ATRIUM
HEALTH PLAN, INC.
SUITE E
2215 VINE STREET
HUDSON, WISCONSIN
54016-5802
PHONE 715.386.6886
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P101

ATRIUM HEALTH PLAN

September 14, 2001

Senator Rodney Moen
P. O. Box 7882
Madison, WI 53707-7882

SEP 19 2001

Dear Senator Moen:

Re: Opposition to Senate Bill 157, Mental Health Parity

Atrium Health Plan, Inc. believes that adding health benefit mandates is contrary to the goal of making health insurance more affordable and accessible for small businesses. Due to our concerns that mandating additional benefits increases costs, Atrium opposes Senate Bill 157, the mental health parity legislation. We believe consumers should have the flexibility to purchase health benefits that cover the care they need.

Recent studies by Milliman USA, a Milwaukee based actuary and consulting firm, estimate that health care insurance costs would increase by 5 percent to 10 percent with the passage of mental health parity. Last year the Wisconsin Department of Employee Trust Funds estimated that Senate Bill 308, an identical bill, would have cost the state between $345,600 and $3 million pending a determination of the applicability of the federal mental health parity law to the state employee plan.

Finally, the Lewin Group, a renowned international health care consulting firm estimated that 400,000 people lose their health insurance with every 1 percent increase in premiums.

The Legislature will soon begin the public policy debate of mandating additional benefits for employers. We ask that you consider the financial impact of rising insurance costs on businesses and individuals. One of the unintended negative consequences is that many may be forced to forgo insurance coverage all together.

Thank you for your time and consideration of this issue.

Sincerely,

Gregg G. Larson
President and CEO

MW Powell CR

SEP 2 0 2001

9-15-01

No response to this letter

Dear Senators,

I hope and pray that this letter finds you and yours in good health, mentally and physically and that you know how very blessed you are if it is so.

On this day, I am handwriting a very important letter and message to you regarding SB 157. MENTAL HEALTH / SUBSTANCE ABUSE INSURANCE PARITY PUBLIC HEARING.

I am writing this letter to you as I am laying on my bed in a "½ Way House" in Fond du Lac, Wi. I heard about this hearing and wanted to voice my opinions and feelings that are shared by over 20,000,000 people with Mental Health issues and countless people who have Alcohol and drug dependencies.

I was transferred to this ½ way house after a 2½ wk stay at the county mental facility. I am Bi Polar and stopped taking my meds because of the side effects. Something I'll never do again as the roller coaster ride is too much to bear.

The problem was NO ONE would take me. My family and I spent 6 hrs from Door County to Fond du Lac trying to find a safe place for me as I was suicidal. This should NOT happen to me or anybody.

Mental illness, alcohol & drugs are all Diseases of the mind. We are Mind Body Spiritual Beings. If the mind isn't right nothing is right, yet it is completely lost in the shuffle of high Tech. We Train and is hushed, hiden and TaBoo to talk about.—

We Need Help—

Senators, If you met me now, you wouldn't see a Cast, bandage bruises, scars because my illness is silent, invisible and Deadly!

I have put my family and friends through HELL. I got so depressed, and tried to hide it, that I wanted to end it all, as NOT to burden anyone anymore. By looking at me you'd see a Vibrant, creative, loving woman that has traveled the World, with the USO shows, bands, owned and operated 2 businesses worked in Sales and Restaurant Country club manag.. All the while I was doing all those things I was dying inside. I don't know how I made it through the thousands of panic attacts, Paranoia etc. God kept me grounded, as I prayed constantly for help and guidence. I was like a Wisconsin Tornado

I have medicade now as I am Disabled, but the day, Aug 12, 01 I left my store in Door County & gave in, instead of giving up I went to 3 Hospitals & No one would take me. (NO INSURANCE MEDICADE) I was crazed, suicidal, paranoid and it took 6 hrs to finally find a county facility to take me. The last time I was in a Mental Health center was 5yrs ago when I FINALLY self diagnosed myself and put myself in, much to my families embar, horror and dismay. I could only stay so... long as my insurance wouldn't pay over 10 days. - This time I had medicade and no one would take that either and then push you out before you're ready to go home. -

The things I've seen this past month have given me a cause to LIVE. I will dedicate my life to **Mental Health** issues and **Alcohol** and **Drug abuse diseases**. You can't JUST get over it, if you could, you would! It's a terrible, awful, crippling, disease, only we have no wheelchair to sit in or shots to take or cast to wear.

These diseases are REAL and they are a real problem all over the US. If people could stay longer for treatment, for a

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a whole new life change, the programs would and could work but we have to have the SAME insurance benefits as a diabetic or accident victim. A crippling accident patient might take a long time to mend, well we need time too, You just can't see our scars but you can see the messes Weive made and have left behind.

Well Senator, I could go on and on and give you poems, and songs regarding these matters but now is Not the time or place. As I lay here on my bed thinking about the people who will be released before their time I weep tears of sadness and hope and you Senator are our only hope. I pray you will take this little letter to heart and Make a difference, I plan to. Thanks for listening.

God Bless you and Our Country

Sincerely

Susan E. Faber-Faris

Mental Health & Substance Abuse Parity Bill (SB 157)

DATE: September 18, 2001
TO: Senator Rodney Moen
Senate Health Committee
FROM: Dean Health System
Dr. Don Ferguson
LOCATION: State Capital

Good Morning, Senator Moen and members of the Committee. My name is Dr. Donald Ferguson and I am a Psychologist from Dean Medical Center, which is a part of Dean Health System, Inc. (Dean). I hold a Ph.D. in Counseling Psychology from the University of Kansas and have a busy clinical practice working with individuals, couples and groups. I also consult organizations on psychological issues and I am a regular presenter at the national conference for the American Group Psychotherapy Association. In addition, I am a former Clinical Director for 12 years of the Department of Psychiatry and host frequent public interest presentations on mental health issues.

I'd like to thank the Committee for it's time and this opportunity to address such an important issue. Senator Mary Panzer's effort to reintroduce this bill is noble. We recognize that she has worked endlessly with both political parties to gain cosponsors for Senate Bill 157.

Dean examined mental health and substance abuse parity from the views of clinicians, insurers and consumers, we noted a number of ways in which we support mental health and substance abuse parity legislation and could see possibilities for cooperation. We believe that, with such cooperative efforts and an incremental approach to mental health and substance abuse parity, Wisconsin could have an approach to this issue which would be a model for other states. Our primary concerns and proposals include:

1. Dean is supportive of true mental health parity as long as it provides equal coverage for all insured lives in Wisconsin. This includes the concern that under this bill less than half of Wisconsin's covered lives would be regulated. Future proposals should include self-funded and preferred-provider organizations under the mandate.

- This bill exposes those insurers who are mandated under this bill to significant adverse selection risk and accomplishes very little in terms of the overall goals of the bill.
- This bill limits the impact and may actually harm current efforts in that it diminishes rewards for cooperative efforts among various providers and third party payors - such as stop-smoking clinics, and other community outreach efforts. *(Also see #5.)*

2. Dean supports that the same limitations be placed on mental health coverage which are currently provided for medical coverage, including co-pays and the ability of managed care organizations to assess value, necessity and desirability of mental health and alcohol and other drug abuse (AODA) interventions.

3. Dean encourages protection of small business owners with an exemption for those in which an increase of more than 1% of premiums can be linked directly to the mental health parity requirement.

4. Dean supports further research on efficacy and "best practices" in mental health and AODA treatment and would encourage additional statewide cooperation and State support for such research.

5. Dean supports public/private partnerships where societal problems are aided through mental and physical health interventions and best care can be leveraged over the private and public sectors. Most critically needed in this area is humane and cost-efficient cooperation between multiple health care providers, third party payors and State agencies in the provision of services for those with catastrophic and treatment resistant mental illness. These persons require the more fluid and comprehensive services, expanding over health, legal and social areas and are the most likely to fall through the cracks in the system. Dean would like very much to support this integrated and cooperative effort.

6. Dean supports the ability of the clinician and insurer, in a cooperative effort, to determine treatability and limits of treatability due to patient's ability or willingness to cooperate with treatment. For example, continued and unlimited treatment for a person who continues to abuse chemicals along with their medication is assumed to be useless, at best, and most likely harmful.

7. In order to best accomplish the above goals, Dean supports an approach to mental health parity that is incremental and allows for adjustments along the way as the various components of a comprehensive treatment and management approach are instituted.

Dean would like to work with the Senate Health Committee, Senator Mary Panzer and the cosponsors of Senate Bill 157, to address the concerns of clinicians, insurers and consumers on mental health and substance abuse parity legislation. There is still work to be done, but a compromise is in reach. On behalf of Dean Health System, I want to thank the Committee for its time and the opportunity to express our opposition to Senate Bill 157 as it is currently written. We at Dean are certainly willing to discuss this issue with you at any time and I would be pleased to answer any questions you may have at this time.

Dane County
Department of Human Services

Director – Charity Eleson
1202 Northport Drive, Madison, WI 53704-2092
PHONE: (608) 242-6200 FAX: (608) 242-6293

KATHLEEN M. FALK
DANE COUNTY EXECUTIVE

MEMORANDUM

DATE: September 18, 2001

TO: Senator Rodney Moen, Chairman-Senate Health Committee

FROM: Charity Eleson, Dane County Human Services Director

RE: SB 157 (Mental Health and Substance Abuse Treatment Parity)

Thank you for the opportunity to comment on Senate Bill 157 which is widely being viewed as a mental health and substance abuse treatment parity bill. SB 157 seeks to end the distinction between mental illness/substance abuse problems and physical illnesses. This distinction too often results in the less favorable treatment of individuals with mental illnesses or substance abuse problems when compared with individuals with a physical illness.

The Dane County Board of Supervisors and the Dane County Human Services Department don't have an official position on this issue, so my comments are provided for information only.

Dane County Department of Human Service staff see the results on a daily basis of the differential treatment of individuals with mental illnesses. Individuals who don't receive proper mental health treatment or have that treatment limited through their insurance coverage often turn to us for help. Others who have effective treatment blocked or cut because of limited insurance coverage may become involved in "deeper end" services with far-reaching fiscal and social implications, ending up costing society more due to increased public costs and family devastation.

Our experience has shown that proper mental health and substance abuse treatment can have very positive results. These results include improved individual functioning that lead individuals to assuming full responsibilities for employment, family and community involvement.

This year alone, Dane County will spend more than $36.1 million meeting mental health needs and substance abuse needs of adults and children in Dane County. This is a considerable investment of resources. Most of these resources are appropriately targeted to individuals who have nowhere else to turn because they aren't eligible for Medical Assistance or private insurance.

However, the department's funding is also used to pay for court-ordered services in situations where private or public insurance plans limit payment for services. In other words, funds that should be used to help the uninsured are also being used as stop-gaps for the services insurance plans will not pay for, or limit payment for. Because all of our mental health and substance abuse services have waiting lists, it is in the best interests of our system and those we serve to have improved coverage of these services through insurance.

SB 157 would require that group insurance plans provide the same coverage and benefits for mental health and substance abuse as they do for treatment of physical conditions. This proposed legislation eliminates the distinction between physical and mental illnesses.

It is our hope that this legislation would result in better continuity of care for individuals with mental illness or substance abuse treatment needs and better overall health care. It is our belief that this legislation would reduce need for emergency treatment of physical injuries by providing for more adequate treatment of mental illness. More than 30 other states have already enacted mental health/substance abuse treatment parity legislation with the realization that costs savings can result if mental health treatments are provided in a timely manner by continuous treatment providers.

Thank you for your consideration of this important legislation and the commitment to stronger coverage of mental illness and substance abuse treatment that it represents.

cc. Dane County Executive Kathleen Falk
Dane County's Health and Human Needs Committee
Dane County's Long-Term Support Committee
Dane County's Human Services Board

Thomas L. Frazier, *Executive Director*

Coalition of Wisconsin Aging Groups

MEMO

To: Senate Committee on Health, Utilities, Veterans and Military Affairs
From: Tom Frazier, Executive Director
Date: September 18, 2001
Subject: Senate Bill 157 – Mental Health Parity Legislation

The Coalition of Wisconsin Aging Groups (CWAG) joins with other advocates in support of SB 157, which would breakdown existing insurance barriers to appropriate and necessary treatment for mental health and substance abuse disorders.

The Coalition of Wisconsin Aging Groups has a rich history of viewing public policy through an intergenerational lens, taking note of the effects of policy on the entire lifespan. As committed intergenerational advocates, CWAG urges you to support SB 157, which will give real relief to our families and communities by removing current limits on coverage of mental health and substance abuse insurance benefits.

Access to quality medical care, appropriate mental health treatment in particular, is an issue that crosses generations. Many of our family, friends and neighbors are experiencing discrimination simply because the type of illness they are seeking to treat is not adequately covered by their insurance policies. Mental illness and substance abuse disorders are real and treatable, and **providing treatment pays for employers and society**. That's why CWAG supports comprehensive parity legislation.

We believe that insurance coverage for mental health and substance abuse disorders should be no more restrictive than for other illnesses. We would not expect our insurance providers to limit treatment for the physical illnesses we experience. In that same vein, we don't think it's fair for our neighbors and family members who suffer from mental illness and substance abuse disorders to face those limitations when seeking treatment for their conditions.

CWAG is particularly concerned about the limited access to mental health and substance abuse treatment for our children and adolescents. In his last report on mental health, the Surgeon General noted that one in every five children and adolescents experience some sort of mental health problem over the course of the year. The report also states that between 75-80% of children and adolescents in need of such treatment do not get it. Additionally, only 20% of adolescents with alcohol and drug addiction obtain treatment. By not adequately treating our youth with mental health and substance abuse needs, we also put our communities at risk for increased incidences of delinquency, crime, teen pregnancy and youth suicide.

Show your commitment to Wisconsin's families and communities by supporting SB 157 and wiping out health insurance discrimination. It's the right thing to do, and the right time to do it.

2850 Dairy Drive • Suite 100 • Madison, WI 53718-6751 • 608/224-0606 • Fax 608/224-0607

White, Melissa

From: Moen, Rod
Sent: Tuesday, September 18, 2001 3:23 PM
To: White, Melissa
Subject: FW: MH/AODA Parity

Melissa,

FYI.

Rod

-----Original Message-----
From: Jodee [mailto:jodeeg@commcaresys.com]
Sent: Tuesday, September 18, 2001 1:59 PM
To: Moen, Rod
Subject: MH/AODA Parity

SB 157: Relating to: health insurance coverage of nervous and mental disorders, alcoholism, and other drug abuse problems.
Please give it full support. My husband, who was an immunologist in the kidney transplant department at UW Hospital suffered from depression and committed suicide in 1997. Although he had been in treatment, his HMO benefit was exhausted and he discontinued treatment due to the cost. His suicide left us without a husband and father. Had he had another medical condition he may be alive today.
I work in the field of mental health and constantly see families struggling with the inability to get and/or pay for adequate mental health and/or AODA treatment. It is extremely important that we treat mental illness and alcoholism as the medical illnesses they are, and give the same benefits so people can get the treatment they need.
If I can be of any help to your committee please let me know.

Jodee Grailer
Senior Project Director
Community Care Systems, Inc.
16 North Carroll Street
Madison, Wisconsin 53703
(608) 255-1875
(608) 255-2213 (fax)

NAMI wisconsin
the state's voice on mental illness

4233 West Beltline Highway
Madison, WI 53711
(608) 268-6000
www.namiwisconsin.org

Lee S. Dreyfus, Honorary Co-Chair
Anthony S. Earl, Honorary Co-Chair

Sept. 19, 200`1

Statement by Frank Ryan, President, National Alliance for the Mentally Ill of Wisconsin, to the Wisconsin Senate Health, Utilities, Military aNd Veterans Affairs Committee in support of Senate Bill 157. The bill would end the discrimination in medical insurance benefits for people with mental illness.

THANK YOU MISTER CHAIRMAN AND COMMITTEE MEMBERS. I 'M FRANK RYAN, PRESIDENT OF THE NATIONAL ALLIANCE FOR THE MENTALLY ILL OF WISCONSIN. MY REMARKS WILL BE BRIEF BECAUSE I WANT TO READ A SHORT STATEMENT TO THE COMMITTEE FROM SUE ANN THOMPSON, WHO FOUNDED THE WISCONSIN WOMEN'S HEALTH FOUNDATION. AS IS NAMI, MRS. THOMPSON WOULD LIKE TO SEE SENATE BILL 157 WRITTEN INTO LAW.

I'M HERE REPRESENTING NAMI OF WISCONSIN, BUT ALSO ONE OF OUR SONS WHO STRUGGLES WITH A SERIOUS AND PERSISTENT MENTAL ILLNESS.

HIS INSURANCE WAS CUT OFF BECAUSE OF HIS ILLNESS AND HE WAS FORCED TO GO ON S-S-I TO LIVE. HOWEVER, WE ALSO PROVIDED ASSISTANCE TO HIM WHEN THE INSURANCE WAS STOPPED AND AFTER YEARS IN THE ABYSS, HE HAS FOUND THE RIGHT MEDICATION. HE NOW WORKS FULL-TIME, PAYS TAXES, COACHES LITTLE LEAGUE AND IS AN ASSET TO HIS COMMUNITY. FOR THIS, OUR FAMILY IS VERY GRATEFUL.

BEFORE READING MRS. THOMPSON'S STATEMENT LET ME SAY THAT A BROAD COALITION, OF WHICH NAMI IS A MEMBER, ALSO ASKS THIS COMMITTEE AND THE LEGISLATURE TO APPROVE THE PROPOSED LEGISLATION. SENATE BILL 157, AS YOU KNOW, WOULD END INSURANCE DISCRIMINATION AGAINST PEOPLE WITH MENTAL ILLNESSES AND PEOPLE WITH SERIOUS DRUG AND ALCOHOL ADDICTIONS.

OFTEN, BOTH ILLNESSES GO TOGETHER AND NEED TO BE TREATED TOGETHER. THEY BOTH NEED ATTENTION.

THE COALITION INCLUDES MORE THAN 80 GROUPS IN THE STATE. THESE GROUPS REPRESENT MORE THAN 2 MILLION PEOPLE. INCLUDED ARE ALL THE MAJOR FAITH GROUPS -- PROTESTANT, CATHOLIC AND JEWISH --THE AMERICAN ASSOCIATION FOR RETIRED PERSONS, UNIONS, PROFESSIONAL ASSOCIATIONS, BUSINESS PEOPLE AND PRIVATE CITIZENS. NOW, IF I MAY, I'D LIKE TO READ MRS. THOMPSON'S REMARKS. BESIDES BEING THE FOUNDER AND PRESIDENT OF THE WISCONSIN WOMEN'S HEALTH FOUNDATION, SHE IS THE SPOUSE OF TOMMY THOMPSON, FORMER GOVERNOR OF WISCONSIN AND CURENT SECRETARY OF THE U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES.

Testimony to the Senate Health, Utilities, Veterans and Military Affairs Committee Concerning SB 157: Health Insurance Parity for Mental Illness and Substance Abuse Disorders

Shel Gross, Director of Public Policy
Mental Health Association in Milwaukee County

My name is Shel Gross. I am the Director of Public Policy for the Mental Health Association in Milwaukee County. I also convene a public policy council of other Mental Health Associations in Wisconsin, which include affiliates in Sheboygan, Waukesha, Brown, Calumet and Manitowoc counties. I know that I speak for all of these organizations in our strong support for health insurance parity for mental health and substance abuse.

You will hear from many people today with the multitude of arguments supporting this bill. I wish to cover two fairly discrete pieces of this whole: the fiscal impact on state government resources and the impact on overall insurance coverage.

First with regard to the fiscal estimate for state employee health insurance premiums you will note that the bill shows an estimated cost of either $461,000 or $3.87m., depending upon whether the State of Wisconsin needs to comply with the requirements of the federal Mental Health Parity Act (MHPA). The MHPA act allows entities to request exemptions from the Act if they can demonstrate that meeting the provisions of the Act has increased their insurance premiums by more than 1%. The Department of Employee Trust Funds (DETF) has reported that they determined last year that the MHPA increased their premiums by .7%, therefore the State remains subject to the Act. Staff from DETF has reported to me that they are not seeking exemption for 2001-2002 while they collect additional data. I would point out that the $461,000 represents .13% of health insurance premium costs. Even the larger $3.87m. represents an increase of only 1.13% in health insurance premium costs.

With regard to overall insurance coverage, I need to correct a misrepresentation of information by the Office of the Commissioner of Insurance (OCI). In a June 20, 2000 letter to the legislative leadership the OCI stated, "According to the Congressional Budget Office estimates for every 1% increase in premiums, approximately 200,000 persons nationally become uninsured." The OCI makes these estimates sound conclusive. However, what the CBO report says is the following:

> CBO estimates that the parity requirement could result in 400,000 fewer workers (800,000 fewer workers and dependents) having employment-based coverage than otherwise. But those estimates are highly uncertain because of the large margins of error in the study on which they are based. (Indeed, the possibility that the parity amendment would have no effects at all on the number of covered workers is within the margin of error.)

What this means is that no conclusion can be drawn from this study about the impact on the number of uninsured.

However, Ronald E. Bachman, FAA, MAAA, Principal with PricewaterhouseCoopers LLP, who has studied actual parity implementation in a large number of states had this to say:

> There are **no examples** where mental health parity has been enacted in a state and a measurable increase in uninsured has been detected (emphasis is the authors).

Thank you for this opportunity to testify in behalf of this important legislation.

Testimony
Mental Health & Substance Abuse Parity
September 19, 2001

Senator Moen and Committee Members:

My name is Sarah Bowen. I am the Executive Director of the Wisconsin Psychological Association and I am here today as one of the co-chairs of the Coalition for Fairness in Mental Health and Substance Abuse Insurance. This group of over 90 organizations represents more than 2.6 million Wisconsin consumers and providers, unions, advocates and family members, children and religious groups.

In considering the impact of parity legislation, we can examine costs and benefits to the insurance industry, to the healthcare system, to employers and to individuals in our communities. My testimony will focus primarily on the costs of implementing comprehensive parity and, in particular, the costs and benefits of doing so.

Over the years of debate on healthcare reform, several myths have emerged in the form of predictions that providing coverage for mental illness and substance abuse disorders on the same level as physical illness will break the bank for insurers, providers and employers, leaving little money to treat major medical problems and leading employers to eliminate health benefits for employees altogether. While many opponents of parity claim that these will be the negative consequences of implementing parity legislation, the reality is that none of these things have happened in states that have parity statutes in place.

Earlier this year, the National Conference of State Legislators was invited by Wisconsin legislators to speak to you and your staff – without the presence of lobbyists and advocates for a particular position -- about the complex issues of mental health and substance abuse parity. One of the presenters was Mr. Ron Bachman, a principal in the firm of PriceWaterhouseCoopers. Mr. Bachman has conducted more than a dozen actuarial studies of states that have parity laws in place.

Projections of the cost of implementing the 1996 Federal Mental Health Parity Act ranged from 1% to 20% or higher, depending on whether you listened to supporters or opponents of that legislation. In fact, the increase in premiums nationally has consistently been below the 1% threshold for exemption from the Act. The State of Wisconsin Department of Employe Trust Funds reported increases of only .7% and, therefore, the State of Wisconsin will continue to comply with the Federal Mental Health Parity Act in health plans for state employees.

The Federal Act of 1996 was a positive step forward, but it is inadequate. It mandates parity only for annual and lifetime limits in coverage but does not address other terms and conditions such as copays and visit limits -- and it does not cover substance abuse. Finally, without rapid action by the US Congress, the Federal Parity Act will sunset the end of this month.

To assess the impact of parity, we really need to look at states that have enacted parity legislation. When we do this, we find very compelling data. With laws that are much more comprehensive than the Federal Parity Act, actual state experience documents that increases have generally been between 1% and 2.2%. Other reports show an overall average of 3.6% increases. While compelling, the apparent contradictions in these reports can be confusing. There are a number of factors that account for the range of costs experienced in other states. Clearly, the most prominent factor in findings of cost

reduction or low increases is the extent to which managed care dominates the healthcare marketplace in each of these states. Ron Bachman of PriceWaterhouse Coopers has foundthe following:

As a result of implementation of their comprehensive parity law, New Hampshire Blue Cross/Blue Shield has indicated that information collected so far suggests that they will not exceed their original estimate of a 1.5% increase in cost.

Maryland enacted parity in 1995. All reports of premium increases attributable to the mental health benefit were below 1%. As in other states, Maryland insurers and employers experienced reductions in cost as managed care penetration increased since 1995.

In North Carolina, mental health costs for state employees dropped 32% after parity was enacted. Most interestingly, North Carolina experienced decreasing costs while at the same time showing increasing use of mental health services. The state's parity benefit cost was $4.11 per member per month in 1998, lower than the comparable figure for 1990 even without adjusting for inflation.

In Texas, parity for state employees also resulted in a net reduction in mental health costs.

Rhode Island implemented limited parity in 1995. The average overall mental health cost increases experienced resulted in total health plan costs of only .33% or about 30 cents per member per month.

Ohio enacted mental health and substance abuse parity for state employees in 1989. A UCLA/Rand study of their experience shows that overall costs have consistently dropped in the years following, with expansion of benefits and application of managed care principles.

In Minnesota, full parity was enacted in 1995. Blue Cross/Blue Shield reduced its premiums by 5-6% after only one year of experience under the state's comprehensive parity law. Medica, an independent consulting organization, estimated Minnesota costs for mental health parity at a mere 26 cents per member per month.

In 1999, Connecticut became the first state to change a narrow parity law into a broad-based law, in response to perceived abuses that provided carriers the opportunity to avoid adequate coverage for conditions not stated in the original law. Broad-based, comprehensive parity eliminates concerns about discrimination against certain diagnoses.

As reported to the Vermont General Assembly by the Department of Banking, Insurance, Securities and Health Care Administration, Blue Cross/Blue Shield of Vermont estimated the impact of the parity law on its 1998 premium rates at 0% for their managed care product, 1% for its comprehensive plan and 2% for its base plan.

The bottom line is that NONE of the states that have enacted parity laws have experienced dramatic increases in costs.

The Coalition for Fairness understands that small businesses are facing enormous challenges in employee benefits, with increasingly high health and disability insurance premiums. Implementing parity may not change these facts. On the other hand, there is evidence that parity is not the cause of high premium increases and evidence that access to appropriate mental health and substance abuse treatment can both directly and indirectly benefit small business. We believe it is time for Wisconsin to take seriously the data that have been generated by states that have enacted parity.

Thank you for your time and attention to this important issue.

NFIB
The Voice of Small Business®

WISCONSIN

Statement Before the Senate Committee on Health, Utilities, Veterans and Military Affairs

By

Bill G. Smith
State Director
National Federation of Independent Business
Wisconsin Chapter

Wednesday, September 19, 2001
Senate Bill 157: Health Insurance Mandates

Mr. Chairman, and members of the Committee, my name is Bill G. Smith, and I am State Director for the Wisconsin Chapter of the National Federation of Independent Business.

Mr. Chairman, I would like to suggest that the subject of today's hearing – Senate Bill 157 – really has nothing to do with mental health or substance abuse. The public policy debate is not over whether there is a need, or whether there are societal benefits derived from government requiring certain coverages for mental health and substance abuse.

The public policy debate is over whether government should interfere with health purchasing decisions made in the private sector. The public policy debate is over whether government should, in its collective wisdom – be making decisions that we believe are best left to those who pay the premiums.

That's why small business owners oppose insurance coverage mandates. According to survey studies by NFIB's Research Foundation, 90 percent of our members are strongly opposed to all insurance coverage mandates: because mandates increase small business insurance premiums, reduce coverage, and set the undesirable precedent that government should dictate benefits offered and paid for by the private sector.

INCREASE COST

In recent years, the cost of health insurance has increased dramatically for small business owners.

A LaCrosse small business owner reports:

> "I renewed this year at a 43% increase for my rates."

A Watertown small business owner wrote:

> "Recently my health insurer without much warning, increased our cost by over 50%."

A Delavan small manufacturer complained:

> "We extend health insurance to our 7 employees. The premiums are now over $3,000 a month. This is after our recent 72% increase from last year."

From a Markesan small business owner:

> "Our monthly premium for the same 24 employees went from $5,227.12 to $9,224.92. And very few of these people use it, and the ones who have it's been very minimal, so it didn't go up because we overused the coverage."

I know the supporters of this legislation argue the financial impact of Senate Bill 157 on health insurance costs is minimal.

Yet, a study paid for by the National Institute of Mental Health, and conducted by the Hays/Huggins Company, concluded that mental health parity will increase the cost of the traditional fee for service plan (which are purchased by a majority of Wisconsin small businesses) by 4-5 percent, a point of service plan by 3 percent, and HMO plans by less than 1 percent.

The Maryland benefits consulting firm of Watson Wyatt Worldwide estimates that full mental parity, such as SB 157 provides, will increase the cost of a typical health plan by 8.8% to 11%.

And finally, according to an impact statement analysis, prepared by Wisconsin's Insurance Commissioner for last session's mental health parity legislation, "The mandate will add approximately $27 to $54 million per year to premium costs for group health insurance consumers, **borne mostly by small businesses."** (emphasis added.)

The Commissioner concludes: "While it would be difficult to predict the number of persons affected, it is reasonable to assume that an increase in premium costs to small and medium-sized employers certainly will have a negative impact on the number of people insured in Wisconsin."

So whatever the public purpose of these mandates, whether they be to reduce premium rates, or improve health care, whenever government mandates coverage of certain procedures, services, products or diseases, mandates, such as the one before you for consideration today, are at cross-purposes with their mission if they actually lead to less coverage or no coverage rather than more coverage, and regardless whether that mandate relates to physical or mental health.

So the only debate is over how much will the cost go up and how many small business owners, their employees, and their families will lose their health insurance coverage due to mandated coverages such as those required by SB 157.

INCREASE COSTS AND REDUCE COVERAGE

Mr. Chairman, recently the Henry J. Kaiser Family Foundation and the Health Research and Educational Trust reported, "the time of increases in health care costs being offset by employers has come to a screeching halt."

According to the Kaiser study, 44 percent of companies were either very likely or somewhat likely to increase employee premium cost in 2002.

So while this legislature considers proposals such as SB 157 that will increase health insurance premiums, it is the workers who often actually pay for those mandated coverages by reducing coverage in other areas, by taking on a larger share of their health insurance costs, or going with no coverage.

The bottom line, Mr. Chairman, is while mandates enhance coverage and some argue they improve the quality of health care for a few, mandates actually increase costs for everyone, and the cost of mandates falls disproportionately on workers in smaller firms – those least able to bear this burden.

Larger firms of course have the option to self-fund their insurance plans and therefore, generally are exempt from this proposal, and all other mandated coverage proposals. In fact, this mandate will apply to only about, on average, a third of the state's population covered by a private group plan.

Mr. Chairman, and members of the Committee, as you know few organizations have worked as hard as the members of NFIB and few legislators have worked as hard as you have, Mr. Chairman, for health care reforms that will not only improve access, but also reduce and contain the cost of health insurance.

We are grateful for your leadership and the hard work of other legislators for meaningful reforms that will help moderate the cost of health insurance for small business owners and their employees.

Yet, I would ask that members of this Committee and members of the Senate reject proposals that will add millions of dollars to the cost of health insurance for thousands of Wisconsin small business owners, and for those individuals employed by our smaller firms.

While the proponents of this proposal may argue the increased costs associated with any one mandate are minimal, and I am sure the sponsors of this legislation genuinely believe they are expanding access to health insurance benefits, but in reality the opposite is true - a mere 1 percent increase in the cost of a health insurance plan translates into millions of dollars in additional premium costs for Wisconsin employers and employees purchasing commercial health insurance.

Meanwhile, remember because the federal ERISA law preempts self-insured plans from state mandates, big businesses that self-insure their plans are not affected by this mandate or any other mandate.

Therefore, those firms least able to afford the higher cost get hit – small businesses – in a direct hit on target, for higher premiums on Main Street at a time when premiums have already pushed well into the double digits and the economy is in an uncertain slowdown.

Small businesses cannot ignore the mandates.

- They will pay higher premiums.
- They will reduce coverage.
- They will cancel coverage.
- They will reduce their workforce to help them spread limited benefit dollars around.
- Or they will raise prices, placing them at a competitive disadvantage.

In closing, I urge members of the Committee to keep focused on the target – reducing the number of uninsured and containing the cost of health insurance. This proposal and other mandate proposals take us in the wrong direction – more uninsured and higher insurance costs. I hope that you will vote for more affordable health insurance for small businesses and their workers, and that you will vote against recommending Senate Bill 157 for passage.

Thank you.

CWAG

Thomas L. Frazier, *Executive Director*

Coalition of Wisconsin Aging Groups

MEMO

To: Senate Committee on Health, Utilities, Veterans and Military Affairs
From: Tom Frazier, Executive Director
Date: September 18, 2001
Subject: Senate Bill 157 – Mental Health Parity Legislation

The Coalition of Wisconsin Aging Groups (CWAG) joins with other advocates in support of SB 157, which would breakdown existing insurance barriers to appropriate and necessary treatment for mental health and substance abuse disorders.

The Coalition of Wisconsin Aging Groups has a rich history of viewing public policy through an intergenerational lens, taking note of the effects of policy on the entire lifespan. As committed intergenerational advocates, CWAG urges you to support SB 157, which will give real relief to our families and communities by removing current limits on coverage of mental health and substance abuse insurance benefits.

Access to quality medical care, appropriate mental health treatment in particular, is an issue that crosses generations. Many of our family, friends and neighbors are experiencing discrimination simply because the type of illness they are seeking to treat is not adequately covered by their insurance policies. Mental illness and substance abuse disorders are real and treatable, and **providing treatment pays for employers and society**. That's why CWAG supports comprehensive parity legislation.

We believe that insurance coverage for mental health and substance abuse disorders should be no more restrictive than for other illnesses. We would not expect our insurance providers to limit treatment for the physical illnesses we experience. In that same vein, we don't think it's fair for our neighbors and family members who suffer from mental illness and substance abuse disorders to face those limitations when seeking treatment for their conditions.

CWAG is particularly concerned about the limited access to mental health and substance abuse treatment for our children and adolescents. In his last report on mental health, the Surgeon General noted that one in every five children and adolescents experience some sort of mental health problem over the course of the year. The report also states that between 75-80% of children and adolescents in need of such treatment do not get it. Additionally, only 20% of adolescents with alcohol and drug addiction obtain treatment. By not adequately treating our youth with mental health and substance abuse needs, we also put our communities at risk for increased incidences of delinquency, crime, teen pregnancy and youth suicide.

Show your commitment to Wisconsin's families and communities by supporting SB 157 and wiping out health insurance discrimination. It's the right thing to do, and the right time to do it.

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The Medical Society of Milwaukee County

TO: Senator Rod Moen, Chair
Members of Senate Health Utilities Veterans and Military Affairs

FROM: Catherine Slota-Varma, MD
President, Milwaukee County Medical Society

DATE: September 19, 2001

RE: In Support of SB 157

Thank you for allowing me to provide written testimony regarding SB 157; the Mental Health Parity Bill sponsored by Senate Minority Leader, Mary Panzer and 15 other senators, as well as 33 members of the Assembly.

I am speaking not only for myself as a pediatrician in private practice in the City of Milwaukee, but more importantly, as the current President of the Medical Society of Milwaukee County. The Medical Society of Milwaukee County and the State Medical Society both vigorously support this legislation. I have made mental health parity a priority for my year as president and have formed a task force at the Medical Society of Milwaukee County to increase awareness of the need for mental health parity legislation and to assist in the passage of this legislation. We have built a coalition consisting of primary care physicians, psychiatrists and other mental health professionals (including the president of the Wisconsin Psychiatric Association), and community members with an interest in mental health parity. Our community members include the President of the Health Law section of the Bar Association, the President of the Mental Health Association, members of the Coalition for Fairness, the President of the National Association of Social Workers, a member from the Coalition of Small Business Organizations (COSBE), as well as a member from the Metro Milwaukee Association of Commerce. I should point out that our representatives from the business community have agreed to become members of our group in order to educate themselves about the issue of mental health parity from the view point of medical professionals, and importantly to educate medical professionals about the concerns and needs of the business community.

I should also point out that I am the senior partner in a large pediatric group, and am very sensitive to the concerns of the business community since I am

mysef a small business owner responsible for the health insurance needs of my employees.

I want to make three points today:

1. Mental health is an integral part of the health of the public. I do not consider it a "mandate" as some would argue, but as an inseparable part of health. To separate "mental health" from "health" is artificial and indeed impossible in a medical setting. Dr. David Satcher, the US Surgeon General, has spoken repeatedly over the last year of his concerns about mental health, especially in children. He cites that in the US, 1 in 10 children and adolescents suffer from mental illness severe enough to cause some level of impairment; it is estimated that fewer that one in five receive needed treatment. In a report "National Action Agenda for Children's Mental Health" he identifies 8 large goals including increasing access to services, training clinicians, promoting public awareness, improving assessment and recognition and stepping up research efforts. (www.surgeongeneral.gov/cmh.)

I would estimate that at least ¼ of my time in primary care is spent in the area of mental illness. Depression is a serious problem in adolescents but often masks itself with physical symptoms such as a headache, abdominal pain, and fatigue. Similarly a child may come to see me because of diarrhea, not realizing that the symptom is secondary to anxiety and sadness from a recent death of a parent or grandparent. The increasing problems of family dysfunction, divorce and family and community violence are yielding so many children with a myriad of medical complaints that are difficult and challenging to manage. As physicians on the front lines of medical care, we are frustrated and discouraged by the issues of inadequate access to mental health care for many of our patients, as well as by multiple insurance issues that affect the adequacy of mental health care (denials, carve-outs, capping of benefits, preauthorization, higher co-pays and deductibles for mental health).

Although mental health parity legislation would not instantly solve all of the issues involved in diagnosing and treating mental illness, it would go a long way in improving the overall health of the public. If the concerns about cost were not an issue, I believe that most arguments against mental health parity would cease.

2. My second issue is that of productivity. A healthy individual is much more likely to be a productive member of our society and increased productivity results in cost savings overall.

   Parents whose children are correctly diagnosed and treated will need less time off from work to take children to a physician repeatedly for vague medical complaints that have a mental health basis. Data provided by the Mental Health Association and the National Institute of Mental Health include the following bullet points;

   - A 1998 study by the UNUM Life Insurance Company and John Hopkins University found that employer plans with good access to

outpatient mental health services have lower psychiatric disability claims costs than plans with more restrictive arrangements (Salkever, 1998; Frank, 1999)

- In a two-year study, Cuffel et al found that medical costs decreased for those using behavioral healthcare services, when such costs were generally increasing (1999).

- Employment Assistance Programs (EAPs) have proven to be cost-effective. Chevron, Corp. realized a savings of seven dollars for every dollar it spent on their EAP; Campbell Soup Company had a 28 percent reduction in mental healthcare costs; and Virginia Power realized a 23 percent drop in medical claims over a four-year period for individuals who accessed the EAP compared with those who accessed behavioral health benefits on their own (EAPs: Saving Money, Saving Employees, Megellan Behavioral Health).

- At McDonnell Douglas, absenteeism dropped 44 percent for employees treated for substance abuse issues, and they set the three-year value of employee assistance services at $4.4 million in medical claims. When the Kennecott Copper Corporation provided mental health counseling for employees, its hospital, medical and surgical costs decreased 48.9 percent (GWCMHPC, Inc, 2000).

- For each dollar invested in treatment, studies have found a four to seven dollar cost-savings on crime and criminal justice costs. The cost of incarcerating someone for five years is $125,000 – a cost that is much higher than treatment (Office of National Drug Control Policy, 1999).

In addition, the success rate for the treatment of mental health conditions is high with appropriate treatment. In many cases the cure rate exceeds that for covered "medical" conditions such as cardiovascular disease, asthma and hypertension.

3. The last issue is cost. It is intertwined with the issue of productivity and the associated cost savings.

   The 34 states that have already passed mental health parity laws, some which are more comprehensive than others, show no dramatic increases in the cost of insurance premiums. At most, the National Institute of Mental Health concludes that parity may increase insurance premiums about 1 percent, but would net decreases in total health care costs because of the productivity arguments listed above.

   The Wisconsin Department of Employee Trust Funds estimates that parity for state employees would increase insurance premiums by 0.1percent!

In summary, it is essential to carefully consider and enact legislation to guarantee mental health parity in the State of Wisconsin. Mental health is an integral and inseparable part of health. Adequate treatment results in improved health and leads to increased productivity in society. Although the cost of mental health parity is of major concern to all of us, the fears of the increased cost, are not borne out by available state and national data.

On behalf of the Medical Society of Milwaukee County, the State Medical Society, and myself individually, I greatly appreciate your time.

WISCONSIN COUNCIL ON DEVELOPMENTAL DISABILITIES

WCDD

Promoting Independence and Equality

Date: September 19, 2001

To: Senator Rod Moen, Chair
Senate Committee on Health, Utilities, Veterans and Military Affairs

From: Barbara Lyons, Chairperson BL/CTC
Wisconsin Council on Developmental Disabilities

Re: Support for SB 157: Mental Health/Substance Abuse Health Insurance Parity

The Council on Developmental Disabilities strongly supports SB 157 as proposed by Senator Panzer. The inequitable and arbitrary minimums for insurance coverage of mental health and substance abuse in effect act as limits on the amount of coverage a person receives for treatment. The state laws with the arbitrary and inequitable amounts were written prior to the advances in medical research and understanding of the true nature of mental illnesses.

Mental illnesses and substance abuse impact a sizable proportion of the population. Approximately 5.4 percent of American adults have a serious mental illness. Six percent of adults have addictive disorders alone, and three percent have both mental and addictive disorders. About 9 to 13 percent of children ages nine to seventeen have a serious emotional disturbance with substantial functional impairment. These statistics show a significant number of children and adults living in our communities have a mental illness and/or substance abuse and cannot remain uninsured.

Mental illnesses are treatable. The treatment success rate for a first episode of schizophrenia is 60 percent. Major depression is successfully treated in 65 to 70 percent of cases. Bipolar disorder is successfully treated in 80 percent of cases. These treatment rates are higher than for many purely physical illnesses, such as heart disease.

The arbitrary amounts deny care to people with treatable illnesses, and have both financial and human costs:

- Employers pay higher costs from hospitalization and missed work when mental illnesses are untreatable until a crisis occurs.
- Parents can have their savings erased and may be forced to place their child outside the home in order to secure treatment for the child's mental illness.
- Children are denied love and care when a parent has an untreated mental illness or substance abuse disorder.
- The individual suffers the pain and anguish caused by the illness or disorder.
- Society is denied the contributions of the person while the mental illness or disorder is untreated.

Contrary to fears from the business community, a Rand Corporation Study from 1997 reported that removing limits on inpatient days and outpatient visits increases costs by less than $7 per enrollee per year.

The arbitrary amounts in state law are relics of an out-of-date age. Please take Wisconsin into the 21st century and support SB 157. If you have questions about this testimony, please contact Jennifer Ondrejka, Executive Director, at 266-1166 or the address below.

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September 19, 2001

TO: **Members, Senate Committee on Health, Utilities, Veterans and Military Affairs**

FROM: **Matt Sande, Acting Vice President of Public Policy**
Wisconsin Health and Hospital Association

RE: **Senate Bill 157 / Mental Health Parity Legislation**

Modern medicine is increasingly diagnosing and treating nervous and mental disorders as physical ailments. New drugs are successfully treating debilitating mental illnesses ranging from acute schizophrenia to depression and obsessive compulsive disorders, or OCDs. The U.S. Surgeon General's new report on mental health encourages Americans who suspect they have a mental disorder to seek help because treatment is available.

The Surgeon General's report also acknowledges that health insurers do not cover mental illness to the same extent they cover physical disease, and that the mental health field is plagued by disparities in the availability of and access to its services. The Wisconsin Health and Hospital Association (WHA) recognizes this disparity and encourages employers and insurers to offer parallel mental health coverage in their benefit packages, outside of government mandates, that are cost effective and meet employees' particular needs.

WHA opposes one-size-fits-all benefit mandates that unfailingly drive up health care costs and drive down the number of insured. Unfortunately, Senate Bill 157 falls into this category. Moreover, WHA believes it is prudent to await a federal solution to the problem of mental health coverage since large self-insured employers are shielded from state law under federal ERISA provisions. The law should impact all employers equitably, and only a federal law will ensure equity.

Based on a 1998 Blue Cross and Blue Shield analysis of national trends, there are 616 mandated benefit laws and 664 mandated provider laws governing the health insurance markets in all 50 states. The negative impacts of these mandates are documented below:

- The Congressional Budget Office (CBO) has noted that for every 1-percent increase in premiums nationwide, 200,000 Americans lose their health insurance coverage.

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-over-

- According to the Lewin Group, a prominent econometrics firm, a premium increase of 1-percent translates into a loss of coverage for 300,000 persons.

- Democrat Governor Howard Dean of Vermont alleged that benefit mandates contributed to about 25 percent of last year's insurance premiums in Vermont and asked the legislature to stop enacting them.

- In 1996, the GAO estimated that state mandated benefit laws accounted for 12 percent of the claims costs in Virginia, which had 29 benefit and managed care mandates, and 22 percent in Maryland, which had 36 mandates.

- A study conducted by the actuarial firm of Milliman and Roberston for the National Center for Policy Analysis found that the 12 most common state mandated benefits added as much as 30 percent to the cost of insurance.

- In 1998, researchers Frank A. Sloan and Chistopher Conover, after more than 100,000 observations, found that the probability of a person's becoming uninsured increases with each government mandate.

WHA is committed to finding a way to provide patients the specific health services they need while at the same time ensuring affordable and accessible care for all. Thank you for the opportunity to submit written testimony on this important issue.

ROBERT W. WIRCH
STATE SENATOR TWENTY-SECOND DISTRICT

Testimony before the Senate Health, Utilities, Veterans, and Military Affairs Committee
By
State Senator Bob Wirch
September 19, 2001
Senate Bill 157

Chairman Moen and distinguished committee members,

Thank you for accepting this written testimony on Senate Bill 157, as it relates to mental health parity. I have been an advocate for mental health issues throughout my tenure as a county and state legislator. As a public figure I have worked hard to eliminate the stigmas and obstacles that are currently associated with the term "mental illness." One way in which we can all contribute in tearing down the unfair barriers that these societal stigmas have produced is by passing the Mental Health Parity Bill SB 157.

Senate Bill 157 will grant mental illness the same legitimacy as other physical ailments in the healthcare and insurance market. By giving mental health patients the same coverage as patients with physical ailments, we will end the discriminatory injustice within the health insurance market and will increase effective treatment to those in need.

A recent study directed by U.S. Surgeon General David Satcher found that one in five Americans suffer from a mental disorder in any one year. Although the total number of citizens affected by mental illnesses is overwhelming, health insurers frequently do not cover mental disease in the same way as they cover physical illness. Even though mental disorders are legitimate illnesses that require medical attention and treatment, individuals who suffer from these disorders routinely receive inadequate medical attention and insurance coverage. The current health insurance market discriminates against those suffering from mental illness.

Currently, under the Federal Mental Health Parity Act of 1996, insurers may charge higher deductibles and co-payments for persons seeking treatment for mental disorders. In the State of Wisconsin insurance companies are mandated to cover only $7000 per year for mental illness treatment, of which $1800 is allowed for outpatient treatment and $2700 is allowed for day treatment. This allows insurance companies to limit the number of outpatient visits a patient may receive. What is more appalling is that this disparity in coverage becomes even more apparent when one takes into account race, culture, diversity, age and gender. Surgeon General Satcher's study found that two-thirds of those with mental illness do not receive treatment. When insurance companies are able to increase deductibles or co-payments to cover treatment for mental health ailments, patients are left with no choice but to make the tough decision to either compromise their lifestyles in order to pay for care, or opt not to receive treatment.

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ROBERT W. WIRCH
STATE SENATOR TWENTY-SECOND DISTRICT

SB 157 seeks to spare Wisconsin citizens suffering from mental illness from having to make those compromises. Instead, this legislation enhances insurance coverage for mental health services. Thirty-two other states have already addressed the issue of under-

insurance for mental health services by increasing required coverage to varying degrees. It's time for Wisconsin to join the majority of states in dealing with this disgraceful oversight.

Wisconsin needs to treat mental disorders fairly by ending the arbitrary discrimination currently practiced by insurance providers. By not requiring health insurance companies to cover mental, nervous, alcohol and substance abuse illnesses, Wisconsin has failed to live up to our progressive reputation on healthcare issues. We owe it to all of those who suffer from mental disorders to follow in the footsteps of states like Vermont, Maryland Texas and our neighbor Minnesota, who have already passed comprehensive mental health parity law. Please support Senate Bill 157.

Thank you for your consideration.

Sincerely,

ROBERT W. WIRCH
State Senator
22nd Senate District

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TO: Senator Rod Moen, Chair
Members of Senate Health Utilities Veterans and Military Affairs

FROM: Michael M. Miller, M.D., F.A.S.A.M.
President, Dane County Medical Society
Past Chair, Commission on Addictive Diseases, State Medical Society
Secretary, American Society of Addiction Medicine
Chair, Public Policy Committee, American Society of Addiction Medicine

DATE: September 19, 2001

RE: In Support of SB 157

I am a practicing addiction medicine physician from Madison, Wisconsin. I am board-certified in general psychiatry and addiction psychiatry, but my practice is focused on addiction medicine.

I stand before you today representing the State Medical Society of Wisconsin; the Coalition for Fairness in Health Insurance, of which the Medical Society is a member; and the American Society of Addiction Medicine, the largest medical specialty society in the nation devoted to the needs of patients with addiction.

I am here to discuss:

- Fairness
- Science
- Discrimination
- Savings

Parity is clearly an issue of FAIRNESS.

- It is unfair to patients to pay for health conditions which affect their hearts and not those which affect their brains.
- It is unfair to patients to pay for health conditions which involve one area of their brains and not those which involve another area of their brains.

- It is unfair to families to have to self-pay for treatment for conditions excluded based on arbitrary distinctions.
- It is unfair to employers who want a level playing field for benefits and insurers who want a level playing field.
- It is unfair to practicing physicians, who must contort and jump through hoops to respond to the unfairness in the current system.
  - ✓ This is NOT an issue 'of the advocates', i.e., providers of mental health and addiction treatment.
  - ✓ This is an issue that doctors from a broad range of specialties embrace.

Parity is an issue based in SCIENCE.

- Affective disorders, schizophrenic disorders, and particularly organic mental disorders such as Alzheimer's disease and other dementias, are diseases of the brain.
- Addictive disorders as well as drug intoxication states and drug withdrawal states are diseases of the brain.
- Treatments are biologically based.
- Yes, there are effective drug-therapies (pharmacological treatments) for drug addictions (to alcohol, to nicotine, to opiate analgesics).

The current situation in which parity is not fully implemented, is based on STIGMA, which leads to DISCRIMINATION.

- There is definitely stigma against the mentally ill
- There is definitely stigma against the chemically dependen.
  - …due to an inability to make clear distinctions between substance use and substance addiction
  - …due to an inability to make clear distinctions between criminality and illness
  - …due to an inability to accept that behavioral aberrations can have a basis in brain dysfunction
  - …due to an inability to move past belief systems which moralize mental illness and addiction
  - …due to an inability to view persons with psychosis or addiction as persons 'like me'
  - …due to an inability to separate actuarial science from political beliefs

Parity is about SAVINGS.

- Yes, it is about spending money: a 1% increase in premium.
- More than that, it is about SAVING MONEY due to early intervention, effective chronic disease management, appropriate treatment, and the stabilization of conditions that can lead to extensive further medical utilization.
- We spend about 10 times as much on the health care costs of treatment of conditions caused by addiction, than we do on the treatment of addiction. The former face few limits; the latter is limited unless parity provisions remove limits.
- The most effective way to reduce Medicare and Medicaid costs and all health care costs is to treat addiction effectively, early, and for the duration.

WISCONSIN CATHOLIC CONFERENCE

TO: The Honorable Members of the Senate Committee on Health, Utilities, Veterans and Military Affairs

FROM: Kathy Markeland, Associate Director for Respect Life and Health Care

DATE: September 19, 2001

RE: Support for Senate Bill 157: Mental Health Parity

The Wisconsin Catholic Conference urges you to support Senate Bill 157, to provide "parity" between health insurance coverage for mental illness and substance abuse and that provided for physical illnesses.

The human person is more than a physical body. Our human nature blends the physical with the intellectual and spiritual. The latter two may be harder to quantify but are no less deserving of our attention. Further, each of us possesses an innate dignity with which, in the words of the Founders, we are endowed by the Creator. This human dignity is present even when one is physically, mentally or emotionally afflicted.

Since all of us suffer when illness robs our neighbor of his or her ability to contribute to the community, we have a shared responsibility to support those who find themselves in a condition of serious mental illness. The mental health needs of our neighbors, no less than their physical well being are a proper concern of public policy. It is, therefore, appropriate for laws and policies to foster parity in how we deal with mental and physical illness.

Parity is appropriate not only because it structures access to health care in accordance with the true aspects of human nature. There are also more pragmatic reasons for providing equitable coverage for mental health services.

Over the past few years the Wisconsin Catholic Conference has studied in-depth the issues of welfare reform and criminal justice. That work suggests that the mental health needs of people are important factors in both areas.

In the context of welfare reform, a WCC-sponsored study of low-income women participating in W-2 found that, in addition to the economic barriers they faced, a significant number also suffered from depression.

In the context of our corrections system, our WCC task force on criminal justice and corrections found that many in the corrections system suffer from mental health and

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substance abuse issues. Others have noted that mental suffering and depression is also a concern among those who are the victims of crime.

In light of these facts, Senate Bill 157 offers an improvement in our approach to health care that will serve not only the mental and physical health care needs of people but also the common good of a society looking for better ways to deal with obstacles to employment and rehabilitation.

Your support of Senate Bill 157 will be appreciated.

NASW

TESTIMONY BY THE NATIONAL ASSOCIATION OF SOCIAL WORKERS, WISCONSIN CHAPTER, ON BEHALF OF SENATE BILL 157, MENTAL HEALTH/AODA PARITY LEGISLATION

Senator Moen and, members of the Senate Committee on Health, Utilities, Veterans & Military Affairs.

My name is Marc Herstand and I serve as the Executive Director of the Wisconsin Chapter, National Association of Social Workers. NASW WI represents over 2550 social workers throughout the state of Wisconsin. At least 40% of our members provide mental health services. Clinical social workers in Wisconsin currently provide almost half of the mental health services in the State of Wisconsin.

I am speaking in favor of Senate Bill 157. NASW WI is a member of the Coalition For Fairness in Mental Health and Substance Abuse Insurance, which is promoting this bill.

In addition to my position with NASW WI, I also speak to you today as a manager of a small trade association, as an instructor with the Business Division at Cardinal Stritch University and on a personal note, as an individual with a close family member suffering from severe mental illness.

As social workers we know that life can change in an instant. Never was this statement more accurate than the terrorist attack on the United States last week. The changes we will all be experiencing will be immense. The mental health needs of those directly and even indirectly affected by the attack, including the rescue workers, will continue far beyond the current provision, by many communities, of emergency mental health services.

Aside from the need to deal with traumatic events like the World Trade Center, on a day-to-day basis a huge number of American citizens suffer from either mental illness or substance abuse. According to a congressionally mandated National Comorbidity Survey (NCS) nearly 50% of a representative sample of Americans aged 25 to 54 years reported having at least one psychiatric (including substance abuse) disorder in their lifetime. (Kessler, 1994) The 12 month prevalence of serious mental illness is estimated at 6 percent (Kessler et al., 1996) Data on children and adolescents are less comprehensive but the prevalence of serious emotional disturbance among those aged 9 to 17 is estimated at 9 percent to 13 percent (Friedman, Katz-Leavy, Manderscheid & Sondheimer, 1996) Indications are that emotional disturbances among young people are increasing (Cohen, Provet, & Jones, 1996)

WISCONSIN CHAPTER, NATIONAL ASSOCIATION OF SOCIAL WORKERS
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Despite this need, reports by the Surgeon General of the United States, the National Institute of Mental Health and other groups have documented the large numbers of children, minorities and indeed even the general population who do not receive treatment for mental disorders. The National Institute for Mental Health has calculated that the annual cost of untreated mental illness is over $300 billion per year in the United States with productivity losses due to missed days of work and premature death accounting for almost ½ of this amount at $150 billion, health care costs of $70 billion and society costs (increased use of the criminal justice system and welfare benefits) of $80 billion.

Despite the large numbers of citizens affected by mental illness and substance abuse in Wisconsin, as a general rule we still do not provide coverage equal to physical diseases.

The lack of equity and/or parity in the provision of mental illness and substance abuse is a very personal issue for a huge number of our citizens. For these individuals the question of fairness arises from personal experience when one sees that treatment for an inoperable brain tumor, some other aggressive cancer or heart condition with a poor prognosis gets full insurance coverage, while a treatable mental illness or substance abuse gets extremely limited coverage. I have seen this situation in my immediate family; perhaps you know friends or family members in this situation.

Objections are raised to mental health and substance abuse coverage because of an alleged negative impact on the business's bottom line. However real world evidence and current business needs would suggest the opposite conclusion. Delta Air Lines testified last year before Congress "that in the last decade we have introduced and implemented generous mental health and substance abuse benefits for our employees and their families, not in response to legislative mandate, but because it improves our corporate 'bottom line'. A 1999 story in the Wall Street Journal reported that a four-year study of the subject at McDonnell Douglas found a "four to one return on investment after considering medical claims, absenteeism and turnover for mental health parity. The Kennecott Copper Company discovered that when a mental health counseling benefit was provided to employees, its hospital, surgical and medical costs decreased 48.9%

As the manager of a small business with three staff, and as an instructor in the Business Division at Cardinal Stritch University, it is clear to me that the most important resource for employers today are their employees. Placing a priority on employees means a complete benefit package including mental health and AODA parity. The miniscule possible increase in premium benefits that <u>might</u> occur as a result of mental health/AODA parity (estimated as 1% by the NIMH, 1/10 of 1% by the Wisconsin Department of Employee Trust Funds) pales in comparison with other financial challenges faced by employers. In today's business world, support of employees is key to retention and a competitive business

Please support Senate Bill 157. It makes economic sense, its fair, and its time!

Good morning and thank you for giving me the opportunity to speak. My name is Barbara Wolff and I am here to ask your support for SB 157, to bring insurance parity to Wisconsin.

Webster defines parity as "the state or condition of being the same in power, value, rank, etc." Several years ago both my husband and my daughter faced serious and potentially life threatening illnesses. The life and health of these two members of my family are certainly "the same in power, value, rank" to our family. But not to our insurance company!

Both members of my family required major medical care: My husband was diagnosed with kidney stones and our daughter was diagnosed with severe clinical depression. Both patients required emergency visits and extended treatment. Both patients were compliant and followed their doctor's treatment instructions. Both patients were covered under the same family policy, which had been in effect for over 25 years. But our insurance company paid his expenses at a rate twice as high as hers, because her illness was considered "mental health" while his was "physical"

My husband underwent three outpatient treatments to dissolve the stones, as well as the required x-rays, tests, office visits, medications,. When these treatments failed to solve the problem he underwent surgery to remove the kidney stones. The total of his medical bills were well over $20,000. Our insurance paid 88% of the cost of these treatments.

During the same period of time my daughter required an emergency room visit . Even though she had been in psychiatric treatment for many months, her depression was still severe and resulted in some self-harm. . Since this was not a "psychiatric" emergency the insurance paid 75% of the ER costs. But when she her doctor insisted on psychiatric hospitalization to prevent any more self-harm the insurance paid only 44% of the hospital bill. . And since she had been seeing her psychiatrist regularly, the insurance would not pay anything towards further psychiatric appointments because she had used up her allotted number of visits for the year. The injustice here is that she was penalized for being compliant, for going to the doctor, going to therapy, following instructions. The insurance company did not expect my husband to forego surgery when three less invasive procedures failed. He was not told to wait until the first of the year even though you are in pain. But that was the expectation for our daughter. Even though she required additional treatment for her depression there was no insurance coverage for her until the beginning of the next calendar year, even though her emotional ~~paid~~ pain was intense.

It is just basic justice to provide coverage for mental health on the same level as physical health.

Thank you for your support

Barbara M. Wolff
4905 Flad Avenue
Madison WI 53711

September 19, 2001

Thank you for the opportunity to speak with you this morning in support of one of the most important health care issues that will be addressed by this Committee this year. I recently returned from a public policy conference in Washington DC where all speakers identified National and State efforts at achieving meaningful substance abuse/mental health parity legislation as the most critical health care issue currently facing the nation. General Barry McCaffrey, Director of the Office of National Drug Control Policy and Dr. Westley Clark, Director of the Center for Substance Abuse Treatment joined officials from NIAAA, NIDA, and others in supporting this type of legislation.

Many stakeholders will provide you with a wealth of statistical data concerning the costs of parity. Enough studies have been done and sufficient parity legislation has been enacted to assure us that the cost of full parity is relatively small. The most comprehensive and least biased study of the economic impact of parity to date was undertaken by SAMHSA. I would be happy to get you a copy of the complete study, but highlights from its Executive Summary included the following findings:

- State parity laws have had a small effect on premiums. Cost increases have been lowest in systems with tightly managed care and generous baseline benefits.
- Employers have not attempted to avoid parity laws by becoming self–insured, and they do not tend to pass on the costs of parity to employees. The low costs of adopting parity allows employers to keep employee health care contributions at the same level they were before parity.
- Costs have not shifted from the public to the private sector. Most people who receive publicly funded services are not privately insured.
- Previous actuarial predictions of premium increases due to MH/SA parity ranged from 3.2 percent to 11.4 percent, primarily due to differences in their assumptions. Some of these assumptions may have limited support. For instance some estimates have assumed a cost shift from the public to the private sector as a result of a parity mandate. This study did not find support for this assumption.
- Based on an updated actuarial model, full parity for mental health and substance abuse services is estimated to increase premiums by 3.6 percent, on average. Mental health care accounts for most of this increase. The AODA portion is estimated at .5 percent.
- Projected premium increases do not reflect potential market responses. For example, employers might contract with more managed care firms to manage MH/SA benefits under a parity mandate.

Vermont passed one of the most comprehensive MH/SA parity laws in the country in 1996. Their actuarial estimates were for a 3.4 % increase in premiums. Ken Libertoff, Ph.D., head of the Vermont Association for Mental Health has reported that the actual cost has been somewhat lower than that estimate and that full parity has resulted in only a 3.1% increase in premiums. It is important to note that the Vermont law includes both substance abuse and mental health and that it does not restrict the mental health diagnosis to severe. We no longer need to even consider inflated figures of costs, we have data that accurately identify that the costs are not significant when compared to the benefit.

The latest estimates by NIAAA of the cost of untreated alcohol abuse and dependency is $185 Billion. This includes the costs associated with health consequences directly associated with the disease as well as societal costs in accidents and incarceration. The simple cost offset to the insurance industry in the reduction of emergency room visits and long-term chronic health problems associated with untreated alcohol and chemical dependency makes parity legislation an insurance bargain. There are further systemic cost savings when you consider the reduction in accidents, family violence, workplace absenteeism, and criminal activity.

The figure of $185 Billion is almost impossible to absorb on an individual basis. Our purpose here today is to identify the cost/benefit to individual small employers. I began to search for a small business person who had a sensitivity both to the realities of running a small business as well as a sensitivity to issues of mental health and addictions. I did not need to look any further than myself. Our corporation employs five individuals. We pay 100% of each employee's single coverage for medical and dental as well as 80% of the cost of family coverage for medical and dental. We belong to the Wisconsin Employee Benefits

Association, a pool to buy coverage at a significantly reduced rate from a small organization attempting to obtain the same coverage. Our health care coverage has increased by 11 percent annually for the past two years. I know the budgetary impact of health coverage on small businesses. Our annual health care coverage costs $4551 per employee.

We buy insurance for a number of reasons. The first is to offer this significant benefit to the Executive Director and the other employees. We know that a major accident or illness could have a devastating financial impact on an employee. But we are not just benevolent. We know that health insurance is a major benefit and has a key impact on retention and morale of employees. We have very little turnover. When queried about the reason for this small turnover, our employees have told us that they stay because of our benefits package, the flexibility of our management, and the interesting work. Our insurance package is an investment in retention. The Saratoga Institute estimates the cost of replacing a salaried worker at $7890. The Brookings Institute estimates the cost of replacing an administrative or production employee at 75% of their annual salary and 150% to 200% of the annual salary of a managerial or professional salary. Again, in my little company that translates to $21,000 to replace a person on my administrative staff and an average of $60,000 to $90,000 to replace my professional staff. That does not include the cost of the Executive Director. It is no wonder we have chosen to invest in a liberal benefits package that includes health and dental insurance.

The Addiction Research Foundation has estimated that an addicted employee costs over $8,000 per year in absenteeism, sick benefits, workers compensation costs, mistakes on the job, and reduced productivity. According to prevalence statistics in the DSMIV, the chance you will employ a person who has or develops an addictive disorder is about 14%. The chance you will employ a person who has or develops a mental illness varies significantly by diagnosis, but is estimated between 10 and 25 percent. The cost of full parity has been estimated from 1 to 3.4 percent depending on the level of managed care infused in the insurance purchased. In my company that cost this year would have been from $227.55 to $773.67. What I have at risk is $8,000 per year for any employee affected versus an increased individual cost that will range between $45 to $155 per employee. Early intervention and adequate treatment are what that increased cost and this bill will provide. The benefit from this bill is not only seen in a cost reduction throughout the system, the benefit returns directly to the employers who purchase the coverage.

Passed the way the legislation is proposed that would be the worst case scenario for small business. There are several initiatives that could further reduce even these costs.

1. For good or bad, our State has a heavy infusion of managed care throughout the system. We know that this has the potential to reduce costs of parity to nearly 1%.
2. Last session the legislature passed legislation that provides for increased pooling of small businesses for the purchase of health care. This will allow the smallest and most vulnerable of small businesses to purchase affordable health care in competition with larger companies due to better risk management over a larger population. We do not know how much this initiative will decrease health care costs for small businesses, but we do know that larger better managed health care will reduce the cost of parity.
3. There may need to be the identification of benchmarks that identify the most chronic of the substance abuse/ mental illness patients and allow for the use of State/County funding to absorb some of these costs. This combination of full parity with stop loss provisions would result in even further cost containment.

Full parity is a bargain. This legislation makes fiscal sense. It makes public policy sense. It makes management sense. It makes human sense. It just makes sense.

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TO: Senator Moen, Chairperson and members of the Senate Health, Utilities, Veterans and Military Affairs Committee
FROM: Gina Dennik-Champion MSN, RN, MSHA
Wisconsin Nurses Association Executive Director
DATE: September 19, 2001
RE: WNA Support for SB 157

Good Morning, Chairperson Moen and Members of the Senate Committee. My name is Gina Dennik-Champion. I am a Registered Nurse and Executive Director of the Wisconsin Nurses Association (WNA). WNA is the professional organization for all registered nurses in Wisconsin. Most recent data shows that there are over 60,000 registered to practice nursing in Wisconsin. SB 157 addresses issues that are close to the heart of many if not most of the RN's here in Wisconsin.

WNA is pleased to have the opportunity to share why we believe it is time, more than ever, to support the provision of mental health parity legislation in Wisconsin. WNA supports SB 157 because it accomplishes the goal of requiring health benefit plans to provide the same coverage for the treatment of nervous disorders, mental disorders, alcoholism and drug abuse conditions using the same methodology for the treatment of physical health conditions. This type of parity is supported by WNA for the following reasons:

1. Mental health parity can reduce the percentage of the United States adult population affected by mental health disorders. Current estimates indicate this to be around 20 percent of the population.

2. Mental health parity can reduce the percentage of the United States population of children affected by mental disorders. This too is estimated to be around 20 percent.

3. SB 157 offers tremendous opportunities to Wisconsin's employers. Benefits include increase worker performance, decrease worker absenteeism, decrease worker turnover and decrease workplace deaths and injuries. The National Institute of Mental Health calculates that the effects of mental disorders, alcoholism and substance abuse exist in over 44.5 million Americans. Given these significant numbers of individuals, how can there not be a direct impact on the production of quality goods and services?

4. The impact of these mental conditions expands far beyond the workplace. These conditions not only affect the individual but our families and our communities.

As nurses, we see the everyday negative effects of mental illness, alcoholism and drug abuse on our patients and their loved ones. We see lives shattered, workplace and school crisis emerge and due to lack of adequate mental health insurance coverage.

An example of what WNA means by the above statement will become quite evident and very soon. I am referring to the effects of terrorist attack of last week. Our nation, our state, our cities and our citizens experienced events that will stay with us forever. This past week affected every single one of us physically and emotionally. We talk about the resiliency of our citizens. Resiliency can be promoted and supported and probably expected. Resiliency however does not and cannot occur in a vacuum. Many thousands, probably millions, will require and benefit from mental health services. But how many will have access to affordable services? The physical effects will be treated but what about the long-term mental, psychological and emotional reactions? If left untreated or ignored these conditions will have a direct impact on many individuals ~~but~~ and on our state as well. We will se the emergence of increased lack of productivity, poor performance and inappropriate or dysfunctional behaviors. This in turn has the potential of creating undesirable and potentially dangerous conditions. Mental health parity is needed and it is needed now if we want to regain our resiliency.

The requirements contained in SB 157 will not increase the costs of insurance over the long haul. WNA has trouble buying into the logic that states otherwise. If left as is, no parity, Wisconsin will directly see the negative impact of this decision in the not too distant future.

WNA wants to thank those members of the committee who have signed on as supporters of SB 157. We sincerely request passage as soon as possible. Thank you Chairperson Moen for having on hearing on this important and timely piece of legislation.

WISCONSIN ASSOCIATION OF
WALHI
LIFE AND HEALTH INSURERS

MEMORANDUM

DATE: September 19, 2001
TO: Senate Committee on Health, Utilities and Veterans and Military Affairs
FROM: Pat Osborne
RE: Public Hearing Comments:
Mental Health and AODA Health Insurance Coverage **(SB 157)**

The Wisconsin Association of Life and Health Insurers (WALHI) appreciates the opportunity to comment on SB 157 and appears today in opposition to the bill.

1. Senate Bill 157 will increase the cost of group health plans.

SB 157 proposes to significantly expand the state mandate relating to health insurance coverage of mental disorders, alcoholism, and other substance abuse conditions. While the ultimate cost of providing this mandated coverage may vary from health plan to health plan, overall premium costs will increase.

The Department of Employee Trust Funds estimates increased costs of a minimum of $3.87 million per year associated with coverage of 157,000 employee members. (Assuming the federal Mental Health Parity Act is determined not to apply to the state program. Estimated cost of $461,600 if the MHPA 1% cost limitation is determined to apply).

In a March 23, 2000 social and financial impact report prepared on similar legislation last session (SB 308), the Commissioner of Insurance reported that "*The mandate will add approximately $27 to $54 million per year to premium costs for group health insurance consumers, borne mostly by small businesses.*" That estimate related only to the mental health portion of the legislation. The report indicated that group health insurance premiums would increase from $36 to $90 million per year factoring both mental health and AODA coverage provisions.

Cost estimates prepared by the Congressional Budget Office, August 22, 2001, on the Mental Health Equitable Treatment Act of 2001 (S.543) indicate the direct costs of the private sector mandates in the bill at $3.1 billion in 2002, rising to $5.5 billion in 2006. (Note: These costs do not include coverage purchased by employer groups with fewer than 50 employees, which are exempted under the federal legislation).

A study conducted by Mathematics Policy Research in 1998 for the U.S. Department of Health and Human Services estimated that full mental health parity would increase insurance premiums in Wisconsin from 3.6% to 4.2% per year or $180 to $210 million in premium costs. Other actuarial studies have estimated cost increases associated with full mental health coverage in the range of 5% to 10%.

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2. Mandates can result in unintended, negative effects on the health insurance market.

Wisconsin consumers benefit from a healthy and competitive insurance market. According to the U.S. Census Bureau, the state has among the lowest health insurance premiums and among the lowest uninsured rates in the country. We consistently rank among the national leaders in the percentage of population covered by health insurance. The most recent DHFS Wisconsin Family Health Survey indicates that 94% of our state population had health insurance coverage for all or part of 1999. During 1996-98 only 5% of respondents had been uninsured for a continuous 12-month period, which declined to 4% in 1999.

The mandated coverage proposed in SB 157 will drive insurance costs up and have a corresponding effect on employers ability to afford health insurance coverage. This is particularly true in the case of small group insurance coverage, where small business is already experiencing affordability issues associated with increased medical costs.

The Congressional Budget Office estimates that, nationwide, 200,000 people become uninsured for every 1% increase in premiums. The Lewin Group calculates the loss at 400,000 per 1% increase in premium. However calculated, increasing the number and extent of mandated coverage will have a negative impact on the number of people insured in Wisconsin.

In addition, the expansion of coverage mandates will increase the disparity between the cost of insured and self-funded plans. Since self funded benefit plans are exempt from state regulation by the Employee Retirement and Income Security Act of 1974 (ERISA) and, therefore, not subject to state mandates, OCI noted in its report on SB 308 that *"Anytime mandates are added to insurance products, it will increase the propensity of employer groups to switch to self-funding."* Ultimately, the strength and variety of our group health insurance market is eroded.

3. SB 157 will exacerbate HIRSP funding issues.

The Department of Health and Family Services' fiscal estimate on SB 157 indicates that the bill would affect the Health Insurance Risk Sharing Plan (HIRSP) program but could not estimate the fiscal impact due to the unknown nature of future claims experience. WALHI is concerned with the current state of affairs regarding HIRSP funding and the adoption of any new coverage mandate that would exacerbate an already difficult funding situation.

Program costs in 2001-02 are estimated at $86 million compared to a $62 million budget last year. Concurrently, the state has reduced its GPR funding commitment by 16% a year and implemented costly accounting changes. As a result, insurance assessments for this year are estimated at $19.6 million compared to $9.9 million in assessments last year. Additional costs associated with expanded coverage as proposed in SB 157 would place additional funding burdens on the HIRSP members, insurers and health-care providers that share program costs on a 60/20/20 split, respectively. It should also be noted that self-funded plans are not subject to the insurance assessment, which supports HIRSP.

Based on the concerns outlined above, WALHI respectfully requests that SB 157 not be recommended for passage by the Committee. Thank you for your consideration.

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and collective impact of benefit mandates on the cost of providing health coverage is often lost in the studies and rhetoric.

In recent legislative sessions, several new benefit mandates have been enacted, including new laws that force employers to pay for coverage of temporomandibular joint disorder (TMJ), and another that requires employers to provide a "Point of Service" coverage option to their employees. Neither of these new mandates will do anything to moderate the cost of health care, or maintain access to insurance coverage. At least 10 other mandate bills that have been considered since last session, including:

- Mandating coverage of treatment by an acupuncturist.
- Mandating coverage of smoking cessation treatment and medications.
- Mandating coverage of contraceptive articles and services.
- Mandating access to OB/GYNs without a referral (part of 1999 Act 9).
- Mandating coverage of infertility services.
- Mandating coverage of clinical cancer trials.
- Mandating grievance procedures, access to specialist providers and allowing managed care plans to be sued.
- Mandating the same level of coverage for mental health/AODA as other illnesses.
- Mandating managed care to cover driver safety education for convicted drunk drivers.
- Mandating coverage for hearing aids.
- Mandating coverage of psychotherapy services delivered by specific types of health care providers.

Perhaps, before considering any more benefit mandates, the legislature could reconsider those that have been enacted, and the impact they have on finite health care budgets. One option would allow employers, and ultimately their employees, greater flexibility when choosing the benefits they (not health care providers) actually want, and will jointly pay for. This would minimize the broad cost impact of benefit mandates, while giving employers and employees the ability to target scarce health care dollars at those services they truly want or need. A proposal similar to this was included in the Assembly version of the 1999-2000 state budget, but was removed in the Conference Committee.

The Economics of Benefit Mandates

While the debate over benefit mandates is about more than just dollars, mandate proponents frequently cite the economic benefits to employers as the reason why those employers should be forced, by law, to provide this or that benefit. Proponents of virtually all benefit mandates, including mental health/AODA parity, often site various studies that show: the impact on premiums will be "minor" (with SB 157, one study estimates premiums will between .6% - 1.2% - or $32.4 million to $64.8 million -- while others tab the increase as high as 10%, or $540 million); or, that over the long-run, employers will save money as they will eventually have a healthier, more productive work force as a result of the new or expanded benefit.

First, it must be noted that the variation between employers, and thus their ability to "afford" mandates, is massive. For instance:

- Larger employers tend to retain their employees for longer periods of time, thus making the "investment" in benefits more certain.

- Smaller, fully insured employers, who are subject to state law, and thus required to provide every current and future benefit mandate passed by the legislature, generally have much higher rates of turnover in their workforce. As a result, it is much less likely that these employers will realize the long-term economic benefits mandate proponents claim.

- Also, due to their self-funded status, larger employers are not subject to the patchwork of state-by-state benefit mandates. As a result, they are better able to target their health dollars to those services that are in greatest demand/need. Unfortunately, smaller, fully insured employers are not allowed this type of flexibility under current Wisconsin law - **they are forced to either offer all mandated benefits, or offer no insurance at all.**

Finally, it must be noted that under current law, Wisconsin employers are already required to provide a minimum amount of benefits for mental health disorders and alcohol and drug abuse. Employers that have the resources and flexibility to target their health care dollars, and provide benefits that will "save" them dollars in the long run, can and will do so under current law.

Impact on BadgerCare

As I stated above, there are numerous reasons why the cost of health care is increasing for private sector employers, including health benefit mandates enacted by the legislature. With the enactment of BadgerCare, state taxpayers now have an even greater great stake in the cost of private sector health insurance and its influence on public programs.

Among other criteria, eligibility for BadgerCare is based upon the availability of employer-sponsored coverage and the percentage of premium the employer pays. As health care costs go up, due to legislative actions and other factors, more employers will be forced to either: reduce the amount of their premium contribution and increase the employees share; or drop coverage all together. Both of these actions will inadvertently result in more people becoming eligible for BadgerCare and higher costs for taxpayers. BadgerCare enrollment is projected to increase by 22.4% over the 2001-03 biennium -- going from 73,841 to 90,400.

We appreciate the delicate balance between cost and needed services that is required when providing health benefits. To that end, WMC is willing to work with the authors of SB 157 to advance health care policy that allows people to obtain the services they truly need, while preserving access health care for employees and their families.

I will be happy to try and answer any questions.