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PATH TO CARE

How Federal Legislation Requiring Mental Health and Substance Use Disorder Treatment Will Impact California

Nearly 1 in 5 California adults suffers from a mental disorder, about 1 in 25 has signs of a serious mental illness, and nearly 1 in 10 abuses or is dependent on illicit drugs or alcohol.

Federal and state lawmakers are trying to address gaps in behavioral health insurance coverage either by mandating coverage or requiring parity. Parity laws require insurance coverage for mental health to be equal to or better than the insurance already provided for other medical and surgical benefits, including maximum lifetime benefits, co-payments, and deductibles.

California's Current Coverage

California's mental health parity law (Assembly Bill 88, Chapter 534, Statutes of 1999) requires health plans and disability insurance policies to diagnose and provide medically necessary treatment for nine severe mental illnesses to people of all ages, as well as serious emotional disturbances in children. This must be done under the same terms that apply to physical illnesses. For example, an insurance policy cannot limit the number of visits for a covered mental health condition if it does not limit the number of visits for treatment of a covered diabetes condition.

California's parity law applies to all private policies and plans and to small businesses; the law does not require substance use treatment services, and plans that provide health care to low-income Californians through the government-funded Medi-Cal program are not included.



New Federal Laws Require Equal Coverage for Mental Health and Substance Use Disorders

National health care reform and a federal parity law require insurance plans to provide mental health and substance use disorders coverage equal to the coverage of other physical ailments. Discussion is under way at the national level to define specific regulations, and as a result, California will have its own policy decisions to make in the near future.

New Federal Legislation

The Paul Wellstone and Pete Domenici Mental Health Parity and Addiction Equity Act of 2008

(introduced by U.S. Representative Patrick Kennedy) applies to group health plans that already offer mental health or substance use disorder benefits. If these benefits already are being offered, they can no longer be less generous than the plans' existing medical and surgical benefits.

In Medi-Cal plans, this law applies only to those with patients in managed health care (such as Kaiser) or Pre-Paid Inpatient Health Plans. It does not apply to plans insuring employees in small businesses (those with 50 workers or fewer). The federal government will issue regulations governing Medicaid plan requirements.

The 2010 Patient Protection and Affordable Care Act—also known as national health care reform—requires private insurance plans to include mental health and substance use disorder treatment beginning in 2014.

For all Medi-Cal health plans, national health care reform expands coverage for mental health and substance use disorders and requires coverage for those services. It also creates a new, no-cost insurance category for poor, childless adults who previously were ineligible for Medi-Cal and are at or below 133 percent of the federal poverty level.

Implications for California

- > **Indigent Adults Without Disabilities or Children.** Prior to national health care reform, California did not provide Medi-Cal for poor, childless people who did not have disabilities; now, however, they will qualify for health benefits as of 2014. Those who live with mental illness or a substance use disorder are expected to be

heavily represented in this group. States will be responsible for defining the scope of these benefits within established federal guidelines, which are forthcoming. Benefit options may include inpatient and outpatient care and a broader range of rehabilitation and therapeutic services, among other possibilities.

- > **Definition of Substance Use Disorders.** National health care reform requires substance use disorder treatment to be provided in health plans as of 2014. The federal government will define parameters for coverage. Presently, California has not defined at what point substance use becomes a medical issue that requires treatment or the level of services recommended for various stages of substance abuse.
- > **Mental Health Structure.** In most counties, Medi-Cal patients with serious and persistent mental illness or serious emotional disturbances beyond what a primary care physician can typically treat are now referred to county mental health departments. This shift in responsibility from the state to the counties for treatment and funding is sometimes referred to as a “carve-out,” because the responsibility was shifted from (or carved out of) the state’s Medi-Cal health plan. The county-based mental health system provides an array of federally authorized inpatient and outpatient care, including case management and rehabilitation.

California and the federal government already are working to integrate the Medi-Cal mental health and primary health care systems. The national health-care reform act encourages integration of behavioral and physical health systems in a variety of settings. How this path to care ultimately will be achieved will be played out over the next several years.

Written by Mareva Brown. The California Senate Office of Research is a nonpartisan office charged with serving the research needs of the California State Senate and assisting Senate members and committees with the development of effective public policy. It was established by the Senate Rules Committee in 1969. For more information and copies of this report, please visit www.sen.ca.gov/sor or call (916) 651-1500.

Sources: Center for Health Policy Research at the University of California, Los Angeles, and the U.S. Substance Abuse and Mental Health Services Administration.