

Fiscal Estimate Narratives

DHFS 7/22/2003

LRB Number	03-1979/1	Introduction Number	SB-72	Estimate Type	Original
Subject					
Increasing coverage limits under AODA coverage					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, group or blanket disability insurance policies are required to cover nervous and mental disorders and alcoholism and other drug abuse (AODA) problems up to certain financial limits.

Senate Bill 72 increases the statutory minimum coverage limits that must be provided under group health insurance policies for the treatment of nervous or mental disorders and AODA problems by the change in the U.S. Department of Labor's consumer price index for medical care. The adjustment is based on the minimum coverage limits originally enacted in the statutes. In addition, Senate Bill 72 requires the Department of Health and Family Services (DHFS) to annually report to the Governor and the Legislature on revising the coverage limits based on the Department of Labor's consumer price index for medical costs.

Senate Bill 72 would affect the Health Insurance Risk Sharing (HIRSP) program. The HIRSP program currently provides coverage for mental health and AODA treatment with the following limits: inpatient AODA treatment is limited to 30 days per calendar year; inpatient mental health is limited to 60 days per calendar year; outpatient AODA and mental health treatment is limited to a total of \$3,000 per calendar year; and transitional AODA and mental health treatment is limited to a total of \$3,000 per calendar year. Senate Bill 72 would require the HIRSP program to increase the limits on the annual expenditures for outpatient services from \$3,000 to \$3,100 and transitional services from \$3,000 to \$4,600.

Funding for the HIRSP program is provided by state GPR, policyholder premiums, assessments to the insurance industry, and assessments to health care providers in the form of provider discounts. Because the level of state GPR is fixed, policyholders, the insurance industry, and healthcare providers support any additional cost to the program in a 60/20/20 split respectively.

In calendar year 2002, approximately 1,600 HIRSP enrollees received outpatient mental health or AODA services. Approximately 50 of these individuals reached the \$3,000 outpatient limit. Also in calendar year 2002, only five HIRSP enrollees received transitional AODA and mental health treatment and none of these enrollees' expenditures exceeded \$2,000. Therefore, although the exact cost is indeterminate, the fiscal impact of Senate Bill 72 on the HIRSP program is expected to be minimal.

Long-Range Fiscal Implications