TESTIMONY
HOWARD H. GOLDMAN, MD, PHD

CONSIDERING HEALTH INSURANCE PARITY
FOR MENTAL HEALTH AND SUBSTANCE ABUSE TREATMENT

H.R. 1424:
THE PAUL WELLSTONE
MENTAL HEALTH AND ADDICTION EQUITY ACT OF 2007

SUBCOMMITTEE ON HEALTH
OF THE COMMITTEE ON ENERGY AND COMMERCE
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON D.C.
JUNE 15, 2007

THANK YOU FOR THE INVITATION TO ADDRESS YOU TODAY. I AM HOWARD H. GOLDMAN, MD, PHD, PROFESSOR OF PSYCHIATRY AT UNIVERSITY OF MARYLAND SCHOOL OF MEDICINE IN BALTIMORE. I SERVED AS THE SENIOR SCIENTIFIC EDITOR OF THE SURGEON GENERAL'S REPORT ON MENTAL HEALTH AND WAS THE PRINCIPAL INVESTIGATOR OF THE EVALUATION OF BEHAVIORAL HEALTH INSURANCE PARITY FOR FEDERAL EMPLOYEES.

MY TESTIMONY TODAY FOCUSES ON THAT EVALUATION AND ITS FINDINGS AND CONCLUSIONS. MY COMMENTS ARE DERIVED FROM OUR REPORT POSTED ON A DEPARTMENT OF HEALTH AND HUMAN SERVICES WEBSITE AS WELL AS FROM PUBLISHED PAPERS. I HAVE APPENDED PAPERS BY OUR RESEARCH TEAM PUBLISHED IN THE ***NEW ENGLAND JOURNAL OF MEDICINE*** (1) AND ***PEDIATRICS*** (2). I WILL ALSO REFER TO AN EDITORIAL PUBLISHED WITH OUR PAPER IN THE ***NEW ENGLAND JOURNAL OF MEDICINE,*** WRITTEN BY TWO HEALTH ECONOMISTS (3) AND ALSO APPENDED TO THE TESTIMONY AS WELL.

THE PARITY POLICY IN THE FEDERAL EMPLOYEES HEALTH BENEFITS [FEHB] PROGRAM BEGAN ON JANUARY 1, 2001 AND OFFERED COMPREHENSIVE INSURANCE COVERAGE FOR MENTAL DISORDERS, INCLUDING SUBSTANCE USE DISORDERS, ON TERMS THAT WERE

IDENTICAL TO THE COVERAGE OF GENERAL MEDICAL CONDITIONS, WHEN THE TREATMENT WAS PROVIDED BY IN-NETWORK PROVIDERS.

OUR STUDY COMPARED 7 FEHB PLANS WITH A MATCHED SET OF PLANS THAT DID NOT CHANGE BENEFITS OR MANAGEMENT AND DID NOT HAVE PARITY. WE COMPARED USE AND SPENDING BY ENROLLEES IN THESE PLANS FOR THE TWO YEARS BEFORE PARITY [1999 AND 2000] AND FOR THE TWO YEARS AFTER PARITY BEGAN [2001 AND 2002]. WE OBSERVED (i) THE PROPORTION OF FEDERAL EMPLOYEES, RETIREES AND THEIR DEPENDENTS WHO USED BEHAVIORAL HEALTH SERVICES, (ii) HOW MUCH THEY SPENT FOR BEHAVIORAL HEALTH SERVICES, AND (iii) HOW MUCH OF THE SPENDING WAS OUT OF THEIR OWN POCKETS.

THE STUDY FOUND THAT

1. THE POLICY WAS IMPLEMENTED SMOOTHLY AND WITHOUT PLANS DROPPING OUT OF THE FEHB PROGRAM.
2. THERE WAS **A SIGNIFICANT DECLINE IN OUT-OF-POCKET SPENDING** IN THE FEHB PLANS COMPARED TO THE NON-PARITY PLANS. THIS INDICATES THAT PARITY COVERAGE RESULTED IN IMPROVED INSURANCE PROTECTION AGAINST FINANCIAL RISKS – THE PRINCIPAL OBJECTIVE OF HEALTH INSURANCE.
3. THIS SAVINGS TO FEHB PLAN MEMBERS WAS NOT ASSOCIATED WITH SIGNIFICANT INCREASES IN USE AND SPENDING ATTRIBUTABLE TO PARITY. IN FACT, FOR THE MOST PART **INCREASES IN USE AND TOTAL SPENDING IN THE FEHB PLANS WERE NO GREATER THAN USE AND TOTAL SPENDING INCREASES IN THE COMPARISON PLANS.** THIS WAS TRUE FOR ADULTS AS WELL AS FOR CHILDREN AND ADOLESCENTS. (2)

IN OUR PUBLISHED PAPER WE CONCLUDED THAT “THESE FINDINGS SUGGEST THAT PARITY OF COVERAGE OF MENTAL HEALTH AND SUBSTANCE ABUSE SERVICES, WHEN COUPLED WITH MANAGEMENT OF CARE, IS FEASIBLE AND CAN ACCOMPLISH ITS OBJECTIVES OF GREATER FAIRNESS AND IMPROVED INSURANCE PROTECTION WITHOUT ADVERSE CONSEQUENCES FOR HEALTH CARE COSTS.” (1; P. 1386)

IN THEIR EDITORIAL, “BETTER BEHAVIORAL HEALTH CARE COVERAGE FOR EVERYONE,” IN THE ***NEW ENGLAND JOURNAL OF MEDICINE***, TWO HEALTH ECONOMISTS (GLIED AND CUELLAR) NOTE THAT THE PURPOSE OF THE PARITY POLICY WAS TO PROVIDE BETTER FINANCIAL PROTECTION TO **EVERYONE** WHO HAS HEALTH INSURANCE. THE COVERAGE IS NOT ONLY FOR INDIVIDUALS WHO ALREADY HAVE A MENTAL DISORDER BUT IT IS FOR ALL OF US. (3)

THE ECONOMISTS STATE THAT “THE ARTICLE BY GOLDMAN ET AL … PROVIDES THE FIRST CONTROLLED STUDY OF PARITY … IN TWO DECADES. THE COMPELLING EVIDENCE PRESENTED SUGGESTS THAT IN TODAY’S ENVIRONMENT, PARITY IN HEALTH INSURANCE COVERAGE IS BOTH ECONOMICALLY FEASIBLE AND SOCIALLY DESIRABLE.” (3; P. 1415)

THE PARITY POLICY PERFORMED JUST AS INSURANCE SHOULD, IT REDUCED COSTS FROM OUT-OF-POCKET PAYMENTS WITH A SMALL INCREASE IN PLAN PAYMENTS. THIS COULD RESULT IN ***VERY SMALL INCREASES IN INSURANCE PREMIUMS,*** WITHOUT LEADING TO AN INCREASE IN THE USE OF SERVICES. CBO ESTIMATES A PREMIUM IMPACT FOR GROUP PLANS OF A 0.4 PERCENTAGE POINT INCREASE (4), A FIGURE WHICH IS IDENTICAL TO OUR ESTIMATE BASED ON THE FEHB EXPRIENCE.

FURTHERMORE, IN RESPONSE TO CONCERNS RAISED ABOUT A MANDATED BENEFIT, WE CONCLUDE THAT BY REDUCING FINANCIAL RISK PARITY IMPROVES THE WELL-BEING OF INSURED PEOPLE, WITHOUT DISTORTING THE MARKET FOR MENTAL HEALTH SERVICES. **LEGISLATION IS THE WAY TO ACHIEVE THIS SOCIAL GOOD**, BECAUSE PARITY COVERAGE OFFERED BY ONLY ONE OR TWO PLANS WOULD RESULT IN THOSE PLANS PROBABLY ATTRACTING A DISPROPORTIONATE SHARE OF PEOPLE WITH PERSISTENT MENTAL ILLNESS. THIS IS WHAT IS REFERRED TO AS "ADVERSE SELECTION."

IN FACT, PARITY PROVIDES THE BEST PROTECTION FOR INSURERS AND SELF-INSURED COMPANIES FROM EXPERIENCING ADVERSE SELECTION. WHEN THEY OFFER PARITY BENEFITS AT THE SAME TIME, THEY CAN AVOID A SHIFT OF HIGH-COST INDIVIDUALS INTO THEIR PLANS.

FOR DECADES ADVOCATES FOR PARITY RELIED ONLY ON AN ARGUMENT OF FAIRNESS TO GAIN SUPPORT FOR THEIR CAUSE. NOW THEY CAN ARGUE THAT PARITY PROMOTES SOCIAL WELL-BEING AND ECONOMIC EFFICIENCY – IN THE FORM OF BETTER INSURANCE BENEFITS FOR ALL OF US.

REFERENCES

1. HH GOLDMAN ET AL. "BEHAVIORAL HEALTH INSURANCE PARITY FOR FEDERAL EMPLOYEES," ***NEW ENGLAND JOURNAL OF MEDICINE*** 354(13):1378-1386, MARCH 30, 2006.
2. ST AZRIN ET AL. "IMPACT OF FULL MENTAL HEALTH AND SUBSTANCE ABUSE PARITY FOR CHILDREN IN THE FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM," ***PEDIATRICS*** 119:452-459, 2007.
3. S GLIED AND A CUELLAR. "BETTER BEHAVIORAL HEALTH CARE COVERAGE FOR EVERYONE," ***NEW ENGLAND JOURNAL OF MEDICINE*** 354(13):1415-1416, MARCH 30, 2006.
4. CONGRESSIONAL BUDGET OFFICE COST ESTIMATE, S. 558, MENTAL HEALTH PARITY ACT OF 2007, MARCH 20, 2007. CBO.GOV/FTPDOCS/78XX/DOC7894/S558.PDF.

SOME ADDITIONAL COMMENTS AND POTENTIALQUESTIONS/ANSWERS:

QUALITY

WE ALSO LOOKED AT INDIRECT MEASURES OF QUALITY OF BEHAVIORAL HEALTH CARE IN THE FEHB PLANS DURING THIS SAME PERIOD. PARITY WAS ACCOMPLISHED WITHOUT INCREASES IN HOSPITALIZATION OF PATIENTS AND WITHOUT A DECLINE IN THE MEASURES OF QUALITY OF CARE THAT WE STUDIED, SUCH AS LIKELIHOOD OF RECEIVING FOLLOW-UP CARE FOR DEPRESSION OR BEING REFERRED FOR SUBSTANCE ABUSE TREATMENT.

WHAT IS INCLUDED IN THE TERM "BEHAVIORAL HEALTH SERVICES"?

THIS TERM REFERS TO ALL USE OF HEALTH CARE SERVICES FOR ANY OF THE DISORDERS (INCLUDING SUBSTANCE USE DISORDERS) IN THE DIAGNOSTIC AND STATISTICAL MANUAL OR THE MENTAL DISORDERS CHAPTER IN THE INTERNATIONAL CLASSIFICATION OF DISEASE (ICD). IT INCLUDES SPECIALTY MENTAL HEALTH SERVICES SUCH AS PSYCHOTHERAPY AS WELL AS VISITS TO A GENERAL MEDICAL PROVIDER, WHEN A MENTAL DISORDER DIAGNOSIS IS RECORDED. IT ALSO INCLUDES THE USE OF ALL MEDICATIONS FOR WHICH BEHAVIORAL HEALTH CONDITIONS ARE AN INDICATION. WHEN MEDICATIONS MIGHT BE USED FOR A MENTAL DISORDER OR A GENERAL MEDICAL CONDITION, USE AND SPENDING WERE INCLUDED ONLY IF ACCOMPANIED BY A MENTAL DISORDER DIAGNOSIS IN THE RECORD. THIS IS THE BROADEST DEFINITION OF USE AND SPENDING, DESIGNED TO CAPTURE THE IMPACT OF PARITY.

THERE WAS NO USE OR SPENDING FOR (OFT-PARODIED) TRIVIAL BEHAVIORAL CONDITIONS UNDER MANAGED CARE PLANS.

IT IS PROBABLY WORTH NOTING THAT THE ICD CONTAINS A WIDE RANGE OF GENERAL MEDICAL CONDITIONS, SUCH AS SCRAPES AND BRUISES, RASHES, SPRAINS, AND THE COMMON COLD, JUST AS IT INCLUDES SLEEP DISORDERS, MILD PHOBIAS AND MILD LEARNING PROBLEMS. MANAGED CARE ARRANGEMENTS AND “MEDICAL NECESSITY” CRITERIA CONTROL UN-NECESSARY USE AND SPENDING FOR TRIVIAL CASES OF GENERAL MEDICAL CONDITIONS AND MENTAL DISORDERS ALIKE.

CAN YOU SAY ANYTHING ABOUT THE IMPACT OF PARITY ON SPENDING FOR GENERAL MEDICAL CARE?

UNFORTUNATELY OUR STUDY DID NOT INCLUDE SUCH ANALYSES.

ADVERSE SELECTION

ADVERSE SELECTION OCCURS WHEN PLANS OFFER DIFFERENT BENEFITS AND INDIVIDUALS SELECT PLANS WITH COVERAGE THEY EXPECT TO USE. THESE PLANS ARE SAID TO EXPERIENCE “ADVERSE SELECTION’ RESULTING IN HIGHER COSTS ON AVERAGE THAN OTHER PLANS THAT DO NOT OFFER SPECIAL BENEFITS. WITHOUT A PARITY MANDATE PLANS THAT WISH TO OFFER BETTER BENEFITS ATTRACT TO THEM A GROUP OF USERS WITH HIGH COSTS, RESULTING IN ADVERSE ECONOMIC CONSEQUENCES FOR THE PLAN AND ITS OTHER MEMBERS. IF ALL PLANS OFFER THE SAME BENEFITS (SUCH AS UNDER A MANDATE) THEY CAN AVOID ADVERSE SELECTION. LEFT TO THE INCENTIVES OF MARKET PRESSURES, PLANS EITHER OFFER THE SAME EXTREMELY LIMITED SET OF BENEFITS OR A FEW PLANS OFFER BETTER BENEFITS AND RISK SELECTION, WHILE THE OTHER PLANS HAVE A SELECTIVE ADVANTAGE AND LOWER COSTS. FOR EVERYONE TO ENJOY THE BENEFITS OF PARITY AND THE COST-NEUTRAL EXPERIENCE OF PARITY IN THE FEHB PROGRAM, THERE MUST BE A MANDATE FOR PARITY COVERAGE, AND THE BENEFITS SHOULD BE STANDARDIZED. THIS IS WHY THE TWO HEALTH ECONOMISTS WHO COMMENTED IN THE ***NEW ENGLAND JOURNAL OF MEDICINE*** (GLIED AND CUELLAR) CONCLUDED THAT A LEGISLATIVE MANDATE WAS REQUIRED TO ACHIEVE THE ECONOMIC EFFICIENCY DEMONSTRATED BY THE FEHB EXPERIENCE WITH BEHAVIORAL HEALTH INSURANCE PARITY. IN THIS INSTANCE A MANDATE PROMOTES MARKET EFFICIENCY – OR AT LEAST AVOIDS THE MARKET FAILURE ASSOCIATED WITH ADVERSE SELECTION. IRONICALLY, A MANDATE MAY HELP INSURE EMPLOYERS AND PLANS AGAINST FINANCIAL RISKS WHEN THEY TRY TO OFFER BETTER BENEFITS TO THEIR EMPLOYEES.

SUMMARY OF THE KEY POINTS FROM THE SUB-COMMITTEE HEARING TESTIMONY FOCUSING ON BEHAVIORAL HEALTH INURANCE PARITY IN THE FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM

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THE MOST IMPORTANT POSITIVE FINDING IN THE EVALUATION WAS **A SIGNIFICANT DECLINE IN OUT-OF-POCKET SPENDING** IN THE FEHB PLANS COMPARED TO THE NON-PARITY PLANS. THIS INDICATES THAT PARITY COVERAGE RESULTED IN IMPROVED INSURANCE PROTECTION AGAINST FINANCIAL RISKS

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LEGISLATION IS THE WAY TO ACHIEVE THE BENEFITS OF PARITY, BECAUSE IT HELPS TO AVOID “ADVERSE SELECTION.”

REFERENCES: (1). HH GOLDMAN ET AL. “BEHAVIORAL HEALTH INSURANCE PARITY FOR FEDERAL EMPLOYEES,” ***NEW ENGLAND JOURNAL OF MEDICINE*** 354(13):1378-1386, MARCH 30, 2006. (2). ST AZRIN ET AL. “IMPACT OF FULL MENTAL HEALTH AND SUBSTANCE ABUSE PARITY FOR CHILDREN IN THE FEHB PROGRAM,” ***PEDIATRICS*** 119:452-459, 2007. (3) S GLIED AND A CUELLAR. “BETTER BEHAVIORAL HEALTH CARE COVERAGE FOR EVERYONE,” ***NEW ENGLAND JOURNAL OF MEDICINE*** 354(13):1415-1416, MARCH 30, 2006. (4) CONGRESSIONAL BUDGET OFFICE COST ESTIMATE, S. 558, MENTAL HEALTH PARITY ACT OF 2007, MARCH 20, 2007. CBO.GOV/FTPDOCS/78XX/DOC7894/S558.PDF.