



CLIENT ADVISORY

Employee Benefits

February, 2010

**Mental Health Parity & Addiction Equity Act:
*Complying with New Regulations***

ACTION:

Assess your group health insurance plan now to determine required changes for plans beginning on or after July 1.

In January 2010, final regulations requiring parity between mental health or substance abuse disorder benefits and medical/surgical benefits under an employer's group health insurance coverage were issued by the Departments of Treasury, Labor, and Health and Human Services. This regulation, the Mental Health Parity and Addiction Equity Act of 2008 (MHPAEA), affects health insurance plans covering more than 50 employees and can have serious financial consequences if not properly incorporated into your employee benefits program.

REGULATION OVERVIEW

First, a brief explanation of the regulation. The final regulation issued last month expands upon the existing Mental Health Parity Act which was enacted in 1996. The 1996 Mental Health Parity Act required parity between mental health benefits and medical/surgical benefits in terms of financial limits and treatment limitations. The new regulation expands the parity provision to include substance use disorder benefits.

MHPAEA amends the Public Health Service Act (PHSA), the Employee Retirement Income Security Act (ERISA) and the Internal Revenue Code. The new regulation is effective April 5, 2010 and applicable to plan years beginning on or after July 1, 2010.

In essence, if an employer's health insurance plan includes mental health and substance use disorder benefits, these benefits must be provided at the same levels as medical/surgical benefits. Parity applies to annual and lifetime dollar limits as well as deductibles, copays, coinsurance, out-of-pocket expenses and treatment limitations such as frequency of treatment and number of visits. Deductibles will now apply uniformly across all covered expenses and will accumulate to satisfy a single combined deductible or similar financial requirement.

Neither regulation requires employers to provide mental health and substance use disorder benefits; the regulations simply require plans offering mental health/substance use disorder benefits to comply with the MHPAEA parity provisions.

PROACTIVE MEASURES

Plan sponsors should begin assessing their current mental health and substance abuse benefits now to determine plan changes required to comply with the new regulation. While the overall financial impact of MHPAEA is expected to be relatively nominal, plan sponsors should be aware of cost control options. Estimates by national insurers indicate insurance premiums are expected to increase approximately 1% as a result of MHPAEA; however, cost increases will vary by industry and region as well as on a case-by-case basis, therefore this is only an estimate.

ACTION:

MHPAEA applies to self-insured and fully insured health insurance plans with more than 50 employees. Small employers with 50 or fewer employees are exempt from the law.

Insurers will most likely introduce new medical management strategies to control mental health and substance abuse costs while mental health network discounts can help offset any cost increases your plan experiences as a result of increased usage.

Employers with self-funded medical plans renewing on July 1, 2010 or thereafter are responsible for modifying their plan document wording to reflect this change in benefits. Consult with your plan attorney, administrator and benefits consultant when updating plan documents. Failure to revise wording in a timely manner can cost large employers thousands of dollars to reprint and redistribute benefits booklets; therefore, make sure you address this issue well in advance of your plan's renewal date.

NEW DISCLOSURE REQUIREMENTS

In addition to the parity provisions, MHPAEA also includes new disclosure requirements regarding mental health and substance use disorder benefits available to plan participants. Plan sponsors and fiduciaries are now required to provide, upon request, the criteria for medical necessity determinations as well as reasons for any denials to mental health and/or substance use disorder benefits. Most plan sponsors already provide this information to plan participants; therefore, it is not a major change in procedure; however, failure to provide this information could become a costly oversight for uninformed plan sponsors.

ADDITIONAL INFORMATION

Additional information regarding MHPAEA can be obtained from the Center for Medicare & Medicaid Services' website at www.cms.hhs.gov/apps/media/fact_sheets.asp. In matters involving the interpretation or application of laws and regulations such as MHPAEA, plan sponsors should rely on their attorneys for authoritative advice.

This notice is provided as information only and should not be considered a legal opinion. If you have questions about this Client Advisory, please contact Seacrest Partners at 912-544-1900.