PEHP Health & Benefits

HB 342, MENTAL HEALTH INSURANCE REQUIREMENTS, (King, Brian)

Anticipated Fiscal Impact:

$642,144 per year ($2.56 per employee per month)

"Mental Health Parity" refers to a federal law that requires health plans to cover mental health conditions under the same terms as physical health conditions.

Mental Health Parity does not apply to the state health insurance plan because of an exemption afforded to government entities. Even so, the state health plan complies with Mental Health Parity in all but one respect. PEHP does not cover residential treatment on the same basis.

Until recently, residential treatment was not covered. This is because day treatment and intensive outpatient treatment follow the same programmatic features as residential treatment. Hence, residential treatment involves overnight stays whereas the other two do not.

Over time, however, PEHP and its nurse case managers began to identify limited situations in which residential treatment was not only the best choice for a member but also cost-effective for the state. Key to this was the use of an annual 60-day limit to avoid average long-terms stays of 90s days (and often longer) and a tightly managed and controlled list of in-network providers.

HB 342 would prohibit both measures. It would eliminate the cap on days and would allow for an out-of-network benefit.

We estimate the following costs under the bill:

- Adding residential treatment as a general benefit and making it available on out-of-network basis would increase utilization by 77% over the current program at a cost of $229,573. This is based on PEHP data showing how often day treatment patients receive residential treatment when it is a general benefit.

- Removing the day limit would allow for long-term residential treatment, which on average is 90 days, and would also allow for multiple residential treatment admissions in a single year. Using 2015 federal data published in 2018 from the Substance Abuse and Mental Health Services Administration to determine the frequency in Utah of long-term residential treatment as compared to short-term residential treatment, we would expect days to rise by 52% over the current program for a total of 58.4 days at cost of $280,801. Further, we would expect an 17% increase in readmissions to residential treatment for a cost of $139,983 using national statistics in a JAMA 2019 article. It would also be necessary for PEHP to hire a nurse to serve the utilization management function of the day limit at a cost of $120,000.

After adjusting the costs above to reflect member cost sharing and the state's membership in the state risk pool, we estimate that additional costs to the state would be $642,144.