

Parity in Michigan

The Time Has Come to End Discrimination against Brain Disorders

Excerpts from the Oct. 2004 Report of the Governor's Mental Health Commission

While two-thirds of Michigan residents have private health insurance, most have coverage for mental health that is much more limited than that for physical health. This includes more stringent limits on outpatient visits, inpatient days, co-pays, deductibles, and annual dollar limits. Moreover, there is little or no incentive for private health plans to offer care to people with mental illness, which forces the public system to attempt to fill the gaps in coverage and access with inadequate resources.

It is recognized that some parties outside the mental health community fear the "costs" of mental health insurance parity. These fears are unfounded, and were not shared by the voting public in 2000, when 83 percent of respondents in a statewide poll favored a parity law for Michigan. All the leading evidence from around the country in recent years has shown parity to involve very small direct cost increases, which can be more than made up by the benefits that employers and society gain from increased access to mental health care. Some examples of findings include:

The Congressional Budget Office has reported that President Clinton's Executive Order (implemented 2001) of comprehensive mental health and addiction disorder parity for nine million federal employees resulted in an average insurance premium increase of 1.3 percent.

A federal Substance Abuse and Mental Health Services Administration (SAMHSA) study released in 2003 regarding parity in Vermont was the most comprehensive evaluation undertaken of a state parity law's effects. The investigation found:

- Overall probability of receiving mental health service increased and more people received outpatient mental health care following implementation of parity.

- Consumers paid a smaller share of the total amount spent on mental health services following parity. Among persons with serious mental illness, the proportion of consumers spending more than \$1,000 out of pocket annually was cut in half.

- In one of Vermont's two major health plans (covering 80 percent of the state's privately insured population), combined spending for mental illness and addiction disorders actually decreased. The cost of comprehensive parity for the other plan equated to 19 cents per covered member per month (i.e., \$2.32 per member annually).

- Only 0.3 percent of Vermont employers (three out of every 1,000) reported dropping employee health coverage because of parity law. {*Supplemental Note:* Nearly half of Vermont employers surveyed did not even know that the parity law existed. Among those who did, 70 percent were satisfied with it.}

Renowned actuarial parity expert Ronald Bachman (PricewaterhouseCoopers) told Michigan's Senate Health Policy Committee in 2003, "Actual experience, economic forecasting, and actuarial projections indicate that the [mental health parity] cost debate is over. How many studies are needed to prove the point?"

Not one of the 35-plus states that have adopted parity law has ever repealed the law.

The U.S. Surgeon General's 1999 report on mental illness estimated the direct business cost of lack of parity for mental illness to be over \$70 billion a year, mostly in the form of lost productivity and increased absenteeism and sick leave.

A study published by the American Medical Association in 2003 reported that depression alone cost employers nationally \$44 billion per year in lost productive time (LPT). This was \$31 billion more than the LPT cost seen in workers without depression.

According to the American Chamber of Commerce Executives, "Approximately \$24 billion...is lost annually in productivity and workdays [due to mental disorders]. Despite the obvious need for treatment, only one in four people affected receive medical treatment. Why?"

A 30 percent reduction in mental health services at a large Connecticut corporation triggered a 37 percent increase in medical care use and sick leave by employees with mental disorders, thus costing the corporation more money rather than less.

Commission Recommendation: The disparity between physical and mental illness in private health insurance coverage should be ended by early enactment of (corrective) state legislation.

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