Approved 3-19-85
Date

MINUTES OF THE House COMMITTEE ON Insurance.

The meeting was called to order by Rep. Rex B. Hoy at
Chairperson

3:30 a.m./p.m. on Thursday, March 7, 1985 in room 521-S of the Capitol.

All members were present except:
Rep. Larry Turnquist - Excused

Committee staff present:
Melinda Hanson - Legislative Research
Emalene Correll - Legislative Research
Gordon Self - Revisor's Office

Conferees appearing before the committee:

HB 2422 - No-Fault Insurance - Rep. Hoy handed out copies of the benefits to be paid under the amended bill, and they were discussed section by section. The bill was amended to become effective January 1, 1986.

HB 2422 was amended by voice vote. Rep. King made a motion, seconded by Rep. Littlejohn, that HB 2422, as amended, be recommended favorably for passage. Motion carried.

HB 2448 - Health insurance, prohibiting certain exclusions concerning emotionally handicapped children and medical assistance.

The following people spoke in support of HB 2448:
Dr. Robert Harder, State Dept. of Social & Rehabilitation Services (Attachment I)
Judy Culley, Adm, The Shelter, Inc., Lawrence, Ks. (Attachment II)

The following people spoke in opposition to HB 2448:
Mr. Don Snyder, Beech Aircraft Corp., Wichita, Ks. (Attachment III)
Mr. William E. Horn, Group Claim Manager-Wichita for Bankers Life Nebraska. (Attachment IV)
Mr. Steve Robertson, Health Insurance Association, Chicago, Ill.
Mr. Walt Whalen, Pyramid Life Insurance Company
Mr. Jack Roberts, Blue Cross-Blue Shield, Topeka, Ks.
Mr. Bill Abbott, Boeing Aircraft, Wichita, Kansas

Discussion of HB 2448 continued.

Rep. King made a motion, seconded by Rep. Graeber, that Sections (a), (d) and (e) be removed. Motion carried.

Rep. Cribbs made a motion, seconded by Rep. Blumenthal, that HB 2448, as amended, be recommended favorably for passage. Motion carried.

HB 2482 - Melinda Hanson of Staff explained the bill saying the current law requires offering coverage for treatment of alcoholism, drug abuse, and nervous/mental conditions only in group policies. The bill would mandate such an offering under individual accident and sickness policies as well, and would make these coverages mandatory in group policies.

The following people spoke in support of HB 2482:
Dr. Robert Harder, State Department of Social and Rehabilitation Services. (Attachment V)
Dr. Paul Klotz, Community Mental Health Centers of Ks. (Attachment VI)
Mr. George Heckman's testimony was presented by Elizabeth Taylor of the Kansas Assn. of Alcohol and Drug Program Directors. Their testimony speaks only in support of the provisions of the bill relating to alcohol and other drug treatment. (Attachment VII)

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

Mr. Ronald Eisenbarth, Chairman of the Kansas Alcoholism and Drug Abuse Counselors Association. (Attachment VIII)

Mr. Howard Snyder, Kansas Families for Mental Health, Topeka, Kansas (Attachment IX)

Kay Mettner, Executive Director of the Mental Health Association in Kansas. (Attachment X)
Kal Makela, Overland Park, Kansas. (Attachment XI)

The following people spoke in opposition to HB 2482:

Mr. William Horn, Bankers Life Nebraska, Wichita, Ks. (Attachment XII)
Mr. Don Snyder, Beech Aircraft, Wichita, Ks. (Attachment XIII)
Mr. Walt Whalen, Pyramid Life Ins. Company.
Mr. Steve Robertson, Health Insurance Assn., Chicago, Ill.
Mr. Bill Abbott, Boeing Aircraft, Wichita, Ks.
Mr. Jack Roberts, Blue Cross Blue Shield of Kansas.
(Attachment XIV)

HB 2290 - Notice of premiums due.
Rep. Ramirez explained his bill, including three amendments he proposed. He said the intent of the bill is to protect the elderly from cancellation of policies. Rep. Ramirez also read a letter from Rep. Reardon in support of HB 2290.

Craig Grant, Retired Teachers, spoke in support of HB 2290.
Margaret Gebhardt, Silver-haired Legislature, spoke in favor of HB 2290. (Attachment XV)
Mr. Clarence Arndt, Silver Haired Legislature, spoke in favor of HB 2290. (Attachment XVI)

Rep Neufeld made a motion for a conceptual amendment to Sec. 1 of HB 2290 that the cost of notice be added to the delinquency owed by the insured. Rep. Weaver seconded the motion and it carried.

Rep. Graeber made a motion for a conceptual amendment that the notice would say that coverage would be terminated within 30 days if delinquency not paid. Motion failed for lack of a second.

The Chairman announced ~~the~~ Committee would go back to discussion on HB 2482.

Rep. Lowther made a motion to amend HB 2482 to provide for a mandated offer to both individuals and to groups. Line 31 would reinstate the "30 day" language and strike the $4,000 provision. Lines 47-49 would return to the original language. Motion was seconded by Rep. King and it passed.

Rep. Neufeld made a motion for a conceptual amendment to exclude diversion or conversions for driving under the influence violations in the drug and alcohol cases. Rep. Graeber seconded the motion. Rep. Sprague opposed the motion saying it would hamper the court from helping people who need the help. Motion failed.

Rep. Neufeld made a motion, seconded by Rep. Sprague, that HB 2482, as amended, be reported favorably for passage. Motion carried.

Rep. Lowther made a motion, seconded by Rep. Graeber to report HB 2421, as amended, favorably for passage. Motion carried.

HB 2290 was again brought up for discussion. Steve Robertson opposed the bill citing the high costs for the large number of mailings that would be involved. Jack Roberts also spoke in opposition to the bill.

Rep. Hoy suggested that the cost is more than the problem warrants.

Meeting adjourned at 7:10 PM

Rex B Hoy

* Pls Pass On -

3:30 Ins. Comm.
521-S

Attendance 3/7/85

	Name		Organization
1.	[illegible] Olivier	Topeka	PIA of Ks
2.	Wayne D. Morris	"	Security Benefit
3.	L M Cornish	"	Kansas P/C Ins Co.
4.	Lee Wright	Mission	Farmers Ins. Group
5.	Paul M. Klotz	Topeka	Assoc. CMHCs of Kansas
6.	Ron Eisenbarth	Topeka	Kansas Alcoholism & Drug Abuse Counselors Ass'n
7.	George Heckman	Lawrence	KAADPD
8.	Glenn Leonardi	Topeka	Community Addiction Treatment Center
9.	Larry Magill	"	IIAK
10.	Stephen W. Robertson	Chicago, Ill	N. I. A.A.
11.	Keith Hawkins	Mission, KS	Pyramid Life Ins. Co.
12.	Walt Whalen	Mission, Ks	Pyramid Life Ins Co
13.	Elizabeth E. Taylor	Topeka	Kansas Alcohol & Drug Prog Div
14.	Milt F. Fowler	Wichita	Parallax - KAADPD
15.	Jane T. Glanville	K.C.Ks.	Families for Mental Health
16.	Howard & Lou Snyder	Prairie Village	Kansas Families For Mental Health
17.	Kal Makela	Overland Park	Families for Mental Health
18.	Kay M. Mettner	Topeka	Mental Health Assoc. In Kans.
19.	Dick Scott	O. P. Ks	State Farm Ins. Cos.
20.	Donna Corcoran	Topeka	Post Service Corp
21.	Dick Brock	"	Ins. Dept.
22.	Jim Ward	Topeka	Ks Trial lawyer Asso
23.	Judy Culley	Lawrence	The Shelter, Inc.
24.	Judy Hollinger	Topeka	Ks. Dept. on Aging

* (OVER) *

Insurance

Attendance 3/7/85

	Name	Organization
25.	David Manley	Blue Cross + Blue Shield of KS
26.	Jim McBride	United Way
27.	Pamela Patterson	Assoc. of CMHC's of Ks.
28.	JACK ROBERTS	BC-BS
29.	Don Snyder	Beech Aircraft Corporation
30.	William E. [illegible]	Bankers Life Nebraska
31.	Bob Williams	KS Dental Assoc.
32.	Robert Thompson	1200 No 75 Pl. K.C. Ks.
33.	Craig Grant	Kansas-NEA
34.	Glenn Cogswell	Alliance of American Insurers
35.	WAYNE MAICHEL	KANSAS AFL-CIO
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Dr. Harder
(Prop.)

State Department of Social and Rehabilitation Services

Statement Regarding H.B. 2448

1. Title

An act concerning health care services, prohibiting certain exclusions and limitations in health, accident and sickness insurance policies, plans and contracts which relate to emotionally handicapped children or recipients of medical assistance.

2. Purpose

This bill prevents insurance companies and health maintenance organizations (HMOs) from excluding or limiting coverage for persons who are eligible for the Medicaid/MediKan program or because the person is receiving care and treatment as an emotionally handicapped child in a residential treatment facility.

3. Background

Two changes are included in this legislation. The first requires coverage for the treatment of emotionally handicapped children receiving care and treatment in a residential setting. The second prohibits insurance companies and health maintenance organizations from having exclusions or limitations of coverage because an individual is covered by the Medicaid/MediKan Program.

At the present time neither insurance carriers nor HMOs are required to extend coverage for emotionally handicapped children in a residential treatment facility.

Kansas currently permits insurance companies to voluntarily provide coverage for the treatment of alcoholism, drug abuse, nervous and mental conditions (KSA 40-2105). This coverage promotes the early care and treatment of these conditions in less costly settings than hospitals. (This bill would place insurance companies in the position of providing cost effective residential treatment coverage if the policy also provides coverage for in-patient hospitalization.)

Exclusionary clauses in insurance policies are currently permitted. Their purpose is to prevent payment for medical services by insurance companies and HMOs when Medicaid/MediKan Program eligibilty is present. This conflicts with Medicaid regulations stating that Medicaid is the last payor for medical services. Application of exclusionary clauses by insurance companies result in payment denials to beneficiaries who are also Medicaid/MediKan recipients. When this occurs, the Medicaid/MediKan Program also denies payment based on federal Medicaid regulations. When payment is denied by both the insurance company and SRS, the provider of service then seeks payment from the recipient. Resolution of these situations is time consuming, frustrating and expensive for all concerned.

4. Effect of Passage

Passage of this bill would clarify payment responsibility by prohibiting limitation or exclusion because of eligibility for the Medicaid/MediKan Program. In addition, passage protects individual citizens from unnecessary complications in receiving medical care.

Attachment I
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HB-2448

It would also allow families of emotionally disturbed children the alternative of purchasing private insurance coverage for the children's residential treatment.

5. SRS Recommendation

SRS recommends passage of this bill.

Robert C. Harder
Office of the Secretary
Social and Rehabilitation Services
296-3271
March 7, 1985

KALPCCA

KANSAS ASSOCIATION OF LICENSED PRIVATE CHILD CARE AGENCIES

EXECUTIVE COMMITTEE

PRESIDENT
Bruce Linhos
The Villages Inc.
P.O. Box 1695
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(913) 267-5900

VICE-PRESIDENT
Peg Martin
The Farm, Inc.
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Reading, Kansas 66868
(913) 528-3498

SECRETARY
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Temporary Lodging For Children
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Olathe, Kansas 66061
(913) 764-2887

TREASURER
Wayne Sims
Wyandotte House, Inc.
632 Tauromee
Kansas City, Kansas 66101
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AT-LARGE
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Marge Mintun
K.C.S.L.
1320 Faith Dr.
Salina, Kansas 67401
(913) 823-9405

Sr. Mary Lou Roberts
St. Joseph Children's Home
425 W. Iron
Salina, Kansas 67402
(913) 825-0208

POLITICAL ACTION
Judy Culley
The Shelter Inc.
342 Missouri
Lawrence, Kansas 66044

MEMBERSHIP
Sr. Frances Radencic
St. John Children's Home
720 N. 4th St.
Kansas City, Kansas 66101
(913) 371-3264

DATE: March 7, 1985

TO: House Insurance Committee

FROM: Judy Culley, Administrator, The Shelter, Inc., Lawrence KS., a member of KALPCCA (Kansas Association of Licensed Private Child Care Agencies)

RE: HB2448

KALPCCA SERVICES:

The Kansas Association of Licensed Private Child Care Agencies (KALPCCA) is a voluntary association of thirty-five member agencies. These agencies provide various residential treatment services to approximately 800 emotionally disturbed children in Kansas in licensed boarding homes. KALPCCA facilities provide trained, well supervised childcare staff and professional treatment for children and their families in settings that are less institutional and less expensive than hospitals.

PURPOSE OF BILL:

This bill provides that health insurance pay licensed boarding home treatment for emotionally handicapped children, similar to hospitalization coverage. Hospitalization is the only residential service for children now covered by health insurance. Licensed boarding home treatment is currently financed primarily through the state, with the child being placed in SRS custody.

POSITION:

KALPCCA strongly supports HB2448.

ADVANTAGES:

This bill is advantageous in the following ways:

* It allows a savings for insurance companies in that licensed boarding home care is less expensive on a daily basis than hospitalization. Because the bill provides for coverage on the same basis as inpatient hospital medical coverage, it will be less expensive for insurance companies to pay for a given number of days in a licensed boarding home than to pay for the same number of days in a hospital.

Attachment II
3-7-85
HB 2448

* It allows families to maintain custody of their children and get residential service without having to resort to hospitalization.

* It encourages families to seek help earlier because it offers an alternative to hospitalization.

* It prevents children from being hospitalized when a less institutional setting would be sufficient.

* It encourages families to participate actively in the treatment process, knowing that the child is still in their custody and that their insurance is responsible for the cost.

* It represents a step away from the state's intervention into families.

Beech Aircraft Corporation
Wichita, Kansas 67201
U. S. A.

STATEMENT BEFORE THE
KANSAS HOUSE COMMITTEE ON INSURANCE
MARCH 7, 1985

(OPPOSED)

Mr. Chairman, members of the committee, my name is Don Snyder, Manager of Health Programs for Beech Aircraft Corporation. We have airplane manufacturing plants in Wichita, Liberal, Salina and Andover. I appreciate the opportunity today to express our reasons for opposing House Bill 2448.

We recognize that emotionally handicapped children have very special needs and sometimes cannot be cared for in the home but must be transferred to boarding home programs. While this care may be necessary, it has never been the intention of the Beechcraft Group Health Insurance Plan to provide coverage for long-term, non-acute boarding home care. The Beech Plan, by planned design, is a medical insurance plan covering acute and chronic medical conditions requiring medical treatment. Specifically denied from coverage is any type of custodial care. This includes care received in boarding homes, rest homes, homes for the aged or nursing homes. As a practical matter, our insurance plan reimburses institutional care when medical treatment is received in a hospital. The hospital must be a legally licensed institution providing inpatient medical and surgical treatment for injury or sickness under the care of a legally qualified physician or surgeon. The institution must have continuous 24 hour nursing service supervised by registered graduate nurses.

Mandating boarding room coverage would dramatically alter our medical insurance plan and result in a significant increase in cost as we would be forced to cover a new level of care. Our health insurance plan is part of the fringe benefit

Attachment III
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fringe benefit package provided our employees. Through the collective bargaining process, a specific benefit plan was negotiated. Inactment of this proposed legislation would alter this negotiated package of fringe benefits, increasing costs at a time when we are especially concerned about escalating health care expenditures.

At the center of this issue is whether the legislature wishes to mandate the kind of insurance package the purchaser is required to buy. We have no problem with direction given to insurance companies concering the kind of package offered. However, as the consumer we should be allowed a choice whether we want such coverage or something tailored to our specific needs.

In our judgement the proposed bill is unwarranted. It forces our company to accept coverage we do not want and for which we do not want to pay.

Thank you.

BANKERS LIFE NEBRASKA

GROUP CLAIMS DIVISION
Wichita Claim Office
955 Parklane
Wichita, Kansas 67218
Telephone (316) 685-1437

March 6, 1985

For presentation to the Committee on Insurance.

Mr. Chairman, Committee Members and Interested Parties:

(Opposed)

My name is William E. Horn. I am the Group Claim Manager-Wichita for Bankers Life Nebraska and have been in the insurance business for 33 years.

I do thank you for allowing me to express a few comments in opposition to House Bill 2448. Mandating of coverages do not lend themselves to a well rounded medical reimbursement system no matter how well meaning such programs may appear on the surface. Increasing benefit costs in one area can only be offset with decreased benefits in another. The balancing of such programs must be left in the hands of those close to the specific problems. It is too easy for one group to feel their specific needs are more important than anothers. The best results will be obtained from the policyholder negotiating benefits without ingrained partiality.

The demands of this bill are a cost shift to the insuror and at a time when cost shifting has created an undue burden to the insurance sector already through the cost shifting efforts of the Medicare and Medicaide programs.

Many of these children are from broken homes or homes where parental guidance has been lacking or non-existant. We cannot expect insurance companies to be surrogate parents for these multitudes of social and/or economic problems. Family responsibilities cannot be abdicated by parents and relatives with the expectancy of insurance to fill the gap.

Attachment IV
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HB 2448

This bill would require coverage to be afforded for treatment at a level of care not anticipated by the insuror or the policyholder. Such widening of this level of care would bring a rash of demands for other broadened services that may be offered. Some of this type of treatment may work well in a controlled setting but not in a mandated setting. Mandates are inherent with potential abuses of the system.

We are not unsympathetic to the problem of emotionally handicapped children but we do not feel the financing of the proposed treating and caring in a boarding home setting should be done through the insurance setting. Such programs would be without controls and are in no way comparable to inpatient hospital treatment programs. Under current guidelines, hospital admissions would not be permitted for this type of treatment.

Sincerely,

William E. Horn, F.L.M.I.

Group Claim Manager-Wichita

Dr. Harder

DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES
ALCOHOL AND DRUG ABUSE SERVICES

House Bill 2482
Mandatory Insurance Coverage for Alcohol, Drug Abuse
and Nervous and Mental Conditions

I. TITLE

An act concerning insurance, providing for mandatory group coverage and required option for individual coverage for the treatment of persons who have a problem with alcohol, drug abuse and nervous and mental conditions, amending K.S.A. 40-2,105.

II. PURPOSE

This proposal will mandate that all group policies include minimum coverage of $4,000 a year for inpatient care and $1,000 for outpatient care for alcohol, drug abuse and nervous and mental conditions without the option to refuse this coverage. This bill will require the above coverage be offered to all individual insurance policies, but the subscriber can refuse this coverage in an individual policy.

III. BACKGROUND

Two bills mandating this coverage were introduced into the 1984 Legislative Session. These bills were referred to Interim Study. Current statute requires the offering of coverage for alcohol, drug abuse and nervous and mental conditions to all purchasers of group policies, but allows for the purchaser to refuse this rider. This proposal will mandate that all group policies include minimum coverage for alcohol, drug abuse and nervous and mental conditions without the option to refuse this coverage and this bill will require the above coverage be offered to all individual insurance policies, but the subscriber can refuse this coverage in an individual policy. The mandating of minimum coverage for alcohol, drug abuse and nervous and mental conditions has been cost effective in many other states and in many large plans written throughout the nation. The evidence demonstrates that the alcoholics, drug abusers and mentally ill experience greatly reduced utilization of medical and other health care services after a treatment episode. There has also been a substantial reduction in sick time, on the job and home accidents, workers compensation claims and payments, etc., for the employees who sought treatment because of the mandatory coverage.

IV. EFFECT OF PASSAGE

Passage of this bill will allow for the coverage of treatment for alcoholism, drug dependence and mental illness for many persons who would not now have these services covered by their insurance carrier. Insurance carriers and Kansas citizens would be protected from excessive premiums and costs increases by the limitation of coverage included in HB 2482 on an annual basis. Overall, the implementation of this bill will positively impact all general hospitals, psychiatric hospitals, mental health centers and all alcohol and drug abuse treatment programs.

V. SRS RECOMMENDATION

Support the amendment of Kansas Statute to include the mandating of insurance coverage for alcohol, drug abuse and nervous and mental conditions

Robert C. Harder
Office of the Secretary
Social and Rehabilitation Services
296-3271
March 7, 1985

Attachment V
3-7-85
HB 2482

8213B

THE NEED FOR

IMPROVED MENTAL HEALTH COVERAGE IN KANSAS

Association of Community Mental Health Centers of Kansas
820 Quincy/Suite 416
Topeka, Kansas 66612

I. THE POPULATION AND RELATED FACTS

A) Approximately 1.8 percent of the U.S. population is receiving mental health care on an inpatient or outpatient basis. Between 15 and 20 percent of the American citizenry are estimated to need psychiatric treatment. Most require outpatient service.

Generally speaking, inpatient services are 49 times **more** expensive than outpatient.

B) More people are admitted to hospitals because of mental disorders than for any other illness. Many times, such admissions are made by general practitioners into general medical hospitals with little or no specialized treatment.

C) Sixty percent or more of the visits to general **medical** doctors are made by patients who have an **emotional** rather than an organic basis for their physical symptoms.

D) Emotional illness accounts for more absenteeism from work than any other illness except the common cold.

E) Five and three-quarter million citizens over 65 years of age have significant mental health problems. Medicare and private insurance primarily provide inpatient treatment.

F) The social stigma of mental illness deters more people from mental health treatment than cost.

G) The American Economy loses about $40.3 billion each year due to poor mental health.
(Source: U.S. Department of Health Statistics, 1980)

II. UTILIZATION AND COST OF INSURING MENTAL HEALTH SERVICES

A) Current data overwhelmingly contradicts the fears of the insurance industry which seems to say that the provision of mental health outpatient benefits specifically, and inpatient benifits generally, will result in overutilization and runaway cost and abuse.

B) In twelve existing random, large insurance plans, it was learned that the

Paul Klotz - HB 2482
Attachment VI
3-7-85

highest outpatient utilization was 2.2 percent of the group population. The weighted average for all twelve plans in the study was 9.5 visits per 100 subscribers.

C) At the above rate of utilization and with an average cost of $45 per visit, each subscriber would pay $4.26 **per year** or 8 cents per week to have insurance cover the **full cost** of treatment.

D) Without question, outpatient treatment is the most cost efficient and will no doubt reduce the cost to not only the mental health patient but also to those inappropriately seeking medical related inpatient or outpatient services.

E) Only a small proportion of existing insured populations use outpatient mental health benefits.

F) The cost of **inpatient** care for mental illness is generally lower than for all other conditions.

G) Total days of inpatient care for mental illness has been running at about 9 percent of all days of care provided for all illness. (Keep in mind the 60 percent or higher figure from Section I, Item C above.)

H) In a 1974 study, there were 5 inpatient admissions for mental disorders per 1,000 covered population, or 4 percent of admissions for all health conditions.

I) Community mental health centers are an excellent source of treatment from the consumer, taxpayer and insurance industry standpoint because their emphasis is primarily aimed at outpatient treatment. Sixty-five percent of CMHC's resources are aimed at outpatient services.

J) Mental health centers are required, by law, to treat all individuals regardless of ability to pay. Therefore, centers are partially, publicly financed. Increased private payments for service correspondently reduces dependency on tax subsidies.

K) In 1975, those having mental health coverage, under the Federal Employees Health Care Plan, found that mental health benefits cost each subscriber less than $20 for the year.
(Source: U.S. Department of Health Statistics)

III. REDUCED UTILIZATION OF OTHER MEDICAL SERVICES

A) Figures collected for 1975 by the Federal Alcohol and Drug Abuse and Mental Health Administration indicated that 73 percent of those treated for mental disorders were seen in a general health care setting only.

B) A recent independent study (1980) found an overall 25 percent decrease in later use of medical services when outpatient psychotherapy was provided.

C) The largest reductions in utilization occurred with former medical patients who had previously been the highest users.

D) In Minnesota, in 1980, inpatient psychiatric charges averaged $2,800 while the outpatient averages were $90; a 30 to 1 differential. For all claims related to mental health disorder, 75 percent were for inpatient treatment. The Minnesota Blue Cross/Blue Shield **initiated** a program to divert people from inpatient to outpatient by 10 percent. Minnesota's Blue Cross/Blue Shield President noted that "besides the quality and cost considerations, outpatient care often is much less disruptive to the person's family, job and normal routine".

E) Fourteen states have mandated psychiatric coverage.

F) In Kansas, only 24 percent of Blue Cross/Blue Shield subscribers are covered by any psychiatric benefits.
(Source: BC/BS, quoted in the Kansas City Star, 1/25/84)

G) A few years ago, when the category of professional licensed social workers were added as a providing group, we were told by the insurance industry that the costs of premiums would rise dramatically. Blue Cross/Blue Shield, when asked about the increased costs for social workers said that the actual costs have been minimal.

NOTE: Source materials can be obtained by contacting Paul Klotz at 913-234-4773.

EQUAL INSURANCE COVERAGE

FOR

MENTAL ILLNESS/ALCOHOL & DRUG ABUSE

Association of Community Mental Health Centers of Kansas
820 Quincy - Suite 416
Topeka, Kansas
August, 1984

INTRODUCTION

The Surgeon General and the American Medical Association has called mental illness the number one health problem in America. Mental illness now costs America at least $40.3 billion per year and accounts for more days of hospital care than any other illness (Corrigan and Koyanagi, 1982 and the National Council of Commmunity Mental Health Centers, 1982).

The National Council of Community Mental Health Centers (1982), has stated that:

approximately 15% of the population need some type of mental health services

approximately 25% of the population suffers from mild to moderate depression, anxiety, and other indicators of emotional disorders

approximately 10 million Americans have alcohol-related problems

approximately one half of all diseases have stress-related origins

Today, community-based care has replaced hospitalization as the primary treatment for mental illness. Almost three-quarters of the treatment for mentally ill people is provided on an outpatient basis or through partial hospitalization.

Nationwide, public funding sources provide 51% of the funds for mental health services, compared to only 42% of the funds for general health care. Insurance coverage accounts for only 15% of the total expenditure for mental illness, compared with 25% of expenditures for general health (Corrigan & Koyanagi, 1982). In **Kansas, public funds provide an even higher share of the mental health cost. Approximately 65% of CMHC funding comes from public sources.**

At this time, approximately 63% of the civilian population has hospital coverage for mental illness; 54% have in-hospital provider coverage but only 37% have any outpatient coverage. Futhermore, this outpatient coverage is severely limited by higher co-payment requirements, more restrictions and lower limits than are placed on physical illness (Corrigan and Koyanagi, 1982).

Most health insurance policies provide inadequate coverage for mental illness. These policies limit mental health inpatient services to some extent, most have no more than minimal outpatient service and few, if any, cover partial hospitalization (Corrigan and Koyanagi, 1982).

The effect of this inadequate coverage is two-fold. First, it acts as a powerful **disincentive** to seek treatment in less costly and often more effective, out-patient and partial hospitalization settings. Most policies cover only inpatient hospitalization which is more costly and more restrictive than is sometimes necessary. Second, the inadequate coverage destroys the basic principle of insurance: risk sharing. **Higher co-payments and limits on benefits result in the mentally ill, and in some cases, the taxpayers, bearing a far greater burden of the costs of treatment for mental illness than for other illnesses** (Corrigan and Koyanagi, 1982).

WHY LEGISLATION?

Recognizing the importance of adequate coverage for mental and emotional problems, eleven state legislatures have passed laws that ensure equal benefits for the treatment of mental illness. These state legislatures have also recognized that legislation which guarantees equal coverage results in many other benefits.

For example, **responsible legislation that guarantees coverage for mental health services will cut down on unncecessary, and costly hospitalization. Many patients are forced to seek hospitalization because outpatient or partial hospitalization services are not paid by their insurance. When mental health benefits are available, medical utilization is reduced.**

AFFECTS ON MEDICAL COSTS

Blue Cross of Western Pennsylvania instituted psychiatric benefits and found a significant reduction in the use of **medical-surgical services. In fact, the monthly cost per patient was reduced by 50%.** The University of Washington Health Services Center reports that individuals receiving mental health services have reduced their use of outpatient medical services by 41% and the Group Health Association of Washington, D.C. reports that patients with mental health coverage have reduced their medical-surgical utilization rate by 30.7% (National Council of Community Mental Health Centers, 1982).

Jones and Vischi reviewed 13 studies and found decreased utilization of medical services occurred in 12 of the 13. Reductions ranged from 5% to 85% with a median reduction of 20%. Furthermore, Jones and Vischi hypothesized that the reduction in medical care utilization would continue to be reduced as the time after psychotherapy increased.

Jones and Vischi found only one study in which medical utilization was not reduced. This study involved a neighborhood health clinic in a medically underserved Mexican-American community. The natural expectation in such a situation is that utilization of all services would increase in response to previously unmet needs (Jones and Vischi, 1979).

The Kaiser Permanente study found a 62% reduction in outpatient medical visits and a 68% reduction in hospital days by the fifth year after psychotherapy. In a West German study, an 85% reduction in average hospital days per year occurred for a five year period after mental health treatment. The West German study concluded that the large decline in hospital utilization was caused by the psychotherapy provided because as many as 80% of the neurotic, psychosomatic and other symptoms reported had been of at least two years duration (Jones and Vischi, 1979).

The strong interrelationship between physical and mental illness is becoming increasingly apparent. There are many studies on the subject, "but the common belief among **physicians is** that **well over half of the patients who come to them have symptoms that are due wholly or in part to mental or emotional factors"** (Reible and McMillen, 1977). Northern California Kaiser Permanente found "68% of its doctor visits are for complaints for which no organic basis can be found" (Personnel Journal, 1981).

IMPROVES PRODUCTIVITY

Mental health care has not only reduced medical utilization and costs, it has had significant benefits for business and industry. **Kennecott Copper Instituted an Employee Assistance Program which resulted in a six to one benefit to cost ratio. Kennecott Copper experienced a 52% improvement in attendance, a 74.6% decrease in weekly indemnity cost and a 55.4% decrease in medical surgical costs.** The Equitable Life Assurance Society iniated an employee emotional health program and **increased productivity by $3.00 for every $1.00 spent on the program.** The Kimberly-Clark Corporation began an Employee Assistance Program, and reduced on-the-job accidents by 70% in one year (Corrigan and Koyanagi, 1982).

Bertram S. Brown reports that 80-90% of all industrial accidents are related to personal problems; 15-30% of the work force are seriously handicapped by emotioanl problems, and 65-80% of people fired by industry are terminated because of personal problems (Brown, 1973).

Barrie, found support for Brown's report when he conducted a three year study of absenteeism at Weirton Steel Company. Barrie's study demonstrated that psychiatric illness was the principal reason for the absence of 61% of those examined (Barrie, 1980).

Since 1975, there has been a significant growth in employee wellness programs among major industrial employers. However, among smaller companies, little evidence of investment in wellness programs has been shown (Golabeck and Keifhaber, 1981).

HOW MUCH WILL IT COST?

Insurance companies may oppose guaranteed equal insurance coverage for mental and nervous conditions on the premise that insurors will have to charge high premiums; however, this is not necessarily the case. Two insurance carriers who underwrite health benefits, Crown Life and Massachusetts Mutual, Incorporated a pre-paid mental health plan into their total benefits package at no additional cost to the policy holders.

> One carrier included the plan in a multi-employer trust. During the first year, (1975) their paid loss ratio dropped from 92% to 67%. Despite inflation in health care costs, there was no rate change under this policy until the fourth year after the change. It is interesting that the rate increase, which took effect in late 1978, followed a period in which publicity, employee meetings and distribution of educational materials on the mental health plan were discontinued. Experience with other groups also shows that an ongoing educational effort is essential to the success of this plan (PERSONNEL JOURNAL, 1981).

The experience of many major insurance plans suggests that:

only a small proportion of the insured population uses outpatient mental health benefits;

the number of visits is generally low, particularly when controlled by a combination of co-payments, deductibles or visit limits;

expenditures for mental health services are not a disproportionate part of health benefit packages (Corrigan and Koyanagi, 1982).

Van Korff and Kramer (1979), examined utilization data from 12 large insurance plans that provided coverage for outpatient mental health services. **In the group that had the highest percentage of claims for outpatient treatment, only 2.2% of the people made claims. The highest average number of visits was 18.8, in a plan that had no upper limit on the number of outpatient sessions. The weighted average for all 12 plans was 9.5 visits per 100 covered members. With this rate of utilization, and using a cost of $45 per visit, each covered member would pay $4.26 per year, or 8 cents per week to cover the full cost of treatment. With 80% co-insurance, each covered member would pay $3.40 per year or 6.5 cents per week** (Van Korff and Kramer, 1979).

WORST CASE

Several studies of the Federal Employees Health Benefits Program (FEHBP) high option plan have been conducted. The plan covers 365 days of inpatient mental health care and reimburses 80% of the costs of out-patient treatment after a $100 deductible.

During the period from 1966 to 1973, when all medical costs were increasing rapidly, Blue Cross/Blue Shield experienced an annual increase of 25% in the cost of claims for treating mental disorders under the FEHBP high option. Because the FEHBP in Washington, D.C. combines comprehensive benefits, a population with abundant providers and an insured population that is willing to use mental health services, some of its experience probably describes the **upper limit of mental health utilization** (Corrigan and Koyanagi, 1982).

For example, Towery, Sharfstein and Goldberg (1980) examined the FEHBP for the six month period from January to June, 1977 and found that:

> **two percent of the population used supplemental benefits for outpatient mental health services;**
>
> those who used outpatient services made an average of 32.7 visits during the year;
>
> fifty percent of people using outpatient services had 20 visits or less; 63 percent had 30 visits or less and only six percent had more than 100 visits.
>
> **for 506,451 outpatient contacts, the cost was about $26.50 per insured person and the average cost for an outpatient visit was $39.72** (Towery, Sharfstein and Goldberg, 1980).

An earlier study of FEHBP showed that mental health care was a small part of total health care costs. In 1974 there were only 5 inpatient admissions for mental disorders per 1000 covered people and the cost of inpatient care for mental illness was $75 per day compared with $108 per day. While the average length of stay for people with mental disorders was 17 days, compared with 7.3 days for all other disorders, **the cost of inpatient mental health care was only $6.50 annually per person covered under the FEHBP Blue Cross/Blue Shield plan** (Corrigan and Koyanagi, 1982).

Corrigan and Koyanagi (1982) state:

> **The potential for cost savings by averting inpatient psychiatric care was the major impetus** behind the "Effective care '81" program initiated by Blue Cross and Blue Shield of Minnesota. In 1980, inpatient psychiatric charges averaged $2,800, while the outpatient average was $90 - a 30 to 1 differential. For all claims related to mental and emotional disorders, 75% were for inpatient treatment. The Effective Care '81 program was designed to reduce total inpatient days 10% by diverting appropriate cases to outpatient treatment. James O. Ragneir, President of Blue Cross and Blue Shield of Minnesota, noted that 'besides the quality and cost considerations, out-patient care often is much less disruptive to the person's family, job and normal routine' (Corrigan and Koyanagi, 1982).

Partial hospitalization is also less expensive and often more effective alternative to inpatient psychiatric hospitalization. The cost of a day of partial hospitalization is usually one half to one third the cost of a day of inpatient care.

Greene and De La Cruz (1981), compared partial hospitalization with inpatient treatment in a review of eleven research studies. They concluded that, overall, partial hospitalization is unequivocally more cost-effecient than inpatient treatment and that partial hospitalization, or day treatment, is superior to inpatient treatment in effecting client social adjustment. The two treatment modes are comparable in alleviating psychopathological symptoms and day treatment is at least comparable to inpatient care in preventing subsequent relapses. Furthermore, day treatment reduces family stress as compared to inpatient care (Greene and De La Cruz, 1981).

SUMMARY

If projected savings based on cost offsets and different treatment modes are so significant, legislators may ask why insurers and employers need a public mandate to provide mental health coverage equal to coverage for physical health. A major obstacle remains - - **insurance companies do not routinely collect and analyze their data in a way that allows them to assess cost offsets.** The studies which have been cited have been specifically designed to examine the impact of mental health benefits.

It has been demonstrated that equal insurance coverage for mental and nervous conditions should result in reduced medical utilization and lower over-all health costs. In addition employers should benefit by having a healthier, happier work force that will have fewer accidents, better attendance and will produce more.

Mentally ill people will benefit from such legislation because they will be able to choose appropriate treatment that may be delivered in time to prevent problems from becoming so severe that hospitalization is necessary. Kansas taxpayers should also benefit from mental health coverage that is more equal to physical health coverage. The private sector will be required to share the costs of providing mental health care, freeing limited state dollars to fund services for the chronically mentally ill.

For Further Information Contact:
Paul Klotz (913) 234-4773

07/84

Session of 1984

HOUSE BILL No. 2795

By Committee on Insurance
(By request)

1-27

0016 AN ACT concerning insurance; relating to reimbursement or
0017 indemnity for treatment of alcoholism, drug abuse or nervous
0018 or mental conditions; amending K.S.A. 40-2,105 and repealing
0019 the existing section.

0020 *Be it enacted by the Legislature of the State of Kansas:*
0021 Section 1. K.S.A. 40-2,105 is hereby amended to read as
0022 follows: 40-2,105. ~~Unless refused in writing,~~ *On or after the*
0023 *effective date of this act,* every insurer, which issues any *indi-*
0024 *vidual or* group policy of accident and sickness, medical or
0025 hospital expense insurance which provides for reimbursement or
0026 indemnity for services rendered to a person covered by such
0027 policy in a medical care facility, must provide for reimbursement
0028 or indemnity under such policy which shall be limited to not less
0029 than ~~thirty (30)~~ *30* days per year when such person is confined for
0030 treatment of alcoholism, drug abuse or nervous or mental condi-
0031 tions in a medical care facility licensed under the provisions of
0032 K.S.A. ~~1978 Supp.~~ 65-429 ~~or~~ *and amendments thereto,* a treat-
0033 ment facility for alcoholics licensed under the provisions of
0034 K.S.A. ~~1978 Supp.~~ 65-4014 *and amendments thereto,* a treatment
0035 facility for drug abusers licensed under the provisions of K.S.A.
0036 ~~1978 Supp.~~ 65-4605 *and amendments thereto,* a community
0037 mental health center or clinic licensed under the provisions of
0038 K.S.A. 75-3307b *and amendments thereto* or a psychiatric hospi-
0039 tal licensed under the provisions of K.S.A. 75-3307b *and*
0040 *amendments thereto.* ~~Unless refused in writing,~~ Such policy
0041 shall also provide for reimbursement or indemnity of the costs of
0042 treatment of such person for alcoholism, drug abuse or nervous
0043 or mental conditions, limited to not less than ~~one hundred~~
0044 ~~percent (100%)~~ *100%* of the first ~~one hundred dollars ($100)~~ *$100*
0045 and ~~eighty percent (80%)~~ *80%* of the next ~~five hundred dollars~~
0046 ~~($500)~~ *$500* in any year, in ~~said~~ *the* facilities ~~hereinbefore~~ enu-
0047 merated *in this section* when confinement ~~therein~~ is not neces-
0048 sary for ~~said~~ treatment or by a physician licensed or psychologist
0049 certified to practice under the laws of the state of Kansas.
0050 Sec. 2. K.S.A. 40-2,105 is hereby repealed.
0051 Sec. 3. This act shall take effect and be in force from and
0052 after its publication in the statute book.

(OVER)

SENATE BILL No. 781

By Committee on Public Health and Welfare

2-21

0016 AN ACT concerning insurance; relating to reimbursement or
0017 indemnity for treatment of alcoholism, drug abuse or nervous
0018 or mental conditions; amending K.S.A. 40-2,105 and repealing
0019 the existing section.

0020 *Be it enacted by the Legislature of the State of Kansas:*
0021 Section 1. K.S.A. 40-2,105 is hereby amended to read as
0022 follows: 40-2,105. ~~Unless refused in writing,~~ *On or after the*
0023 *effective date of this act,* every insurer~~,~~ which issues any group
0024 policy of accident and sickness~~,~~ *insurance and, unless refused in*
0025 *writing, every insurer which issues any individual policy of*
0026 *accident and sickness insurance providing* medical, *surgical* or
0027 hospital expense ~~insurance~~ *coverage for other than specific*
0028 *diseases or accidents only and* which provides for reimburse-
0029 ment or indemnity for services rendered to a person covered by
0030 such policy in a medical care facility~~,~~ must provide for reim-
0031 bursement or indemnity under such policy which shall be lim-
0032 ited to not less than ~~thirty (30)~~ *30* days per year when such person
0033 is confined for treatment of alcoholism, drug abuse or nervous or
0034 mental conditions in a medical care facility licensed under the
0035 provisions of K.S.A. ~~1978 Supp.~~ 65-429 ~~or~~ *and amendments*
0036 *thereto,* a treatment facility for alcoholics licensed under the
0037 provisions of K.S.A. ~~1978 Supp.~~ 65-4014 *and amendments*
0038 *thereto,* a treatment facility for drug abusers licensed under the
0039 provisions of K.S.A. ~~1978 Supp.~~ 65-4605 *and amendments*
0040 *thereto,* a community mental health center or clinic licensed
0041 under the provisions of K.S.A. 75-3307b *and amendments*
0042 *thereto* or a psychiatric hospital licensed under the provisions of
0043 K.S.A. 75-3307b *and amendments thereto.* ~~Unless refused in~~
0044 ~~writing,~~ Such *group* policy *of accident and sickness insurance*
0045 *and, unless refused in writing, such individual policy of accident*
0046 *and sickness insurance* shall also provide for reimbursement or
0047 indemnity of the costs of treatment of such person for alcoholism,
0048 drug abuse or nervous or mental conditions, limited to not less
0049 than ~~one hundred percent (100%)~~ *100%* of the first ~~one hundred~~
0050 ~~dollars ($100)~~ *$100* and ~~eighty percent (80%)~~ *80%* of the next ~~five~~
0051 ~~hundred dollars ($500)~~ *$1,125* in any year *and limited to not*
0052 *more than $15,000 in such person's lifetime,* in ~~said~~ *the* facilities
0053 ~~hereinbefore~~ enumerated *in this section* when confinement
0054 ~~therein~~ is not necessary for ~~said~~ treatment or by a physician
0055 licensed or psychologist certified to practice under the laws of
0056 the state of Kansas.
0057 Sec. 2. K.S.A. 40-2,105 is hereby repealed.
0058 Sec. 3. This act shall take effect and be in force from and
0059 after its publication in the statute book.

(OVER)

5 RS 0024

BILL NO. ________

By

AN ACT concerning insurance; relating to reimbursement or indemnity for treatment of alcoholism, drug abuse or nervous or mental conditions; amending K.S.A. 40-2,105 and repealing the existing section.

Be it enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. 40-2,105 is hereby amended to read as follows: 40-2,105. ~~Unless--refused-in-writing,~~ On or after the effective date of this act, every insurer~~,~~ which issues any group policy of accident and sickness~~,~~ insurance and, unless refused in writing, every insurer which issues any individual policy of accident and sickness insurance providing medical, surgical or hospital expense ~~insurance~~ coverage for other than specific diseases or accidents only and which provides for reimbursement or indemnity for services rendered to a person covered by such policy when confined in a medical care facility or for services rendered to a person covered by the policy in a medical care facility enumerated in this section when confinement is not necessary for treatment or for services rendered to a person covered by the policy by a physician licensed or psychologist certified to practice under the laws of the state of Kansas, must provide for reimbursement or indemnity under such policy which shall be limited to not less than ~~thirty-(30)-days~~ $10,000 per year when such person ~~is-confined-for-treatment-of~~ is treated for alcoholism, drug abuse or nervous or mental conditions ~~in~~. The term medical care facility shall mean a medical care facility licensed under the provisions of K.S.A. ~~1978-Supp.~~ 65-429 ~~or~~ and amendments thereto, a treatment facility for alcoholics licensed under the provisions of K.S.A. ~~1978-Supp.~~ 65-4014 and amendments thereto, a treatment facility for drug abusers licensed under the

provisions of K.S.A. ~~1978-Supp.~~ 65-4605 and amendments thereto, a community mental health center or clinic licensed under the provisions of K.S.A. 75-3307b and amendments thereto or a psychiatric hospital licensed under the provisions of K.S.A. 75-3307b and amendments thereto. ~~Unless-refused-in-writing,-such policy--shall--also-provide-for-reimbursement-or-indemnity-of-the costs-of-treatment-of-such-person-for-alcoholism,-drug--abuse--or nervous--or--mental--conditions,--limited--to--not--less-than-one hundred-percent-(100%)-of-the-first-one--hundred--dollars--($100) and--eighty-percent-(80%)-of-the-next-five-hundred-dollars-($500) in-any-year-,-in-said--facilities--hereinbefore--enumerated--when confinement--therein--is-not-necessary-for-said-treatment-or-by-a physician-licensed-or-psychologist-certified--to--practice--under the-laws-of-the-state-of-Kansas.~~

Sec. 2. K.S.A. 40-2,105 is hereby repealed.

Sec. 3. This act shall take effect and be in force from and after its publication in the statute book.

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FACT SHEET:
EQUAL INSURANCE
COVERAGE FOR MENTAL ILLNESS
Association of CMHCs of Kansas

Currently, eleven states regulate insurance coverage for treatment of mental and emotional problems by guaranteeing that benefits for mental illness are more nearly equal to benefits for physical illness. Most health insurance policies provide inadequate coverage for mental illness by limiting inpatient services and by providing no more than minimal outpatient services. Few, if any policies, cover partial hospitalization. Inadequate or untimely treatment of mental disorders is very costly in terms of the well-being of the individual, stability of the family and productivity in the work place. It may also result in costly and unnecessary hospitalization.

FACT: Over 50% of the patients who go to physicians have symptoms due wholly or in part to mental or emotional factors.

FACT: Some patients are forced to seek costly hospitalization because outpatient or partial hospitalization services are often not covered by their insurance.

FACT: Most current insurance plans provide incentives for inpatient care by paying only for inpatient care rather than for outpatient or partial hospitalization care.

FACT: Partial hospitalization and outpatient services are more effective than inpatient care in effecting client social adjustment and reducing family stress, and is comparable to inpatient care in preventing relapses.

FACT: The cost of partial hospitalization or outpatient services are usually one half, to one third the cost of inpatient care.

Insurance coverage for mental illness will decrease medical utilization and result in a cost-offset which will save consumers money.

FACT: Jones and Vischi reviewed 13 studies and found that decreased medical surgical utilization occurred in 12 of 13 studies when mental health care was insured. Reduction in utilization ranged from 5% to 85% with a median reduction of 20%.

FACT: Blue Cross of Western Pennsylvania instituted psychiatric benefits and found a significant reduction in medical utilization - the monthly cost per patient was reduced 50%.

FACT: The University of Washington Health Services Center found a 41% reduction in the use of outpatient medical services by individuals receiving mental health services.

FACT: The Group Health Association of Washington, D.C. found that patients with mental health coverage reduced their medical-surgical utilization by 30.7%.

(OVER)

Equality of insurance coverage for mental illness has significant benefits for business and industry.

FACT: Equitable Life initiated an emotional health program for employees and increased productivity by $3.00 for every $1.00 spent.

FACT: Kimberly-Clark began an Employee Assistance Program and realized a 70% reduction in accidents.

FACT: Kennecott Copper started an Employee Assistance Program and found a 6 to 1 benefit to cost ratio; a 52% improvement in attendance; a 74.6% decrease in weekly indenmity costs; and a 52.4% decrease in medical costs.

Currently most insurance policies have higher co-payments, more restrictions and lower limits for mental health care than are placed on physical illness. As a result, the mentally ill, and in some cases, the taxpayer, must bear a far greater burden for the cost of mental illness than for physical illness. Equality of insurance coverage for mental illness will ensure that the private sector shares in the cost of providing mental health, thus freeing limited state dollars to fund services for the chronically mentally ill.

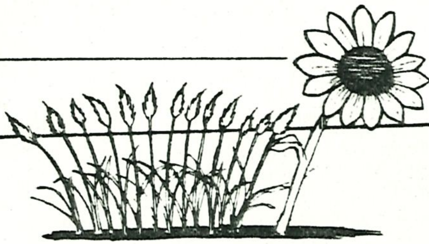
FACT: Nationwide, public funding sources provide 51% of the funds for mental health care, compared with 42% of the funds for general health care. In Kansas over 60% of mental health care costs are paid from public sources.

FACT: Insurance coverage accounts for only 15% of the total expenditures for mental health care compared with 25% of the expenditures for general health care.

FACT: In 1980, fee collections in mental health centers in New Hampshire increased 100% since insurance coverage for mental health care was mandated in 1977.

More equal insurance coverage for mental and nervous conditions prevents unnecessary and costly hospitalization, benefits employers, reduces medical costs by reducing utilization and saves tax dollars.

7/84



Kansas Association of Alcohol and Drug Program Directors

March 7, 1985

TO: House Insurance Committee Members

FROM: ~~George Heckman~~, KAADPD Elizabeth Taylor

RE: Support for HB 2482

The Kansas Association of Alcohol and Drug Program Directors represents more than 45 agencies providing alcohol and drug abuse services in our state. The member agencies operate treatment, prevention and alcohol-drug safety action programs in a variety of settings across our state.

This testimony speaks only to our support of the provisions of this bill relating to alcohol and other drug treatment.

If someone in your family has heart disease or diabetes, you can count on your health insurance to cover treatment costs. Your insurance will pay for treatment needed to reduce the impact of the disease and it will probably pay for a variety of other services needed to help you or your loved ones regain a reasonably normal life.

But if your family needs treatment for alcoholism or drug dependence, you can't count on your insurance for help - at least not in Kansas. Some policies may pay for a limited stay in the hospital if you've deteriorated to the point that you must have acute medical care. But your policy probably won't pay for treatment in a less expensive non-hospital facility for alcoholism and other drug dependence or for follow-up outpatient treatment to help you on the difficult road back from alcoholism to a normal life.

Alcoholism is the third most serious health problem in the country after heart disease and cancer. Over 155,000 Kansans are estimated to be problem drinkers. Their drinking negatively affects many others in their families, on their jobs and in their communities. Alcohol and other drug abuse destroys families, undermines job performance, maims people on our highways and strains our health care system. The price tag on this problem in lost work time and reduced productivity, increased health and welfare costs, property damage, accidents and medical expenses is enormous. And that doesn't begin to count the human costs of broken homes, ruined careers and personal anguish.

Attachment VII
3-7-85
HB 2482

Some people use the argument that alcoholism is a self-inflicted condition. It is hard to understand why most health insurance covers conditions as diverse as suicide attempts, athletic injuries, accidents due to carelessness and cancers caused by smoking. Technically these conditions can be considered self-inflicted and yet are covered by health insurance. Why then should alcoholism and drug dependence be singled out for exclusion on this basis, when so many other health problems are covered? Distinguished health care organizations such as the American Medical Association and the World Health Organization have long recognized that alcoholism is a disease. However, many health insurance organizations have failed to acknowledge this fact by extending their coverage.

Several studies indicate that cost is minimal for providing mandatory insurance. In 1973, the Kemper Insurance Company extended coverage for hospital alcoholism treatment at no additional charge to its policyholders and continues to do so today.

In 1977, the mandated insurance package for Wisconsin was evaluated by Blue Cross at the request of the Wisconsin legislature. The monthly costs were determined to be $.42 for a single policy and $1.21 for the family. This information is based on actual cost experience of five years.

In 1978, the State of Virginia asked for a bid from BC/BS for 3 comprehensive benefit plans for substance abuse treatment. The premium bids were given at $.067 cents per month for an individual and $.17 per month for a family.

In 1981, an analysis of 337,000 participants in the California alcoholism treatment benefits package indicated that the projected premium addition fluctuated from .09 to .19 per subscriber per month.

In 1983, an analysis of the New York State employee alcoholism benefit covering 700,000 persons established the cost of the benefit to be under $2 per person per year for a plan begun in 1979.

As of January 1, 1983, Blue Cross of Northeastern New York began providing coverage of alcoholism services to all its community rated subscribers at no specific additional charge.

Kansas is playing "catch-up" when the question or coverage for alcoholism and drug dependence is raised. Practical outpatient treatment and residential rehabilitation programs are available and cost much less than acute care in general hospitals. There is no longer any need to put up with the costly and frustrating "revolving door" in which an alcoholic goes through detoxification again and again with no follow-up treatment because his or her insurance only covers actual hospital care for the medical conditions caused by alcoholism.

Your support of mandatory health insurance coverage for alcoholism and drug dependence will save lives and increase the likelihood that people will seek help for these illnesses. Twenty one other states have realized that providing mandatory insurance coverage for alcoholism and drug dependence is a good investment in the future of their state. Let's have legitimate coverage for a very real public health problem.

Kansas Alcoholism and Drug Abuse Counselors Association

(Mailing Address)
P.O. Box 1732
Topeka, Kansas 66601
913-233-7145

March 7, 1985

TO: House of Representatives - Insurance Committee - Representative Hoy, Chairperson

FROM: Kansas Alcoholism and Drug Abuse Counselors Association

SUBJECT: H.B. 2482

Dear Chairman and Committee Members:

I am representing the Kansas Alcoholism and Drug Abuse Counselor's Association (KADACA). This Association has a membership of 260 Certified Alcoholism and Drug Counselors (CADC) working throughout the State of Kansas. The large majority of these Counselors are employed by agencies and programs licensed or certified by the State of Kansas which are covered in H.B. 2482.

Alcoholism has been recognized as a disease by the American Medical Association and the World Health Organization since the 1950's. We feel this disease should be recognized as such in Health Insurance policies with payment for treatment of the disease being mandatory in all Health Insurance policies in Kansas.

We wholeheartedly support this concept and respectfully request your consideration of such as you address H.B. 2482.

Sincerely,

Ronald L. Eisenbarth
Chairman - KADACA
Legislative Committee

RLE/peb

Attachment 8
3-7-85

K.F.F.M.H.

Kansas Families For Mental Health

1268 Western
Topeka, Kansas 66612
913-232-6807

HB 2482 March 7, 1985

My name is Howard Snyder from Prairie Village. I am testifying today in support of House Bill 2482. I am President of KFFMH which is a new statewide organization of local family support groups who have family members suffering from long term mental illness. We have local chapters in Lawrence, Topeka, Johnson County, Kansas City, Wichita, Hiawatha, Concordia, Manhattan, Hutchinson, Newton, McPherson, Emporia, and a new group forming in Phillipsburg.

I am here testifying today in support of mandatory mental illness insurance, but not for the families who presently belong to KFFMH. Those of us who had insurance have long ago run out. We are concerned about the future. Our worry is that families who have a member suffering mental illness in the future will not have any insurance coverage. If they don't they will only have two choices: to not seek treatment or to seek treatment paid for by the state. So what we are really talking about is whether the private sector is going to assume a very small responsibility for the treatment of mental illness or are the state and the taxpayers going to have to carry the whole load. Somebody will pay for it. If Kansans had insurance coverage, they would be paying some part of it themselves.

Under the present law Kansans are supposed to have an option to choose whether they want to have mental health coverage. In reality it does not work that way. Only a few employers or other group leaders have the choice. Their interests may coincide with the best interests of their group members or their employees, but we expect that the final decisions are based more on dollars than the best interests of people's health.

Some insurance companies have voluntarily agreed to pay for organ transplants. This creates a ludicrous situation whereby if we had the technology they would pay for brain transplants, but refuse to pay for brain repair. A similar ludicrous situation would be for the comparies to voluntarily agree to pay for a new arm, but to refuse to pay for setting a broken bone in an arm.

On the front page of the Kansas City Star on March 6th was a story about the homeless in Kansas City. They estimate that there are 4500 homeless people in the Kansas City area. National studies by the American Psychiatric Association have shown that anywhere from 30% to 50% of the homeless people across the country are mentally ill. Some of these people that are mentally ill and on the streets may be there because they didn't have insurance. We have no way of knowing the exact figure but if only a few could be saved from a life on the streets, from the passage of this bill the effort would be worthwhile.

Howard W. Snyder
President

Attachment 9
3-7-85
HB 2482

TESTIMONY ON HB 2482

Committee on Insurance

March 7, 1985

I am Kay Mettner, Executive Director of the Mental Health Association in Kansas. We are an organization of volunteers dedicated to the care and treatment of the Mentally Ill.

I stood before this committee last year requesting your adoption of HB 2795. I am back again this year begging you to adopt HB 2482.

Perhaps the most critical question which arises when expanded coverage of Mental Health services is proposed is cost. However, numerous studies have demonstrated that coverage of Mental Health services reduces utilization of other health services, in fact, reduces the total cost of health care.

I have sighted some examples which I won't go into now. You may read them at your leisure. [attached]

The last thing I would like to say is that Mental illness is no different than any other disease covered by insurance. By not adopting this bill you are telling the citizens of Kansas that you, as their represenatives, don't believe that their Mental Health is important. We as an association believe it is the most important.

Please vote yes for HB 2482--Help bring mental illness out of the closet.

Thank you.

Attachment X

cost of health care:

- Blue Cross of Western Pennsylvania assessed the impact of mental health outpatient treatment on medical/surgical costs. Such services were not made available to a comparison group of subscribers. The findings showed that the medical/surgical utilization rate was reduced significantly for the group which had available the psychiatric benefits. The monthly cost per patient for medical services was more than halved--dropping from $16.47 to $7.06. The overall cost to the insurer (with mental health treatment factored in) was reduced by 31 percent.

- A study by Rosen and Wiens at the Medical Psychology Outpatient Clinic at the University of Oregon Health Science Center studied both children and adults (using a control group) and found significant group effects for changes in the number of medical outpatient visits, pharmaceutical prescriptions and diagnostic services. For each of these three measures, those receiving mental health services reduced their use of medical outpatient services by 41%. Data indicated that this change was taking place with all patients, not just high-utilizers of medical services.

- Group Health Association of Washington indicated that patients treated by mental health providers reduced their non-psychiatric physician usage within the HMO by 30.7 percent in the year after referral for mental health care compared to the previous year. Use of laboratory and x-ray services declined by 29.8 percent.

- Kaiser Plan in California estimated that the subsequent savings for each patient receiving psychiatric treatment were on the order of $250 per year.

(over)

- In a study detailed at the April 1978 Southwestern Psychological Association Meeting it was found that among children specifically, the presence of reimbursable mental health care reduced the mean number of physician visits for other purposes by 36 percent. Indeed, a matched control group, for whom such mental health services were not made available, suffered an increase of 30 percent in the mean number of other physician visits during the same period.

- An unpublished study by Shapiro and Goldensohn (NIMH contract) using the Health Insurance Plan of New York (a comprehensive prepaid group practice) compared a study group with three comparison groups regarding utilization of family doctor, specialist, x-ray and laboratory services. The study group, which received mental health treatment, showed a significant decline in utilization of family doctor and specialist services compared to the comparison groups, and a decrease in x-ray and laboratory services which was not statistically significant.

- A study to explore the impact on general outpatient medical care utilization resulting from outpatient mental health intervention was conducted by Group Health Cooperative of Puget Sound. This study used two study groups: one with prepaid members and one consisting of fee-for-service patients.

  The study groups began with high utilization rates, as compared to the controls, and after receiving treatment declines in their utilization rates were found to be very substantial. Medical care utilization for these study groups dropped to a level comparable to the controls. The study found little difference in the overall utilization on patterns of prepaid and fee-for-service study groups.

- In an unpublished NIMH contract study, the impact of psychiatric treatment for Medicaid enrollees in a prepaid plan on their utilization of outpatient medical services was studied. The treatment group reduced utilization of family doctor, and specialist services by 11% and 15% and of laboratory and x-ray services by 25%. In contrast, a comparison group diagnosed as having mental, emotional or psychological problems, but not receiving treatment under the group plan for such disorder, increased their utilization of other services, particularly of specialists, laboratory and x-ray services.

Kal Makela
7251 Lowell Avenue
Overland Park, Kansas 66204
Tel. 913 -262-0770

March 7, 1985

STATEMENT ON HOUSE BILL NO. 2482 - INSURANCE

I am Kal Makela from Overland Park, Kansas. As a member of Families For Mental Health in Johnson County, I join the other members in support of House Bill No. 2482. In addition, I am for the bill for the following more personal reasons.

1. We have a 38 year old daughter who has been severely mentally depressed for the last four years. She has not been well enough to work and has been living at home with us. Her health insurance at the time she became ill did not include treatment for mental illness other than if hospitalized. The Kansas laws would have prevented us from committing her for treatment involuntarily because at no time did she seem to be dangerous to herself or others. Thus we have wound up paying for many psychological and psychiatric counseling visits. It would certainly help families in situations similar to ours if Kansas laws required insurance companies to consider mental illness as being no different than any other illness requiring treatment.

2. Last summer a friend of mine, 50 years of age, committed suicide. He and I had spent many, many hours talking about his problems...both real and perceived. The psychiatrist who had treated him the year before (and had in the meantime moved out of the state) had determined that a chemical imbalance was substantially contributing to his mental condition. I saw his condition deteriorate and I kept urging him to return to the hospital or find another psychiatrist to help him back to health. I firmly believe that if Kansas required insurance companies selling insurance in the state to regard mental illness like any other illness my friend would probably be alive today. Among the reasons he stated that he would not seek further treatment for his mental condition was the lack of insurance coverage. He did not want the heavy financial costs of treatment to become a severe financial burden to his family. I know the family...they would have sacrificed whatever would have been necessary to provide treatment if my friend would have accepted that. Surely you realize that when a person is mentally ill they do not make rational decisions - - even in life and death matters.

Kal Makela

Attachment XI

BANKERS LIFE NEBRASKA

GROUP CLAIMS DIVISION
Wichita Claim Office
955 Parklane
Wichita, Kansas 67218
Telephone (316) 685-1437

March 6, 1985

For presentation to the Committee on Insurance.

Mr. Chairman, Committee Members and Interested Parties:

My name is William E. Horn. I am the Group Claim Manager-Wichita for Bankers Life Nebraska, a position held for the last 17 years. I am also a member of the Sedgwick County Roundtable for Cost Containment.

This opportunity to express a few words against House Bill 2482 and the mandating of coverages for nervous and mental disorders and /or substance abuse is appreciated. My comments can be considered in oppostion to mandated coverages for all conditions or providers. We strongly feel an insurance policy should be written for the benefit of the policyholders and not for the benefit of the providers of a service covered by that policy. Further, it is felt the policyholder and not the provider should have the right to determine the level of care it is willing to pay for.

Many group policyholders today are very sophisticated in the purchase of health benefits and determining the needs of employees through the purchase of services of professionals in the health provider field. Treatment programs are studied and coverage then sought in the most cost effective way. Cost effectiveness does not mean the least expensive but means obtaining necessary care at a reasonable cost. This is an ongoing study and necessary changes on a current basis can be made. Such flexibility and effectiveness is limited or destroyed by legislative mandates.

 HOME OFFICE: LINCOLN, NEBRASKA 68501

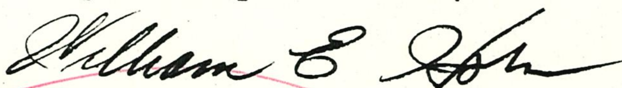
Health Insurors are being challenged today by alternate delivery programs. Health Maintenance Organizations, Preferred Provider Organizations, Individual Practice Associations and Self Insurance arrangements grow annually. Legislative restrictions on insurance coverages drives more and more individuals to these other delivery systems. Some of these are not yet proven on a long term wide spread basis. Providers pressing for mandatory legislation could find themselves outside of any coverage if current trends continue. It will be far better for all if insurance provisions are negotiated rather than legislated.

Historically, to mandate coverages results in higher fees or increased overutilization of services or both over that seen in voluntary coverages provided. The results have been increased costs with questionable improvement in care or cure.

We are not against the offering of coverage for mental illness or drug abuse. We are against forcing the purchaser to buy these coverages. Through the collective bargaining process a specific benefit plan is negotiated. Enactment of mandatory legislation would alter these many negotiated packages of fringe benefits. Costs would be increased at a time when all are especially concerned about escalating health care expenditures.

Thank you for listening and we trust these comments will be weighed in your final decision.

Respectfully Submitted,



William E. Horn, F.L.M.I.

Group Claim Manager-Wichita

Beech Aircraft Corporation
Wichita, Kansas 67201
U. S. A.

STATEMENT BEFORE THE
KANSAS HOUSE COMMITTEE ON INSURANCE
MARCH 7, 1985

Mr. Chairman, members of the committee, my name is Don Snyder, Manager of Health Programs for Beech Aircraft Corporation. We have airplane manufacturing plants in Wichita, Liberal, Salina and Andover. I appreciate the opportunity today to express our reservations concerning House Bill 2482. We are opposed to this proposed legislation.

At the outset I'd like to indicate our appreciation for the services rendered by health care professionals, of all levels, at Community Mental Health Centers, and alcohol and drug treatment facilities, throughout Kansas. We are pleased with the valuable assistance they provide our employees.

Beech is a leader in providing a liberal plan of benefits for the treatment of mental illness, alcoholism and drug abuse. Our insurance plan covers both inpatient and outpatient treatments. Beech assists employees in identifying mental health, alcoholism and drug abuse problems through its participation with EMPAC (Employee Assistance Consultants), an employee problem identification and referral agency. We were among the founders of EMPAC, which is entirely funded from corporate sources.

Our benefit plan was designed to require services of the most qualified professionals available when treating serious mental disorders, alcoholism and drug abuse. As a practical matter our insurance package reimburses for mental

Attachment XIII

health care rendered by a physician or certified psychologist. K.S.A. 40-2, 105 currently permits an employer (the purchaser of insurance) to reject, in writing, coverage for treatment by other, less qualified or less trained providers.

In our judgement amending 40-2, 105 by deleting the "unless refused in writing" option for group insurance contracts, would remove an important qualification currently applied to providers requesting reimbursement from our group health insurance plan.

At the center of this question is whether the legislature wishes to mandate the kind of insurance package the purchaser is required to buy. We have no problem with directions given insurance companies concerning the kind of package offered. However, as the consumer we should be allowed a choice whether we want such coverage or something tailored to our specific needs.

Through the collective bargaining process a specific benefit plan was negotiated. Inactment of this proposed legislation would alter this negotiated package of fringe benefits, injecting the legislature into collective bargaining. The proposed amendment would change the negotiated benefits, and increase costs, because considerably more health care practitioners would be covered.

In our judgement the proposed amendment is unnecessary. The insured already has the option of requiring insurance companies to cover all services of a community mental health center, alcoholism and drug abuse treatment facilities by not rejecting the provisions of K.S.A. 40-2, 105.

Thank you.

HOUSE BILL (DRAFT 5 RS 0170)
Estimated Additional Annual Costs to
Blue Cross and Blue Shield of Kansas, Inc.

A. Inpatient: Currently all subscribers, both group and non-group, have a minimum of 30 days NM, DA, A and most groups have 120 days. We estimate that the limit of $4,000 per year is a lesser benefit than 30 days and would therefore result in no additional costs.

B. Outpatient: Currently, groups have the option of $500, $1,000 or $2,000 O.P. Psychiatric benefits. Shown below are the estimated additional annual costs for those groups with less than $1,000 to increase benefits to $1,000 plus the costs of adding the benefit to Non-Group, Farm and Plan 65/Plan D.

	Estimated Additional Annual Costs		
	Inpatient	Outpatient	Total
Community Group	$ 0	$2,229,100	$ 2,229,100
Merit Rated Group	0	4,376,000	4,376,000
State Employee Group	0	0	0
Farm*	0	274,900	274,900
Non-Group*	0	573,000	573,000
Plan 65/Plan D*	0	5,746,500	5,746,500
Total	$ 0	$13,199,500	$13,199,500

* Assumes mandatory on all contracts. In order to offer this coverage to Non-Group, Farm and Plan 65 subscribers on an individual selection basis, it would be necessary to impose restrictions such as waiting periods for as long as twelve months and to increase the subscriber's share of cost in the coinsurance. Without such limitations, the rates would reflect a minimal spread of risk and would approach the actual costs for each subscriber utilizing the coverage.

Submitted by Jack Roberts oppose 2482

Attachment XIV

(# 2290)

Testimony of Margaret Gebhardt — (Prop.)

Mr. Chairman, Members of the Committee:

I feel privileged to be able to be here today and speak in behalf of this most important House Bill 2290.

This could be one of the most important bills to be passed which would serve the people of Kansas of which you represent.

Especially important to the Senior Citizens of which we are many, I personally donate my time assisting three (3) Senior Citizens paying their bills and many other duties which help keep their homes going so they can stay in their homes.

They are mentally alert and yet may forget if they had paid an important bill before the deadline, or maybe put it away and therefore not remember again perhaps until they think they may need it. However this can happen to the younger citizens as well, it is not the habit of the Senior Citizen alone.

Therefore I urge the passage of H.B. 2290 which would require the Insurance Companies to mail a reminder before the cancellation deadline by Certified Mail assuring them they would be given an opportunity to prevent cancellation of their Health Insurance.

I know some who have carried Health Insurance with the same company all of their adult lives, and they certainly deserve this kindness.

Have any of you been guilty of misplacing something or hid it so good not even you could fine it, or forget something which was very important to you, then thought of it too late to participate. I have, yet I am not senile.

Attachment XV

Let's pass this bill and guarantee the Senior Citizens and all other Kansas Policy Holders that we care, and we will provide a means to prevent this from happening.

This is an advantage for our state as well as the people. A cancellation could cause the person whose insurance was canceled to be wiped out financially, and be forced to go on welfare, which would cost the taxpayers.

I hope each of you can see the importance of this H. B. Bill and vote favorably here in the Committee and see that it passes favorably through the entire House and Senate so it can become a reality.

Thank You
Margaret L. Gebhardt
Silver Haired Legislator
410 Blue Grass Drive
Bonner Springs, KS 66012

TESTIMONY ON HOUSE BILL 2290
NOTICE TO POLICY HOLDERS OF PREMIUMS DUE
BY Clarence Arndt
MARCH 7, 1985

Bill Brief:

Notice of premiums due on insurance policies is required.

Bill Provisions:

Notification of premium due date and termination of coverage date prior to termination for non-payment of premiums is provided for by requiring such notifications be made through use of certified mail.

Background:

This bill represents a significant effort to avoid a potential tragedy for people who find themselves in a position of being uninsured or uninsurable through no fault of their own, because a premium was not paid. While they purchased insurance policies of various types to protect themselves against losses that they could not afford to sustain, having not received a notice of premium due or termination date, they may not have paid their premium. Thus they find, perhaps tragically, that they are not covered through no willful act of their own.

Testimony:

H.B. 2290 would protect an insurance policy holder from becoming uninsured and perhaps uninsurable due to failure to pay an insurance policy premium for lack of receiving a notice. There are many reasons that a policy holder may not receive notice of premium due or of a policy termination if the premium is not paid. I understand that some companies have printed on their notices "THAT THIS IS THE ONLY NOTICE THAT YOU WILL RECEIVE". If this is the case and if the notice never arrives, then the policy holder could be left without coverage through no fault of their own.

Problems in receiving notices is a concern, especially for older persons, who may temporarily need to live with relatives or be in a nursing home for a short period of time. In these cases the notice would probably be sent to one address and may have to be forwarded to a second address, either by the postal service or by a friend or neighbor who is helping with the person's mail, etc. These are only a couple of examples of possible ways by which receipt of mail may be delayed or perhaps not received. There are many other examples that could be constructed. Almost everyone has a problem with their mail at one time or another.

This bill would provide that premium due dates and termination notices be sent by certified mail, thus increasing the likelihood that the policy holder would receive the notice. Further and perhaps just as important, this process also would highlight the importance of this piece of mail. Considering the importance to the insured, any possible added cost would seem to be justified.

Attachment XVI

Recommendation:

I would like to recommend that the Committee act favorably on H.B. 2290, since it would protect the insured person from accidental loss of coverage due to not having received notice of premium due or of termination date if premium is not paid. The requirement that insurance companies give notification through the use of certified mail as provided for in this bill would add a needed measure of protection to the insured. Also, the importance of the notice would be more readily recognized by the policy holder.

WILLIAM J. REARDON
MINORITY WHIP
REPRESENTATIVE, THIRTY-SEVENTH DISTRICT
WYANDOTTE COUNTY
2206 EVERETT
KANSAS CITY, KANSAS 66102

STATE OF KANSAS

TOPEKA

HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS
RANKING MINORITY MEMBER: EDUCATION
MEMBER: ASSESSMENT AND TAXATION
LEGISLATIVE, JUDICIAL AND CONGRESSIONAL APPORTIONMENT
CALENDAR AND PRINTING

TESTIMONY BEFORE HOUSE INSURANCE COMMITTEE ON HOUSE BILL 2290

My mother is suffering from Alzheimers disease. She has resided in a nursing home in Kansas City since 1980. Consequently, I handle my mother's finances. In 1983 I forgot to pay her health care tie-in plan for two months. When I realized my oversight I called and discovered that the grace period lapsed and that my mother's health care plan had been terminated. There was a period of months where my mother was without coverage before she was reinstated. (Fortunately she did not have a serious health problem during this period.)

I felt very guilty about my negligence and freely admitted that it was my oversight. It is true however, that if I had received a certified letter informing me that my mother's payment was overdue, I would have paid immediately. Not only would this have been a great help to my mother, but it would seem to me to be a benefit to the health care provider. They lost the back payments and the suspended months payments, plus they were faced with a voluminous amount of paper work reinstating my mother.

Because of this experience, I am presenting this written testimony in favor on H.B. 2290.

Submitted by - Rep. Ramirez -