

# 2003 SENATE BILL 71

*Don Urakas*

16-0

March 13, 2003 - Introduced by JOINT LEGISLATIVE COUNCIL. Referred to Committee on Health, Children, Families, Aging and Long Term Care.

*It's current Practice ADVOCATES*

*Puts it in code actual expense vs charged*

*current practice*

*Hope*

1 AN ACT *to create* 632.89 (1) (b) and 632.89 (6) and (7) of the statutes; relating

2 to: ~~treatment of prescription drug costs, diagnostic testing, and payments~~

3 ~~under mandated insurance coverage of treatment for nervous and mental~~

4 ~~disorders and alcoholism and other drug abuse problems, and granting~~

5 ~~rule-making authority.~~

### *Analysis by the Legislative Reference Bureau*

This bill is explained in the NOTE provided by the Joint Legislative Council in the bill.

For further information see the *state and local* fiscal estimate, which will be printed as an appendix to this bill.

***The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:***

JOINT LEGISLATIVE COUNCIL PREFATORY NOTE: This bill was prepared for the joint legislative council's special committee on mental health parity.

Under current law, a group health insurance policy (called a "disability insurance policy" in the statutes) that provides coverage of any inpatient hospital services must cover those services for the treatment of nervous and mental disorders and alcoholism and other drug abuse problems in the minimum amount of the lesser of: 1) the expenses of 30 days of inpatient services; or 2) \$7,000 minus the applicable cost sharing under the

**SENATE BILL 71**

policy or, if there is no cost sharing under the policy, \$6,300 in equivalent benefits measured in services rendered. If a group health insurance policy provides coverage of any outpatient hospital services, it must cover those services for the treatment of nervous and mental disorders and alcoholism and other drug abuse problems in the minimum amount of \$2,000 minus the applicable cost sharing under the policy or, if there is no cost sharing under the policy, \$1,800 in equivalent benefits measured in services rendered. If a group health insurance policy provides coverage of any inpatient or outpatient hospital services, it must cover the cost of transitional treatment arrangements (services, specified by rule by the commissioner of insurance, that are provided in a less restrictive manner than inpatient services but in a more intensive manner than outpatient services) for the treatment of nervous and mental disorders and alcoholism and other drug abuse problems in the minimum amount of \$3,000 minus the applicable cost sharing under the policy or, if there is no cost sharing under the policy, \$2,700 in equivalent benefits measured in services rendered. If a group health insurance policy provides coverage for both inpatient and outpatient hospital services, the total coverage for all types of treatment for nervous and mental disorders and alcoholism and other drug abuse problems is not required to exceed \$7,000, or the equivalent benefits measured in services rendered, in a policy year.

This bill specifies that the minimum coverage limits required for the treatment of nervous and mental disorders and alcoholism and other drug abuse problems do not include costs incurred for prescription drugs and diagnostic testing. Diagnostic testing is defined in the bill as procedures used to exclude the existence of conditions other than nervous or mental disorders or alcoholism or other drug abuse problems. The Department of Health and Family Services is authorized to specify, by rule, the diagnostic testing procedures that are not included under the coverage limits.

The bill also provides that, if an insurer pays less than the amount that a provider charges, the required minimum coverage limits apply to the amount actually paid by the insurer rather than to the amount charged by the provider.

Finally, the bill provides that if an insurance policy contains a provision that is inconsistent with the new provisions, the new requirements will first apply on the date the policy is renewed.

1           **SECTION 1.** 632.89 (1) (b) of the statutes is created to read:

2           632.89 (1) (b) “Diagnostic testing” means procedures used to exclude the  
3           existence of conditions other than nervous or mental disorders or alcoholism or other  
4           drug abuse problems.

5           **SECTION 2.** 632.89 (6) and (7) of the statutes are created to read:

6           632.89 (6) **PRESCRIPTION DRUGS AND DIAGNOSTIC TESTING.** (a) The coverage  
7           amounts specified in sub. (2) shall not include costs incurred for prescription drugs  
8           or diagnostic testing.

9           (b) The department of health and family services may specify, by rule, the  
10          diagnostic testing procedures to which par. (a) applies.



## Mental Health Parity

- The federal mental health parity laws require that at the very least mental health conditions be treated like all medical conditions.
- Wisconsin's current law regarding mental health and AODA insurance coverage applies only to group health insurance policies. Services covered are inpatient, outpatient and transitional service. Total coverage must not exceed \$7,000 per year. Also, insurers are allowed to charge higher deductibles and co-pays and allow fewer outpatient treatments for mental illness.
- Proposed legislation would entitle the mentally ill to the same insurance coverage as those with physical illness – both group health benefit plans and self-insured health plans. It does not require, or mandate, individual health plans to cover the treatment of nervous and mental disorders and alcoholism and other drug abuse, but if it does, the plan must provide the same coverage as for physical conditions.
  - SB 157 permanently suspends the annual dollar maximums for outpatient and transitional mental health services.
  - SB 157 removes the annual dollar maximums for AODA treatment.
  - SB 157 eliminates the 30-day inpatient limit for mental health services.
- The costs of this bill to the state are approximately \$461,600 since the federal MHPA applies. (costs have not increased by more than one percent).
- According to the Office of the Commissioner of Insurance, this "mandate" would add approximately \$27 to \$54 million per year to premium costs for group health insurance companies and consumers.
- SB 157 does not contain an exemption (present in the federal MHPA) if the cost of parity exceeds one percent of the program's costs. The actuarial study of the effect of the federal MHPA to determine if health plan costs have increased by more than one percent was completed last year. The review contained some interesting findings.
- The overall cost increase as a result of MHPA was determined to be approximately 0.7 percent. If Standard Plans are excluded, the cost increase is approximately 0.5 percent. The increase under Standard Plans was nearly 2 percent.
- Two things are distinctive about the Standard Plan: an inpatient mental health day limit of 120 days versus 30 days and a **much lower degree of care management**.
- This study lends credence to the contention that the cost of mental health parity in a managed care setting is much lower than critics allege.
- Early fears were that insurance coverage of mental illnesses would drastically drive up the costs of insurance. These fears have not been borne out.

- A number of states now have some experience with insurance coverage of mental illnesses that have shown when costs do go up, the increase is in the neighborhood of 1 percent.
- Officially designated "The Decade of the Brain," the 1990s brought unprecedented federal and state legislation to end health insurance discrimination against individuals with mental illnesses. After the Mental Health Parity Act of 1996 was signed into law, the momentum shifted to the states. A firestorm of legislative activity created a patchwork quilt of various parity laws around the country. A total of 32 states, including Texas and California, now have some degree of mental health parity, with fairness bills pending in many other state legislatures. There have been no negative consequences due to parity in those states, nor has the trend for states to cover mental illnesses as if physical illnesses would have been reversed.
- Data from Maryland indicate that length of inpatient stays in psychiatric units of general hospitals continued to decline after implementation of parity. The proportion of the total medical premium attributable to the mental health parity benefit decreased by 0.2 percent after implementation of full parity.
- Allina Health System in Minnesota, which has had mental health parity since 1995, reported that the parity requirement would add 26 cents per member per month for its 460,000 enrollees. Blue Cross/Blue Shield was able to lower premiums 5% to 6% for its small business plans even after implementation of parity. The insurance plans for all state employees were estimated to have premium increases in the range of 1% to 2%.
- New Hampshire insurance carriers reported no concerns over implementation of that state's parity law and attributed no premium change to the parity law.
- North Carolina, which has had mental health parity since 1992 has seen mental health payments as a portion of total health payments decrease from 6.4 percent to 3.4 percent as of fiscal year 1996.
- Rhode Island has seen an increase of 0.33 percent in mental health benefit costs since its parity law took effect in 1994.
- Texas, which has had parity since 1991, has found that treatment costs are comparable for mental illness and other medical illnesses.
- Businesses that provide insurance coverage of mental illnesses have also found an unexpected benefit in reduced sick leave for physical ailments. Increased productivity and fewer sick days have resulted in a net positive for these businesses.
- Large businesses, such as Federal Express and IBM have covered mental illnesses for a number of years.

- Moving the issue of insurance coverage of mental illnesses forward is largely a matter of making people, businesses and government comfortable that their fears are largely unfounded.
- Treatment is highly effective
- Costs of coverage is minimal
- Overall costs result in a net benefit when increased productivity and reduced sick leave is figured into the equation
- Exclusion of mental illness coverage is arbitrary and certainly not a cost-based decision
- Treatment of many mental illnesses is less costly and more effective than treatment of some physical ailments.
- The National Advisory Mental Health council (NAMHC) in 1998 made several findings:
  - In systems already using managed care, implementing parity raises total health care costs by less than one percent over one year.
  - Introducing managed parity in systems not using managed care leads to a 30 percent to 50 percent reduction in total mental health costs over one year.
  - In every case where parity has been introduced management of mental health services has followed.
- A National Institute of Mental Health sponsored study revealed that mental and addictive disorders cost \$300 billion annually: productivity losses of \$150 billion, health care costs of \$70 billion, and other costs (such as criminal justice) of \$80 billion. The MIT Sloan School of Management found in 1995 that clinical depression costs American businesses \$28.8 billion a year in lost productivity and absenteeism.
- Some studies have pointed to a net savings from mental health parity, largely attributable to reductions in health care costs and crime.
- Seventy-three percent of substance abusers are employed. Treatment for these people reduces their abuse, leads to increased productivity and better physical and mental health.
- Medical advances over the last 20 years have made treatment of mental illnesses more successful and less expensive.

- Passage of parity legislation continues to be a battle of education. We must educate legislators, candidates, business owners, business organizations, labor groups and the public.
- Education must cover not only the cost of mental health parity, but the cost of not having parity.
- It is clear that early treatment of most mental health illnesses results in savings due to reduced claims for physical ailments.
- Some counties argue that by failing to have mental health parity, some costs are shifted to counties. Outagamie County reports that it spent almost \$1.3 million in 1998 providing mental health care and related drugs for its residents that either had no mental health insurance coverage, whose coverage ran out, or were underinsured. This spending does not include AODA spending.
- The issue is not whether mental health and AODA treatment is beneficial to patients, the issue is about the role of government forcing consumers to purchase certain benefits they may or may not want.
- An insurance mandate only requires the insurance carrier to include a benefit within their insurance policies. Carriers then subsequently increase premiums in order to cover the cost of adding that benefit. What the mandate really does is force consumers to purchase added benefits to their existing policies, whether the consumer wants to purchase that extra benefit or not.
- Large, self-funded employers are NOT required to follow state-imposed mandates – Employee Retirement and Income Security Act of 1974 (ERISA). Therefore, these employers still retain the freedom to choose the benefit plans that best fit their employee's needs. The burden of the increased costs falls on small businesses and their employees – the segment of the market that is least likely to afford such increases.
- Everyone agrees that providing mental health/AODA benefits is a worthy cause. The debate is whether or not to make it a mandate on group health insurance premiums.
- While much of the costs are a direct result of federal and state laws requiring portability and coverage of preexisting conditions, additional mandates also add to the burden that is borne by small businesses.
- The largest obstacle still remains the business community, in particular the small businesses.
- According to WMC (Wisconsin Manufactures and Commerce), for many employers, the year 2000 will mark the third straight year of double-digit percentage increases in

their insurance premiums. It is estimated that premiums paid for the state employee's health insurance plan will increase by 12.4 percent this year, and will likely cost taxpayers in excess of \$30 million GPR more over the biennium.

- Bill Smith said 90 percent of NFIB (National Federation of Independent Businesses) members are opposed to mandates of any kind.
- Jim Janes of Oshkosh said small business owners like himself should be allowed the same purchasing options as self-insured big business employers, who are free from government interference. Jim Janes reported that family coverage in 1996 cost \$358 a month, and has doubled to \$745 a month now. Single coverage has increased in that same time period from \$103 per month to \$167 per month.
- Jim Janes said he nearly closed his business last fall due to high health insurance premiums. He said the debate is not whether there is a need, but whether government should interfere in the market.



# Double J Transport, LLC



570 Hwy. 60 ♦ Cedarburg, Wisconsin ♦ 53012  
Telephone 262-377-4778 Fax 262-377-4766

October 27, 2003

Carol Roessler  
1506 Jackson St  
Oshkosh, WI 54901

Ms. Roessler

I am writing to you in regards to Bill SB 72 that is introduced into the Senate. If this bill passes and becomes mandatory, it will force us as a small employer to discontinue to offer health insurance to our employees.

We as a small business have been struggling to provide health insurance to our employees. We have already been notified that our premium will go up another 24 – 30% on our anniversary date in April.

With the passage of SB 72 and the further increase in premiums, we could no longer afford to provide insurance and stay in business.

Please reconsider your vote on this matter.

Sincerely

Jerome Fechter, SR.

Jerome Fechter, JR

5B72 File

### Committee Meeting Attendance Sheet

## Committee on Health, Children, Families, Aging and Long Term Care

Date: 7-22-03 Meeting Type: Public Hearing  
Location: 411 South

<u>Committee Member</u>	<u>Present</u>	<u>Absent</u>	<u>Excused</u>
Senator Carol Roessler, Chairs	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Ted Kanavas	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Ronald Brown	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Robert Welch	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Dale Schultz	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Judith Robson	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Charles Chvala	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Senator Robert Jauch	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Senator Tim Carpenter	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Excused

Totals: 7 0 2

# Committee Meeting Attendance Sheet

## Committee on Health, Children, Families, Aging and Long Term Care

Date: 7/22/03

Meeting Type: Executive Session

Location: 411 South

<u>Committee Member</u>	<u>Present</u>	<u>Absent</u>	<u>Excused</u>
Senator Carol Roessler, Chairs	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Ted Kanavas	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Ronald Brown	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Robert Welch	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Dale Schultz	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Judith Robson	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Charles Chvala	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Senator Robert Jauch	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Senator Tim Carpenter	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Totals: 7 2 2

**Jermstad, Sara**

SB 72

**From:** Rose, Laura  
**Sent:** Monday, June 30, 2003 1:19 PM  
**To:** Jermstad, Sara  
**Subject:** RE: July 22 hearing

Sara,

SBs 73 and 74 were reintroduced into the 2003 session by the Legislative Council by a unanimous voice vote on March 12, 2003.

The bills were originally introduced into the 2001 session. The Committee and Legislative Council Votes were as follows:

**SB 73:** (WLC: 0142/1), relating to requiring the creation of a task force to develop a plan to close at least one state center for the developmentally disabled, was recommended by a Committee vote of Ayes, 13 (Sens. Robson and Roessler; Reps. Foti and Plouff; and Public Members Brinkman, Friese, Helgesen, McGwin, Olson, Ryan, Thompson, Ward and Wittenmyer); and Noes, 0.

At its May 15, 2001 meeting, the Joint Legislative Council voted to introduce WLC: 0142/1 on a roll call vote as follows: Ayes, 19 (Reps. Rhoades, Black, Bock, Foti, Freese, Gard, Huber, Jensen, Lehman and Meyerhofer; and Sens. Risser, Baumgart, Burke, Chvala, Darling, George, Grobschmidt, Robson and Zien); Noes, 0; and Absent, 3 (Rep. Stone; and Sens. Panzer and Rosenzweig). The proposal was subsequently introduced as 2001 Senate Bill 231 and 2001 Assembly Bill 473.

**SB 74:** (WLC: 0059/2), relating to adding legislative members to the council on developmental disabilities, and requiring an annual report to the Legislature; WLC: 0060/2, relating to permitting counties to provide the nonfederal share of MA to create additional brain injury waiver slots; WLC: 0100/2, relating to requiring the DHFS to promulgate rules relating to registered nurse visits as part of a review of a plan of care for persons receiving personal care services under the MA program, and requiring rule-making; and WLC: 0116/1, relating to requiring the DHFS to develop a plan to require one subunit within the DHFS to administer all institutional and community-based services for persons with developmental disabilities; and to combine all funding under the MA program for institutional and community-based services into one appropriation.

The Committee vote was as follows: Ayes, 13 (Sens. Robson and Roessler; Reps. Foti and Plouff; and Public Members Brinkman, Friese, Helgesen, McGwin, Olson, Ryan, Thompson, Ward and Wittenmyer); Noes, 0.

These drafts were subsequently redrafted as WLC: 0151/1.

At its May 15, 2001 meeting, the JLC voted to introduce WLC: 0151/1 into both houses of the Legislature on a roll call vote of Ayes, 18 (Reps. Rhoades, Bock, Foti, Freese, Gard, Huber, Jensen, Lehman and Meyerhofer; and Sens. Risser, Baumgart, Burke, Chvala, Darling, George, Grobschmidt, Robson and Zien); Noes, 0; and Absent, 4 (Reps. Black and Stone; and Sens. Panzer and Rosenzweig).

-----Original Message-----

**From:** Jermstad, Sara  
**Sent:** Monday, June 30, 2003 11:25 AM  
**To:** Rose, Laura  
**Subject:** RE: July 22 hearing

Laura,

SB 73 and 74 were from the Special Committee on Developmentally Disabilities - SB73 relates to the creation of a task force to develop a plan for closing the centers and SB74 relates to adding legislators to the Council on DD, expanding eligibility and requiring submission of waiver requests, etc. I believe the Discipline of Health Care Professionals bills were not re-introduced by Leg Council this session. In fact, Senator Roessler is planning to (re) introduce those bills soon.

Thank you for the votes for the other bills. I appreciate it.

Sara

Sara Jermstad  
Office of Senator Carol Roessler  
Sara.Jermstad@legis.state.wi.us  
(608)266-5300 / 888-736-8720

-----Original Message-----

**From:** Rose, Laura  
**Sent:** Monday, June 30, 2003 10:14 AM  
**To:** Jermstad, Sara  
**Subject:** RE: July 22 hearing

Sara,

SBs 73 and 74 were developed by the Special Committee on Discipline of Health Care Professionals. That committee met in 1999, and the report I sent over before contains the committee and Legislative Council votes on that bill. Those bills were reintroduced into the 2001 session by the Legislative Council on March 14, 2001 by a unanimous voice vote.

Here are the committee and Legislative Council votes on the other bills:

### **MENTAL HEALTH PARITY: SBs 71 and 72:**

#### **SPECIAL COMMITTEE VOTES**

- WLC: 0119/1, relating to treatment of prescription drug costs, diagnostic testing, and payments under mandated coverage of mental health and alcoholism and other drug abuse problems: Ayes, 14 (Sen. Hansen; Reps. Vrakas and Lehman; and Public Members Beilman, Frett, Gross, Krumholz, Moulthrop, Reider, Rosenzweig, Schick, Slota-Varma, Wieske, and Yunk); Noes, 0; and Absent, 0. [The recommended proposal was subsequently drafted as LRB-1978/2.]
- WLC: 0120/1, relating to increasing coverage limits for insurance coverage of nervous or mental health disorders or alcoholism or other drug abuse problems: Ayes, 8 (Sen. Hansen; Rep. Lehman; and Public Members Beilman, Gross, Moulthrop, Rosenzweig, Slota-Varma, and Yunk); Noes, 6 (Rep. Vrakas; and Public Members, Frett, Krumholz, Reider, Schick, and Wieske); Absent, 0. [The recommended proposal was subsequently drafted as LRB-1979/1.]

#### **JOINT LEGISLATIVE COUNCIL VOTES**

The Joint Legislative Council voted to recommend the proposed bill drafts on March 12, 2003. The votes on the drafts were as follows:

*Rep. Freese moved, seconded by Sen. Panzer, that LRB-1978/2, relating to treatment of prescription drug costs, diagnostic testing, and payments under mandated insurance coverage of treatment for nervous and mental disorders and alcoholism and other drug abuse problems and granting rule-making authority, be introduced by the Joint Legislative Council. The motion passed by a voice vote.*

*[Sen. Welch asked that the record reflect that he voted "no" on LRB-1978/2.]*

*Sen. Erpenbach moved, seconded by Rep. Coggs, that LRB-1979/1, relating to increasing the limits for insurance coverage of nervous or mental health disorders or alcoholism or other drug abuse problems, be introduced by the Joint Legislative Council. The motion passed on a roll call vote as follows:*

*Ayes, 13 (Sens. Erpenbach, Harsdorf, Panzer, and Risser; and Reps. Coggs, Foti, Freese, Kaufert, Kreuser, Lehman, Schneider, Townsend, and Travis); Noes, 4 (Sens. Lasee, Darling, and Welch; and Rep. Wieckert); Absent, 4 (Sens. Decker, Ellis, and George; and Rep. Gard); and Vacancy, 1.*

*[Rep. Gard noted that had he been present, he would have voted "Aye" on LRB-1979/1.]*

## **RELATIVE CAREGIVERS: SB 82:**

### **SPECIAL COMMITTEE VOTES**

By a mail ballot dated February 10, 2003, the Special Committee voted to recommend WLC: 0127/1 to the JLC for introduction in the 2003-04 Session of the Legislature. The votes on the draft were as follows:

· WLC: 0127/1, relating to the kinship care program, notice of guardianship proceedings, creating a medical services consent form, and requesting the joint legislative council to study guardianship and legal custody: Ayes, 12 (Sen. Moore; Reps. Kestell, Krug, and Ott; and Public Members Albrecht, Cabraal, Gonzalez, Hafner, Huber, Kratz, McAllister, and Medaris); and Noes, 0.

### **JOINT LEGISLATIVE COUNCIL VOTES**

At its February 19, 2003 meeting, the Joint Legislative Council voted as follows on the following recommendation of the Special Committee:

Introduction by the Joint Legislative Council of WLC: 0127/1 **PASSED** by a unanimous voice vote. WLC: 01271 was subsequently introduced as 2003 Assembly Bill 201 and 2003 Senate Bill 82.

## **STATE TRIBAL RELATIONS: SB 192:**

· WLC: 0148/1, relating to tribal administration of rehabilitation reviews for persons who otherwise may not operate, be employed at, contract with, or reside at an entity that provides care for children or adults and granting rule-making authority. The motion passed on a vote of **Ayes, 12** (Reps. Musser, Boyle, Hines, Pettis, and Sherman;

Sen. Zien; and Public Members Bichler, Brown, Gordon, Ninham, Puskarenko, and Taylor; *Noes, 1* (Rep. Coggs); and *Not Voting, 4* (Sen. George; and Public Members Besaw, Bigboy, and Thundercloud). This was subsequently redrafted by the LRB as LRB-2552/1.

The Legislative Council vote was Ayes, 15 (Sens. Erpenbach, Brown, Harsdorf, Risser, Lasee, Darling, Welch, Decker; Reps. Wieckert, Freese, Kaufert, Lehman, Schneider, Townsend and Travis); No, 2 (Rep. Gard and Sen. Ellis); Not voting, 4 (Reps. Coggs, Kreuser and Sens. George and Panzer); and Rep. Foti indicating that he would have voted "no" if present.

-----Original Message-----

**From:** Jermstad, Sara  
**Sent:** Thursday, June 26, 2003 4:23 PM  
**To:** Rose, Laura  
**Subject:** July 22 hearing

Laura,

You probably noticed that all the bills we will be hearing at the July 22 hearing are Leg Council bills. Carol would like to know what the Leg Council votes were for each of the bills. Would you be able to find that out for me?

Thank you,  
Sara

Sara Jermstad  
Office of Senator Carol Roessler  
Sara.Jermstad@legis.state.wi.us  
(608)266-5300 / 888-736-8720

OCT 07 2003

To: Members of the Senate  
From: R.J. Pirlot, Director of Legislative Relations  
Date: October 6, 2003  
Subject: **Opposition to Senate Bill 72**, relating to increasing the limits for insurance coverage of nervous or mental health disorders or alcoholism or other drug abuse problems.

**Memo**

**SB 72 Will Raise Health Care Costs**

SB 72 mandates all fully-insured employers to dramatically increase coverage limits under group health insurance policies for treatment of nervous and mental disorders and for alcohol and other drug abuse problems. This will lead to higher health care insurance costs and less access to health insurance coverage in the private sector. The hardest hit will be Wisconsin's small businesses and their employees.

In his report regarding SB 72 to the Legislature, State Commissioner of Insurance Jorge Gomez has concluded this new mandate will increase the cost of health care insurance in Wisconsin. Specifically, Commissioner Gomez concludes:

“The mandate will add approximately \$9.2 million to \$30.8 million per year to premium costs for group insurance consumers, *borne mostly by small businesses.*” [Emphasis added]

Rising health care costs are forcing Wisconsin employers to shift health care cost increases to their employees, reduce health care coverage, or both. SB 72 will make the problem worse.

**SB 72 Will Jeopardize Access to Health Care Insurance**

Moreover, Commissioner Gomez observes “[t]raditionally, as the number of benefit mandates increase the cost of coverage rises, and as costs rise, fewer and fewer individual and businesses can afford to insure.” Specifically, Commissioner Gomez concludes:

“... 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.”

Wisconsin businesses are already struggling to help pay for employee health care benefits. According to the U.S. Census Bureau, in 2002, 8.7% of Wisconsinites were without health care insurance. In 2001, that figure was 7.6%. Again, SB 72 will make the problem worse.

**Health Care Costs Are Rising and Hurt Economic Development**

Rising health care insurance costs are a major concern for businesses, big and small, as they strive to stay competitive. Rising health care costs undermine the ability of Wisconsin companies to offer health care benefits and, significantly, impede their ability to create and retain good-paying jobs in Wisconsin.



- Halbur, Jennifer

From: Seaquist, Sara  
Sent: Monday, November 03, 2003 3:18 PM  
To: Halbur, Jennifer; Halbur, Jennifer  
Subject: New Forward Contact Ownership and Assignment

Carol -  
FUI -

Constituent: Jim Neumann (45722)  
1350 S Hickory St  
Fond Du Lac, WI 54937-5600

Home: 920-921-1550 ext.129

Email: jimneumann@rbroyal.com

Owner: Halbur, Jennifer  
Assigned: Halbur, Jennifer  
Summary: SB 72

What's  
SB 204

Issue:  
Position:  
Status: Pending  
Contact Type: Email  
Description: -----Original Message-----  
From: Neumann, Jim [mailto:jimneumann@rbroyal.com]  
Sent: Friday, October 31, 2003 1:31 PM  
To: State Senator Carol Roessler (E-mail)  
Subject: Response to Senate Bill 72

Dear Carol,

You are right, we disagree on SB 72. I doubt that anything I say or write will change your mind.

RB Royal Industries is basically a small Wisconsin manufacturer. Without SB72, we are currently anticipating group health care costs rising from an estimated \$900,000 in 2003 to \$1,175,000.00 in 2004! By the way, we are only a 125 person, \$16,000,000 company! RB is also a company that has been actively working to control rising group health care costs for the last decade! Carol, do you consider this SINGLE YEAR increase in our group health care costs "fair and not exorbitant"? Many other businesses in this state are facing worse situations than ours.

RB Royal has been working creatively to develop programs and raise awareness within our company to control or, at best lessen the unrelenting higher cost of providing adequate health care coverage for our employees. Year after year, costs spiral upward. We have recently invested in a series of all-employee meetings to generate ideas and share our health care cost experience with them so they know what it will take to continue to offer the coverage we have provided thus far. We have some tough choices regardless of SB 72! And that is only to get us through 2004! What waits for us in 2005 and beyond? The statistics are frightening.

Incidentally, RB Royal offers our employees an EMPLOYEE ASSISTANCE PLAN. It allows for confidential counseling and assessments for not only our employees but also their family members. It covers substance abuse, mental health, family counseling and financial planning to name a few.

Despite SB 72 and other increasing costs, many over which we also have no control, our customers are asking us to hold or lower prices to them! Some of our larger customers have field offices in Asia to find lower cost sources of supply. No one here seems to care that these countries support unfair competition and they don't really care if they usurp domestic

suppliers - suppliers like RB Royal! The USA has lost 2-3 million manufacturing jobs since 1998 due to foreign competition. Such legislation heaps more burden on the backs of already overburdened companies who are finding it increasingly hard to compete. That is not a "positive for the economy".

This legislation represents, in my opinion, treating the symptom - not treating the disease.

We have become a nation of victims with little or no personal accountability for our actions. Carol, we need leaders to help Americans regain personal accountability or we will continue to decline.

I wish you success with SB 204.

Sincerely,

Jim

Jim Neumann  
President  
RB Royal Industries, Inc.  
(920) 921-1550 ext. 4426  
www.rbroyal.com

**JORGE GOMEZ**

**COMMISSIONER**

Office of the Commissioner of Insurance

*Sen. Prosser*



*As You Requested ...  
For Your Information ...  
Other ...*

MAR 09 2004

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State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Jim Doyle, Governor  
Jorge Gomez, Commissioner

Wisconsin.gov

March 5, 2004

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MR. R. J. PIRLOT  
DIRECTOR OF LEGISLATIVE RELATIONS  
WISCONSIN MANUFACTURERS AND COMMERCE  
501 E. WASHINGTON AVENUE  
MADISON WI 53703

Dear Mr. Pirlot:

I am writing to express a concern with your memorandum to interested WMC members about Senate Bill 72, dated March 1, 2004. I am concerned that the contextual usage of a letter from my agency to cast a particular light gives the impression that this agency has adopted a specific attitude toward this bill.

This office has expressed no formal opinion on SB 72 and does not intend to. However, I believe that your usage of selected pieces of OCI's social and financial impact statement on SB 72 is misleading, implying that OCI has expressed a negative opinion about this bill.

Wis statute s. 601.423 requires OCI to prepare a social and financial impact statement for any proposed legislation that would change or create a health insurance mandate. This office prepared such a statement which indicated that the costs associated with SB 72 would range between \$9.2 and \$30.8 million. However, taken as a percentage of total group health premiums collected in 2001 of \$6.2 billion, this is a premium increase of .15% to .5%. I note that you chose not to utilize the percentage numbers that were also contained in the impact statement, which portray the costs of the mandate in an entirely different light. Additionally, in a follow-up note sent to Speaker John Gard and Majority Leader Mary Panzer on January 15<sup>th</sup> of this year (easily viewable on OCI's web site), OCI further quantified these premium increase estimates on a per member per month basis as \$.36 to \$1.24 PM/PM. Given the amount of benefit that is derived from SB 72 it is entirely reasonable to infer that this is not an undue burden, which is one of the reasons OCI takes great pains to avoid expressing approval or disapproval of proposed legislation wherever possible. Additionally, OCI was not able to quantify the amount of productivity gains from passage of SB 72, which are certain, but immeasurable by this office. These gains represent a direct benefit to your members that I'm sure they would be interested in knowing.

Another assumption that could be made is that when SB 72 is taken in conjunction with SB 71, which would prohibit the use of diagnostic and pharmaceutical costs in the

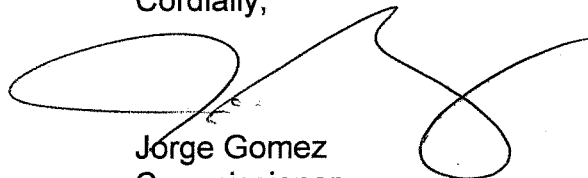
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calculation of the minimum coverage amounts, the amount of premium increase would be mitigated greatly. As you may not be aware, a large share of mental health treatment is through the use of prescription drugs. OCI's 2001 Survey of Selected Mandated Health Insurance Benefits revealed that most group health insurers do not include prescription drug treatment for mental health treatment in the calculation of costs associated with the minimum coverage amounts specified in the statutes. This means, as I see it, that reaching the high end of our estimate would be a remote possibility. However, as the Special Committee on Mental Health Parity discovered, there are real people that are foregoing treatment that works for them because of a dollar amount that was set nineteen years ago and has not been adjusted since then. I'm sure you and your members have been aware that medical costs have not remained stagnant since then.

As I indicated earlier, OCI does not advocate on issues relating to insurance coverage, whenever possible, especially in a highly charged atmosphere like health insurance. If I were to express an opinion it could be one of amazement a fine organization like WMC believes that \$4.32 per employee per year is too much to pay for the mental and emotional health of their member's employees or that \$4.32 per employee annually is too great an investment toward greater productivity.

I understand you have members who look to you for guidance on legislative proposals and you need to advocate for your members. I would appreciate it, however, if you did not enlist my involuntary participation in advancing your causes.

Cordially,

A handwritten signature in black ink, appearing to read 'Jorge Gomez', with a large, stylized flourish extending to the right.

Jorge Gomez  
Commissioner

JG: jrg