

Lundby, Jensen, Cronstal

SSB 3080  
Commerce

SENATE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
COMMERCE BILL BY  
CHAIRPERSON JENSEN)

\* Updated version

Succeeded By  
⑤/HF 2289

Passed Senate, Date \_\_\_\_\_

Passed House, Date \_\_\_\_\_

Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_

Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_

Approved \_\_\_\_\_

**A BILL FOR**

1 An Act relating to health care benefits coverage for mental  
2 health conditions and substance abuse treatment services.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. NEW SECTION. 514C.21 MANDATED COVERAGE FOR  
2 MENTAL HEALTH CONDITIONS AND SUBSTANCE ABUSE TREATMENT  
3 SERVICES.

4 1. For purposes of this section, unless the context  
5 otherwise requires:

6 a. "Mental health condition" means a condition or disorder  
7 involving mental illness that is listed in the most recent  
8 edition of the American psychiatric association's diagnostic  
9 and statistical manual of mental disorders, as periodically  
10 revised.

11 b. "Rates, terms, and conditions" means any lifetime or  
12 annual payment limits, deductibles, copayments, coinsurance,  
13 and any other cost-sharing requirements, out-of-pocket limits,  
14 visit limitations, and any other financial component of  
15 benefits coverage that affects the covered individual.

16 c. "Substance abuse" means a pattern of pathological use  
17 of alcohol or a drug that causes impairment in social or  
18 occupational functioning, or that produces physiological  
19 dependency evidenced by physical tolerance or by physical  
20 symptoms when the alcohol or drug is withdrawn.

21 2. a. Notwithstanding the uniformity of treatment  
22 requirements of section 514C.6, a policy, contract, or plan  
23 providing for third-party payment or prepayment of health or  
24 medical expenses shall provide coverage benefits for mental  
25 health conditions and substance abuse treatment services based  
26 on rates, terms, and conditions that are no more restrictive  
27 than the rates, terms, and conditions for coverage benefits  
28 provided for other health or medical conditions under the  
29 policy, contract, or plan.

30 b. Any restrictions or limitations with respect to rates,  
31 terms, and conditions involving deductibles, copayments,  
32 coinsurance, and any other cost-sharing requirements shall be  
33 cumulative for coverage of mental health conditions, substance  
34 abuse treatment services, and other health or medical  
35 conditions under a policy, contract, or plan. A policy,

1 contract, or plan subject to this section shall not impose an  
 2 aggregate lifetime or annual limit on mental health conditions  
 3 or substance abuse treatment services coverage benefits unless  
 4 the policy, contract, or plan imposes an aggregate lifetime or  
 5 annual limit on substantially all health or medical coverage  
 6 benefits. A policy, contract, or plan subject to this section  
 7 that imposes an aggregate lifetime or annual limit on  
 8 substantially all medical and surgical coverage benefits shall  
 9 not impose an aggregate lifetime or annual limit on mental  
 10 health condition or substance abuse treatment services  
 11 coverage benefits that is less than the aggregate lifetime or  
 12 annual limit imposed on substantially all health or medical  
 13 coverage benefits.

14 c. Coverage required under this section shall be as  
 15 follows:

16 (1) For the treatment of a mental health condition,  
 17 coverage shall be for services provided by a health  
 18 professional licensed under chapters 147A, 148, 150A, 154B,  
 19 154C, and 154D, and services provided in a hospital, clinic,  
 20 office, community mental health center, health care facility,  
 21 outpatient treatment facility, or similar facility for the  
 22 provision of health care services.

23 (2) For the treatment of substance abuse, coverage shall  
 24 be for emergency treatment, outpatient treatment, inpatient  
 25 treatment, residential treatment, halfway house treatment, and  
 26 follow-up treatment and rehabilitation, pursuant to the  
 27 comprehensive program for treatment for substance abuse  
 28 maintained by the department of public health pursuant to  
 29 section 125.12 in hospitals licensed under chapter 135B and  
 30 facilities licensed under chapter 125.

31 3. This section applies to the following classes of third-  
 32 party payment provider policies, contracts, or plans  
 33 delivered, issued for delivery, continued, or renewed in this  
 34 state on or after January 1, 2003:

35 a. Individual or group accident and sickness insurance

1 providing coverage on an expense-incurred basis.

2 b. An individual or group hospital or medical service  
3 contract issued pursuant to chapter 509, 514, or 514A.

4 c. A plan established pursuant to chapter 509A for public  
5 employees.

6 d. An individual or group health maintenance organization  
7 contract regulated under chapter 514B.

8 e. An individual or group Medicare supplemental policy,  
9 unless coverage pursuant to such policy is preempted by  
10 federal law.

11 f. Any other entity engaged in the business of insurance,  
12 risk transfer, or risk retention, which is subject to the  
13 jurisdiction of the commissioner.

14 g. An organized delivery system licensed by the director  
15 of public health.

16 4. The commissioner shall adopt rules pursuant to chapter  
17 17A to administer this section.

18 EXPLANATION

19 This bill creates new Code section 514C.21 and provides  
20 that a policy, contract, or plan providing for third-party  
21 payment or prepayment of health or medical expenses must  
22 provide coverage benefits for mental health conditions and  
23 substance abuse treatment services based on rates, terms, and  
24 conditions that are no more restrictive than the rates, terms,  
25 and conditions associated with coverage benefits provided for  
26 other conditions under the policy, contract, or plan.

27 "Mental health condition" is defined to mean a condition or  
28 disorder involving mental illness that is listed in the  
29 American psychiatric association's diagnostic and statistical  
30 manual of mental disorders. "Substance abuse" means a pattern  
31 of pathological use of alcohol or a drug that causes  
32 impairment or produces dependency.

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3/14/02 Referred from Reg. Calendar  
to W. & Moore

FILED FEB 25 2002

SENATE FILE 2289  
BY COMMITTEE ON COMMERCE

(SUCCESSOR TO SSB 3080)

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

**A BILL FOR**

1 An Act relating to health care benefits coverage for treatment  
2 for neurobiological disorders and underlying co-morbidity.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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SF 2289

1 Section 1. NEW SECTION. 514C.21 MANDATED COVERAGE FOR  
2 NEUROBIOLOGICAL DISORDERS AND UNDERLYING CO-MORBIDITY.

3 1. For purposes of this section, unless the context  
4 otherwise requires:

5 a. "Co-morbidity" means the coexistence of conditions or  
6 diagnosable disorders such as neurobiological disorders and  
7 substance abuse. For purposes of this section, "substance  
8 abuse" means a pattern of pathological use of alcohol or a  
9 drug that causes impairment in social or occupational  
10 functioning, or that produces physiological dependency  
11 evidenced by physical tolerance or by physical symptoms when  
12 the alcohol or drug is withdrawn.

13 b. "Neurobiological disorder" means the following:

- 14 (1) Schizophrenia and other psychotic disorders.
- 15 (2) Affective disorders.
- 16 (3) Anxiety disorders.
- 17 (4) Pervasive developmental disorders.
- 18 (5) Attention deficit hyperactivity disorder and related  
19 disorders.
- 20 (6) Disorders identified in childhood and adolescence.

21 The commissioner, by rule, shall identify the  
22 neurobiological disorders covered by this definition,  
23 consistent with the guidelines provided in the most recent  
24 edition of the American psychiatric association's diagnostic  
25 and statistical manual of mental disorders, as such  
26 definitions may be amended from time to time. The  
27 commissioner may adopt the definitions provided in the manual  
28 by reference.

29 c. "Rates, terms, and conditions" means any lifetime or  
30 annual payment limits, deductibles, copayments, coinsurance,  
31 and any other cost-sharing requirements, out-of-pocket limits,  
32 visit limitations, and any other financial component of  
33 benefits coverage that affects the covered individual.

34 2. a. Notwithstanding the uniformity of treatment  
35 requirements of section 514C.6, a policy, contract, or plan

1 providing for third-party payment or prepayment of health or  
2 medical expenses shall provide coverage benefits for treatment  
3 for neurobiological disorders and underlying co-morbidity  
4 based on rates, terms, and conditions that are no more  
5 restrictive than the rates, terms, and conditions for coverage  
6 benefits provided for other health or medical conditions under  
7 the policy, contract, or plan.

8     b. Any restrictions or limitations with respect to rates,  
9 terms, and conditions involving deductibles, copayments,  
10 coinsurance, and any other cost-sharing requirements shall be  
11 cumulative for coverage of treatment for neurobiological  
12 disorders and underlying co-morbidity and other health or  
13 medical conditions under a policy, contract, or plan. A  
14 policy, contract, or plan subject to this section shall not  
15 impose an aggregate lifetime or annual limit on treatment for  
16 neurobiological disorders and underlying co-morbidity coverage  
17 benefits unless the policy, contract, or plan imposes an  
18 aggregate lifetime or annual limit on substantially all health  
19 or medical coverage benefits. A policy, contract, or plan  
20 subject to this section that imposes an aggregate lifetime or  
21 annual limit on substantially all medical and surgical  
22 coverage benefits shall not impose an aggregate lifetime or  
23 annual limit on treatment for neurobiological disorders and  
24 underlying co-morbidity coverage benefits that is less than  
25 the aggregate lifetime or annual limit imposed on  
26 substantially all health or medical coverage benefits.

27     c. Coverage required under this section shall be for the  
28 treatment of neurobiological disorders and underlying co-  
29 morbidity, for services provided by a health professional  
30 licensed under chapter 147A, 148, 150A, 152, 154B, 154C, or  
31 154D, for services provided in a hospital, clinic, office,  
32 community mental health center, health care facility,  
33 outpatient treatment facility, residential treatment facility,  
34 halfway house, or similar facility for the provision of health  
35 care services, and for services provided pursuant to the

1 comprehensive program for treatment for substance abuse  
2 maintained by the department of public health pursuant to  
3 section 125.12 in a hospital licensed under chapter 135B or a  
4 facility licensed under chapter 125.

5 3. This section applies to the following classes of third-  
6 party payment provider policies, contracts, or plans  
7 delivered, issued for delivery, continued, or renewed in this  
8 state on or after January 1, 2003:

9 a. Individual or group accident and sickness insurance  
10 providing coverage on an expense-incurred basis.

11 b. An individual or group hospital or medical service  
12 contract issued pursuant to chapter 509, 514, or 514A.

13 c. A plan established pursuant to chapter 509A for public  
14 employees.

15 d. An individual or group health maintenance organization  
16 contract regulated under chapter 514B.

17 e. An individual or group Medicare supplemental policy,  
18 unless coverage pursuant to such policy is preempted by  
19 federal law.

20 f. Any other entity engaged in the business of insurance,  
21 risk transfer, or risk retention, which is subject to the  
22 jurisdiction of the commissioner.

23 g. An organized delivery system licensed by the director  
24 of public health.

25 4. The commissioner shall adopt rules pursuant to chapter  
26 17A to administer this section.

27 Sec. 2. INSURANCE DIVISION STUDY IN CONJUNCTION WITH STATE  
28 AUDITOR.

29 1. The insurance division of the department of commerce,  
30 in conjunction with the state auditor, shall conduct a study  
31 of the cost of providing neurobiological disorder coverage  
32 benefits in Iowa.

33 2. The study shall assess at least all of the following:

34 a. Identification of the costs attributed to treatment of  
35 neurobiological disorders, and to underlying co-morbidity.

1 b. An estimate of the impact of mandated coverage on  
2 health care coverage benefit costs and availability.

3 c. Actions taken by the division to ensure that third-  
4 party payors subject to this Act are in compliance.

5 d. Identification of any segments of the population of  
6 this state that may be excluded from, or have limited access  
7 to, treatment, including the number of citizens that may be  
8 excluded from, or have limited access to, treatment under  
9 third-party payor policies or contracts provided by employers  
10 who receive substantial revenue from public sources.

11 3. The insurance division shall submit a written report to  
12 the general assembly on or before January 30, 2005.

13 Sec. 3. DEPARTMENT OF PUBLIC HEALTH STUDY.

14 1. The department of public health shall conduct a two-  
15 year study of the mental health delivery system in Iowa,  
16 beginning July 1, 2002.

17 2. The study shall include participation by at least all  
18 of the following:

19 a. Representatives of professional health care groups  
20 licensed under chapters 147A, 148, 150A, 152, 154B, 154C, and  
21 154D.

22 b. Representatives of associations or other groups  
23 representing hospitals, clinics, community mental health  
24 centers, community corrections and prison corrections, health  
25 care facilities, outpatient treatment facilities, and any  
26 other facility offering mental health services.

27 c. County supervisors, representatives from the department  
28 of human services, judges, mental health advocates, and other  
29 state or county officials involved in the provision of mental  
30 health services.

31 d. Consumers, family members, and patients.

32 3. The participants in the study shall assess the relevant  
33 issues facing the mental health delivery system in Iowa, and  
34 shall prepare a report with recommendations for presentation  
35 to the general assembly no later than November 1, 2004.

EXPLANATION

1  
2 This bill creates new Code section 514C.21 and provides  
3 that a policy, contract, or plan providing for third-party  
4 payment or prepayment of health or medical expenses must  
5 provide coverage benefits for neurobiological disorders and  
6 underlying co-morbidity based on rates, terms, and conditions  
7 that are no more restrictive than the rates, terms, and  
8 conditions associated with coverage benefits provided for  
9 other conditions under the policy, contract, or plan.

10 The bill requires a joint study by the insurance division  
11 and state auditor regarding the costs of providing  
12 neurobiological disorder coverage benefits to be submitted to  
13 the general assembly by January 30, 2005. The bill also  
14 requires a two-year study of the mental health delivery system  
15 coordinated by the department of public health, for  
16 presentation to the general assembly by November 1, 2004.

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# Legislative Fiscal Bureau

## Fiscal Note

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SF 2289 - Mental Health & Substance Abuse Insurance Parity (LSB 6583 SV)  
Analyst: Ron Robinson (Phone: (515) 281-6256) (ron.robinson@legis.state.ia.us)  
Fiscal Note Version - New

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### Description

Senate File 2289 creates Chapter 514C.21, Code of Iowa, and requires that a policy, contract, or plan providing for third-party payment or prepayment of health or medical expenses must provide coverage benefits for neurobiological disorders and underlying co-morbidity based on rates, terms, and conditions that are no more restrictive than the rates, terms, and conditions associated with coverage benefits provided for other conditions under the policy, contract, or plan, delivered, issued for delivery, continued, or renewed in Iowa on or after January 1, 2003.

Co-morbidity means the coexistence of conditions or diagnosable disorders such as neurobiological disorders and substance abuse.

The Bill requires a joint study by the Insurance Division of the Department of Commerce and the State Auditor regarding the costs of providing neurobiological disorder coverage benefits to be submitted to the General Assembly by January 30, 2005.

The Bill also requires a two-year study of the mental health delivery system coordinated by the Department of Public Health for presentation to the General Assembly by November 1, 2004.

### Assumptions

1. Total FY 2003 State employee health and medical costs would be approximately \$211.0 million, not including professional and faculty at regent institutions, and employees on a Managed Care Organization (MCO) plan not on central payroll.
2. Total plan costs would increase an estimated 2.5% in FY 2003.
3. Six months of FY 2003 will be impacted.
4. Co-morbidity costs will increase at the same rate as other medical condition costs.
5. The projection for FY 2003 assumes a total plan increase of 15.0% compared to FY 2002, without any changes in benefits.
6. The projection for FY 2004 assumes a total plan increase of 10.0% compared to FY 2003, without any changes in benefits.
7. The proportion of General Fund is assumed to be 53.0%, the federal portion is assumed to be 35.0%, and the employee share is assumed to be 12.0%.
8. The amount paid by Medicaid for people who are suffering from co-morbidity, as defined in the Bill, because their private insurance does not provide sufficient coverage, is unknown.

### Fiscal Impact

Senate File 2289 would cost the General Fund an estimated \$1.4 million in FY 2003 and \$3.1 million in FY 2004.

In addition, the General Fund would have a cost of approximately \$100,000 and 1.5 FTE positions, in each FY 2003 and FY 2004, to complete the required studies in the Bill.

The federal fund cost would be \$923,000 for FY 2003, and \$2.0 million for FY 2004.

The employee share of the increase would be \$316,000 for FY 2003 and \$696,000 for FY 2004.

**Sources**

Department of Personnel  
Board of Regents  
Wellmark Blue Cross and Blue Shield of Iowa Legislature  
The Segal Company

\_\_\_\_\_  
/s/ Dennis C Prouty

March 18, 2002

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The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Legislative Fiscal Bureau to members of the Legislature upon request.  
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