prescription drug formulary – renders the plan subject to MHPAEA.

**State Expenditures:** Special fund expenditures for MIA increase by \$60,552 in fiscal 2014, which accounts for the bill’s October 1, 2013 effective date. This estimate reflects the cost of hiring one full-time compliance officer to identify which carriers are required to report under the bill, receive and review reports, and file reports and prepare for Public Information Act requests. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

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Salary and Fringe Benefits	\$55,506
One-time Start-up Costs	4,615
Other Operating Expenses	<u>431</u>
<b>Total FY 2014 State Expenditures</b>	<b>\$60,552</b>

Future years reflect a full salary with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 1001 (Delegate Hammen, *et al.*) - Health and Government Operations.

**Information Source(s):** *Equality Standards for Health Insurance Coverage: Will the Mental Health Parity and Addiction Equity Act End the Discrimination?*, Ellen M. Weber, University of Maryland Francis King Carey School of Law, 2012; Maryland Insurance Administration; Department of Legislative Services

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