

Mental Health Insurance: Coverage, Generosity, and Parity

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First a few acknowledgements.

The study was funded by SAMHSA, and Judy Teich and Jeff Buck provided overall guidance to the study.

My co-author is Myles Maxfield and Margo Rosenbach who directs our Cambridge office commented thoughtfully on drafts the report.

Agenda

- Questions we addressed
- Data sources
- Key findings

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This is how we have organized our presentation.

Questions Addressed

- How many Americans have mental health insurance benefits?
- How generous are those benefits?
- What is the population subject to state parity laws and to the federal Mental Health Parity Act?

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The purpose of the study is to answer these three simple and basic questions.

The questions were:

How many Americans have mental health insurance?

How generous are those benefits?

To how many people do state and federal parity laws apply, in the sense of not being exempted from the law for a variety of reasons.

Data Sources

- March 2000 Current Population Survey (CPS)
- 1999 Medical Expenditure Panel Survey-Insurance Component (MEPS-IC)
- 1999 National Survey of Employer-Sponsored Health Plans by Mercer Worldwide
- Reference period - 1999

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No single database provided all of the information we needed to answer our research questions, so we were forced to use 3 major sources of data.

The Current Population Survey is the host database and we statistically imputed missing information to it from the Insurance Component of the MEPS databases and Mercer's survey of employer-sponsored health plans.

Virtually all the findings we present refer to 1999. When we began the study, 1999 was the most current year for which data were available. I will comment on some changes that have occurred since that time that may affect our results.

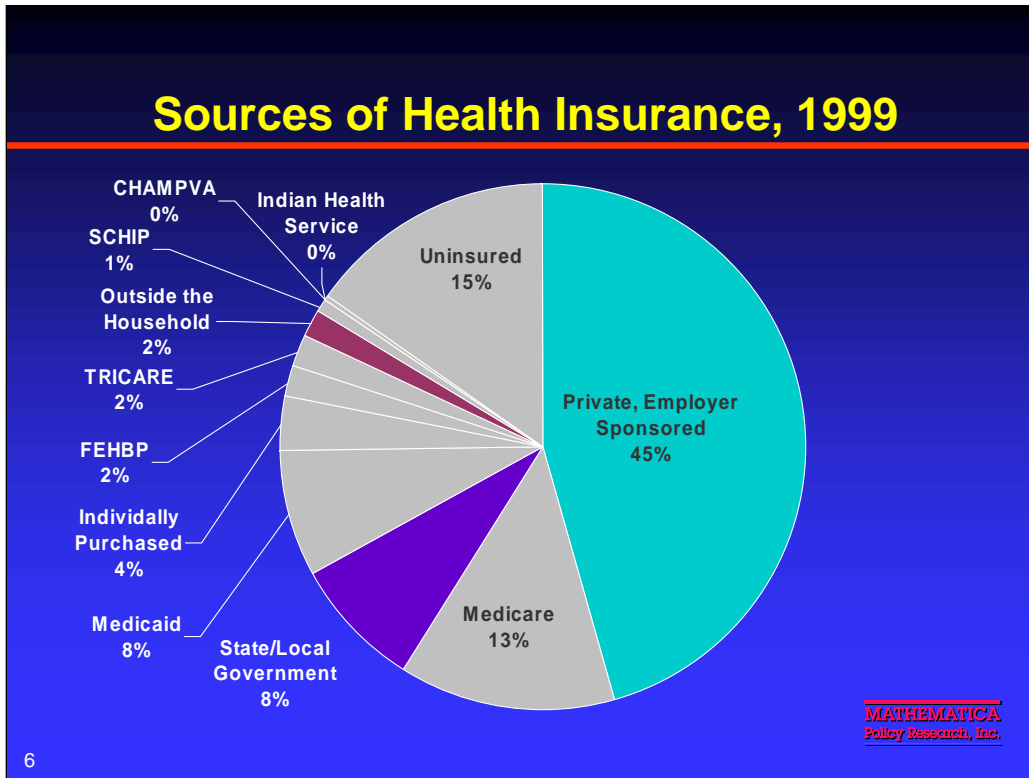


Key Findings

Coverage, Generosity, and Parity

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We will present our key findings in this order: coverage, generosity, and finally parity.



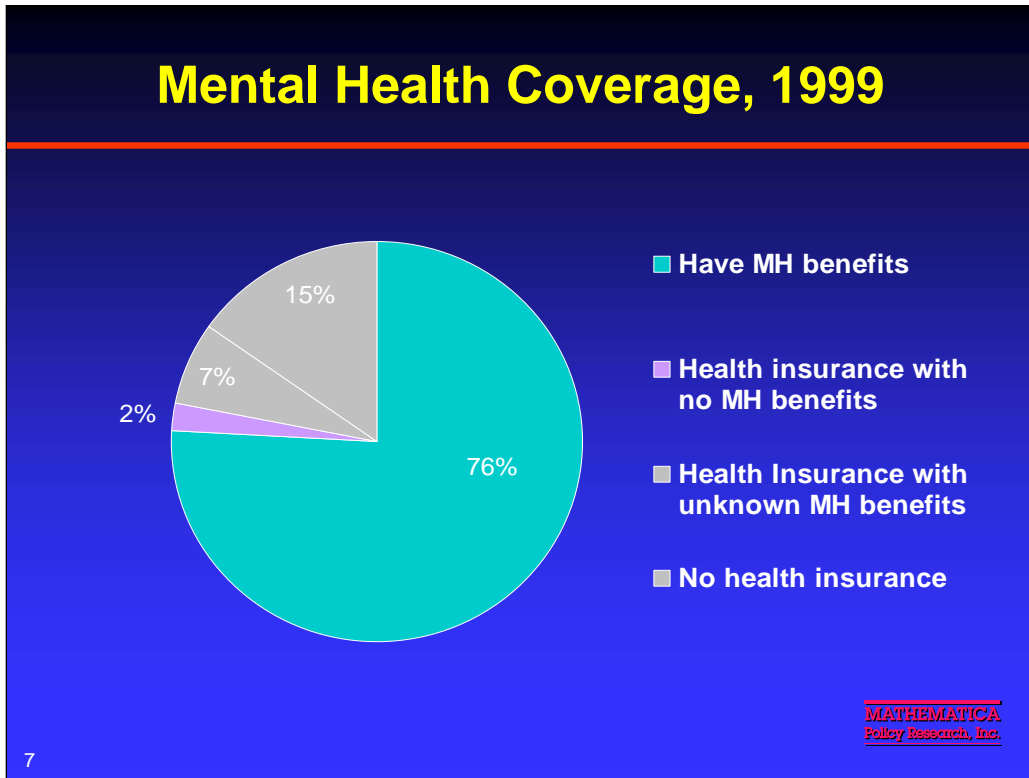
As background, this first slide presents the CPS estimates of primary source of health insurance in 1999. Using the CPS, we assigned each individual to one primary source of health insurance coverage.

I will only mention a few figures on this chart for your attention.

45% of adults and children were insured by private employer-sponsored plans.

15% had no health insurance.

The category “Outside the household” means the individual was covered under a plan where the participant lived outside the household, so we don’t know what the source of their insurance is because of the way the CPS asks the question.

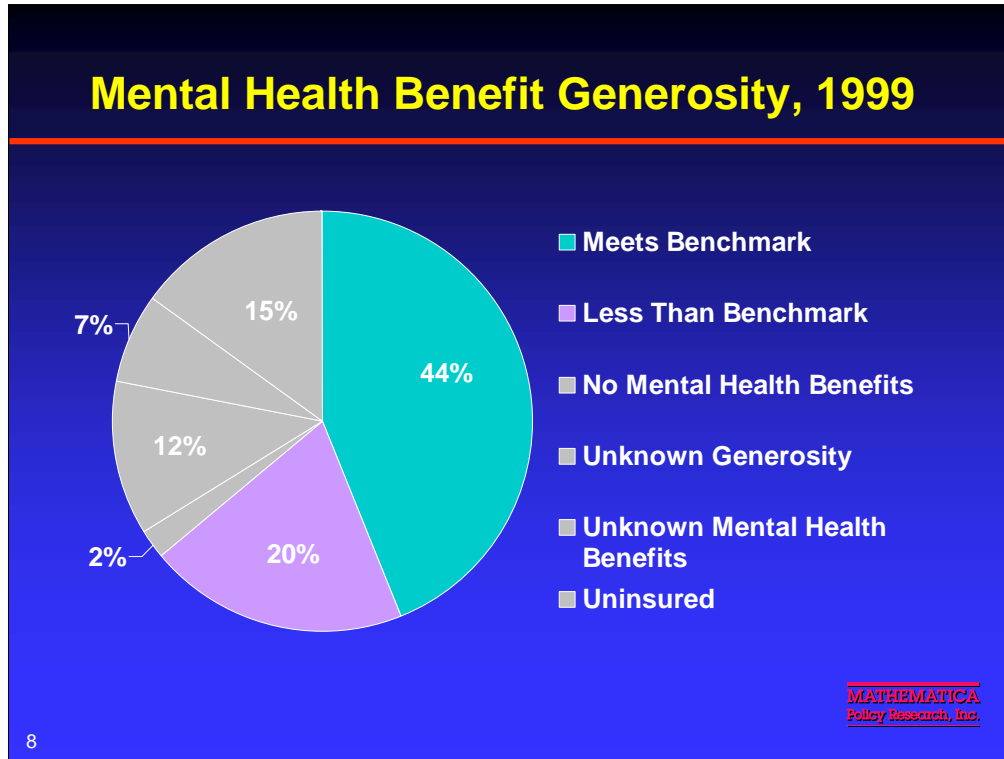


After examining the mental health coverage for each of these sources of health insurance, this chart shows the bottom line for coverage of mental health benefits. By mental health coverage, I mean coverage of outpatient and inpatient mental health care, along with coverage of prescription drugs. We included prescription drugs because they are a major form of treatment for mental illness today, as well as a standard benefit in employer sponsored health coverage.

76% of the population had mental health insurance benefits.

For 7% of the population, we could not tell whether they had such benefits.

The majority of those with no mental health benefits did not have any health insurance.



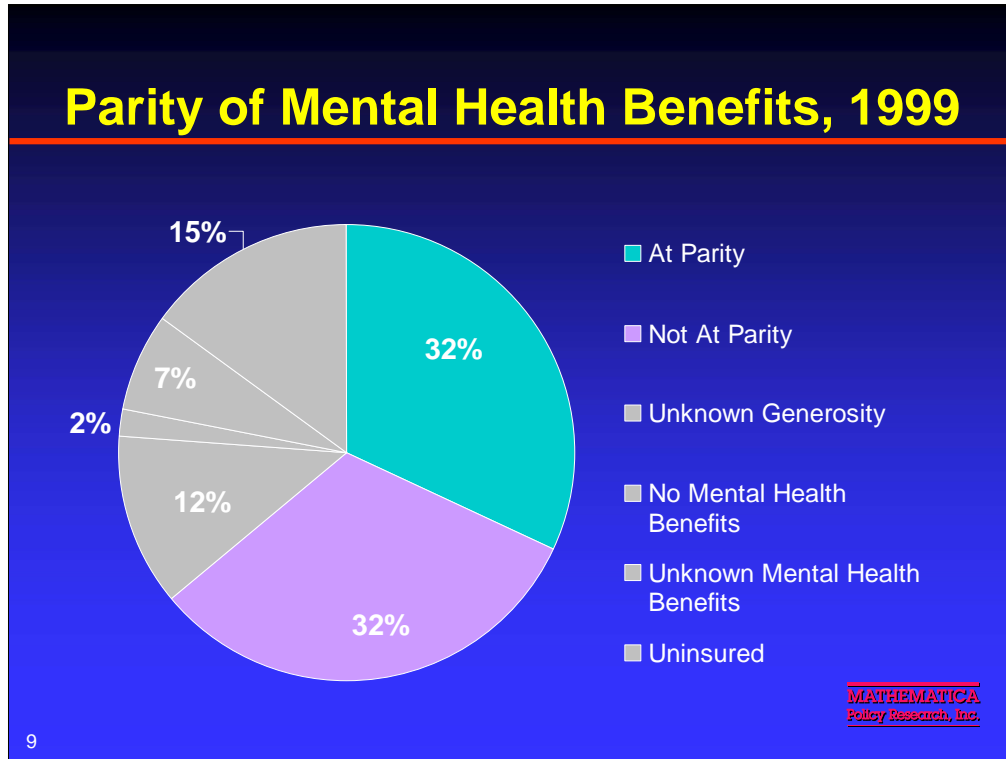
This slide presents the bottom line for generosity. We set a benchmark level of generosity in order to get a sense of the level of coverage provided in plans with mental health coverage. The benchmark for this study is 30 inpatient mental health days, 20 outpatient mental health days, and prescription drug coverage. The 30/20 standard was used because it was the modal response by plans responding to the Mercer Worldwide survey, and it was also the minimum amount of coverage allowed by FEHBP in 1999. It is not intended to be used as a standard of adequacy.

We estimate that 44% of individuals in 1999 had mental health insurance that met our generosity benchmark.

20% of the population had mental health benefits that did not meet the benchmark.

Unfortunately we don't know whether 19% of the population met the benchmark, either because we could not figure out what the generosity of their benefits were, or because we could not figure out whether they had mental health benefits at all.

Just as a note, we counted Medicare beneficiaries with prescription drug coverage through a supplemental source as having met the benchmark, and those without as not having met the benchmark because of a lack of drug coverage.



The bottom line for parity is that 32% of all individuals had mental health benefits that were at full financial parity with their medical surgical benefits. Full financial parity means the plan has equality in coverage limits, cost sharing and dollar limits as medical/surgical benefits.

If we add FEHBP to the with parity slice, since it implemented parity in the following year, the percentage with parity would have been about 34%.

An equal proportion had mental health benefits that were not at parity. Among the public programs not at Parity were Medicare, a few S-SCHIP programs, and TRICARE.

We still have a substantial proportion of the population for whom we cannot answer the question.



Finally we review state parity laws and the MHPA

State Parity Laws, 1999

- 13 states had laws requiring full financial parity
- Key state-to-state variations:
 - Small business exemption
 - Rate of self-insurance in the state
- 8% of private, employer-sponsored health insurance market covered

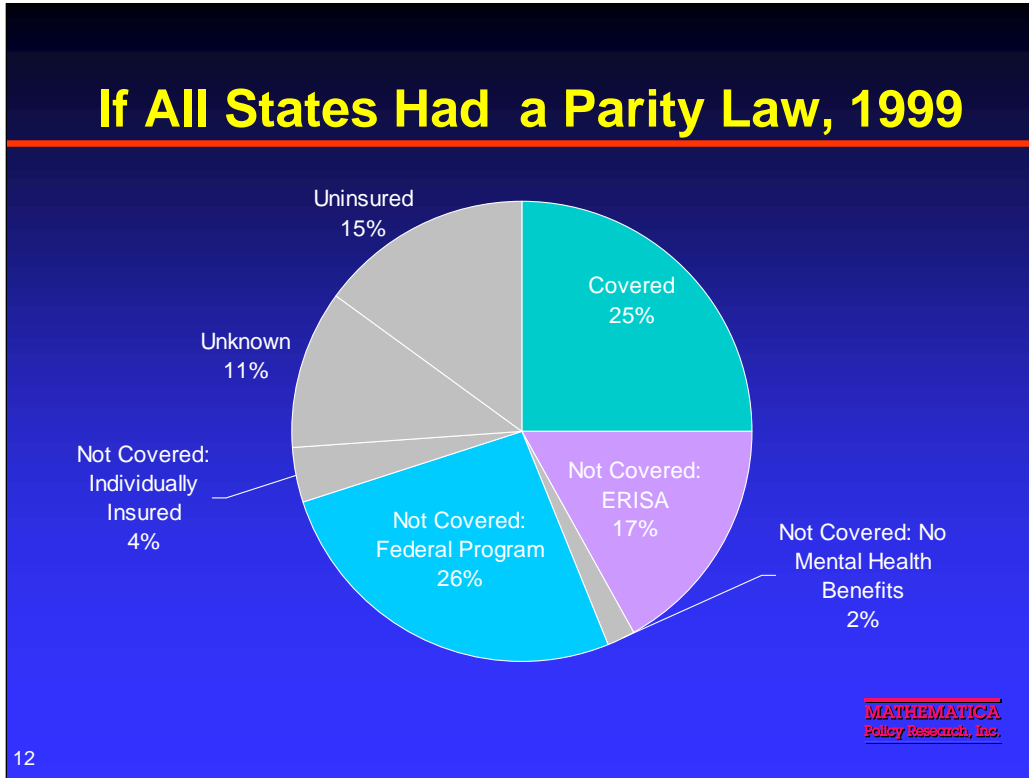
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In 1999 13 states had laws requiring full financial parity as we defined the term. A number of additional states had parity laws whose requirement was less than full financial parity.

8% of people covered by a private employer sponsored plan were subject to the requirements imposed by these state laws.

The remaining 92% lived in another state or were exempt from the state law. Exempted individuals include those who got their insurance from a small firm in some states and those working in a self-insured firm due to the ERISA pre-emption.



If every state had a parity law in 1999, and no state law had a small business exemption about 25% of the population would have been subject to state parity laws.

Large hunks of the population are still exempted. Together, those in ERISA covered plans and federal programs account for 43 percent of the population.

Federal Mental Health Parity Act

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While the federal mental health parity act does not require full financial parity, as it does not currently cover differential coverage limits or cost sharing, we used the federal parity act to gauge the coverage of a federal law as compared to state laws.

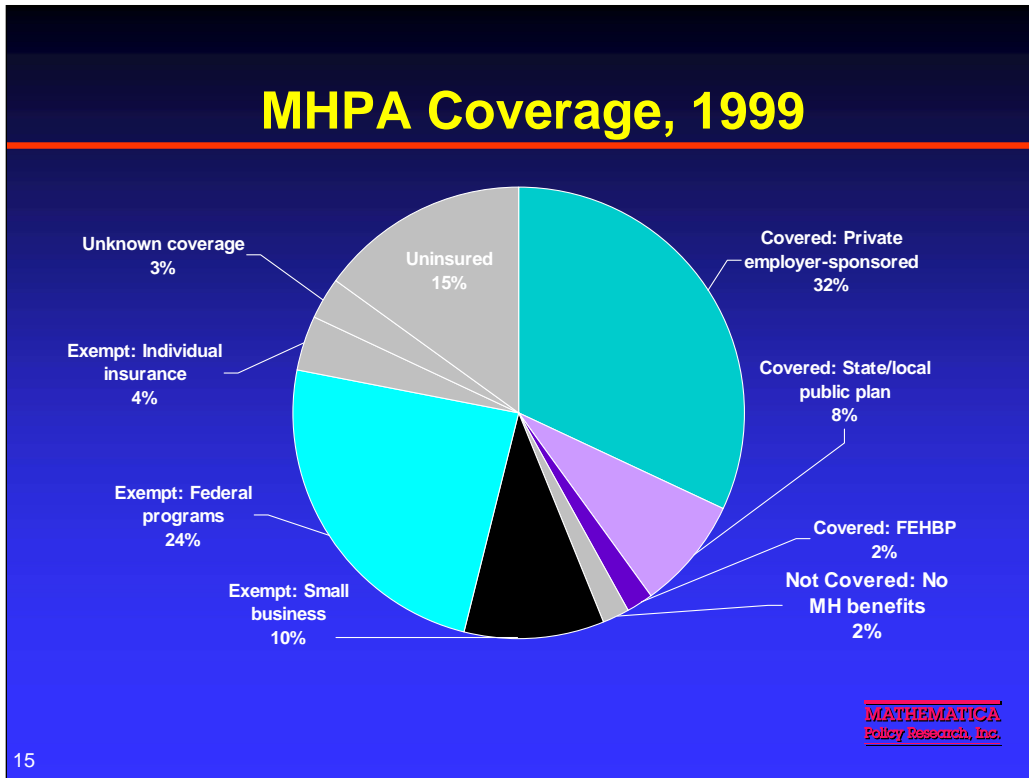
Federal Parity Law

- Federal Mental Health Parity Act of 1999 did not offer full financial parity in benefits
- The law covered 70% of private, employer-sponsored health insurance market

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We went through the same exercise with the MHPA and found that 70% of individuals in the private group market were subject to its requirements. This compares to the 8 percent who were subject to state parity laws in 1999 and the 25% who would have been subject had all states had a parity law with no small business exclusion.



Here we express those figures in terms of the entire population, we find that 42% of the population was subject to the requirements of the MHPA in 1999 – those with private-employer sponsored health insurance in firms of 50+, FEHBP, and state/local government plans.

Substantial fractions of the population is not covered by the MHPA by virtue of

Working in a small firm exempted 10%

Enrollees in federal programs not subject to the act, such as Medicare, SCHIP, Medicaid, and TRICARE, account for 24% of the population

Key Findings

- 76% of Americans had mental health benefits.
- 44% of Americans had mental health benefits that met the generosity benchmark.
- If all states had mental health parity laws, 25% of Americans would be covered.
- The Mental Health Parity Act covered 42% of Americans.
- Several public health insurance programs were not at parity.

Conclusions

- Mental health coverage is driven by health coverage.
- Many with mental health coverage did not have benefits that met the generosity benchmark.
- Some public programs did not meet the benchmark and were not at parity.
- Exemptions and exclusions limited coverage of the Mental Health Parity Act and state parity laws.