

MEMORANDUM

To: Interested Parties

From: Jennifer Bowman, Jeanne De Sa, and Stuart Hagen

Re: Estimate of S. 543, the Mental Health Equitable Treatment Act

Date: July 12, 2002

This memorandum clarifies three points regarding CBO's estimate of the effect on premiums for group health insurance of the mental health parity provisions in S. 543, the Mental Health Equitable Treatment Act. The first discusses the range of potential effects of S. 543 on premiums for group health plans. The second deals with the increase in mental health expenses that would occur if the bill were to become law. The third discusses the effect of S. 543 on federal spending for Medicaid and the State Children's Health Insurance Program (S-CHIP), which our previous estimate did not include.

Range of Potential Effects. CBO's estimate that S. 543 would increase premiums for group health plans by 0.9 percent is a weighted average of the effects across both affected and unaffected plans. Because the bill would exempt firms with 50 or fewer employees (about 30 percent of private sector employees) from the federal requirements, because a number of states already have laws with similar requirements, and because some firms do not offer mental health benefits, a number of firms would face little or no additional costs from complying with the proposed federal law. On the other hand, many firms that currently use benefit design elements that would be prohibited under the bill, such as having different day or visit limits, deductibles, coinsurance, or copayments for mental health benefits than they have for medical and surgical benefits, would experience increases in premium costs higher than 0.9 percent.

Increase in Mental Health Expenses. We estimate that, under S. 543, affected plans would experience an increase of between 30 and 70 percent in their mental health costs.

Effect on Medicaid and S-CHIP. CBO's estimate of S. 543 (prepared in August 2001) did not include an effect on federal spending for Medicaid and S-CHIP. We estimate that the bill, if enacted in 2001, would have increased federal spending for Medicaid and S-CHIP by about \$30 million in 2002, and about \$600 million over the 2002-2011 period.

Questions regarding this memorandum can be directed to Jennifer Bowman and Stuart Hagen at 226-2666 (for private sector effects) or to Jeanne De Sa at 226-9010 (for Medicaid and S-CHIP effects).