



Partnership for
Workplace
Mental Health™

A program of the
American Psychiatric Foundation

Facts for Employers

Mental Health Parity Law

Mental health care coverage is cost effective for employers, health plans, employees and dependents. There are many myths about the efficacy and costs of mental health treatment. These myths simply do not square with the facts. The new federal parity law, which requires comparable health plan features for mental health and medical/surgical benefits, is built upon research that mental health care is both efficacious and economical. Well-designed, appropriately managed mental health benefits provide a positive return on minimal investment.

THE LAW IN BRIEF

The Paul Wellstone and Pete Domenici Mental Health Parity and Addiction Equity Act of 2008 provides parity for medical/surgical and mental health/substance use benefits in healthcare plans that offer mental health/ substance use coverage. Health insurance plans sponsored by businesses with more than 50 employees will be required to provide comparable day and visit limits, deductibles, copays, and out-of-network charges for mental health/substance use benefits. Previous legislation provided parity on lifetime and annual dollar limits. The law takes effect January 1, 2010 (except for collectively bargained plans).

It is estimated that the law will affect 113 million people across the country, including 82 million individuals enrolled in self-funded plans (regulated under ERISA, the Employee Retirement Income Security Act) not subject to state parity laws. To learn more about the parity law, visit the Partnership for Workplace Mental Health's web site at

<http://www.workplacementalhealth.org/mentalhealthparity.aspx>

FACTS FOR EMPLOYERS

Mental Illnesses are Prevalent.

- Over 35 million persons – about 14 percent of the U.S. adult population – suffer from a moderate or serious mental disorder in any given year, according to a Harvard study.ⁱ
- Eighteen million Americans are affected specifically by depression on an annual basis – twice as many as are affected by coronary artery disease. A study examining six major medical conditions – including hypertension, diabetes, lung diseases, and arthritis – found only severe heart disease to be associated with more disability and interruption of daily functioning than depression.ⁱⁱ

Most People Suffering Do Not Seek Treatment.

- Approximately one-third of those with a mental health disorder seek care.ⁱⁱⁱ
- People often suffer for years. According to NIMH, people who do seek treatment typically do so after a decade or more of delays, during which time they are likely to develop additional problems.

Mental Illnesses are Frequently Comorbid with Other Diseases.

- There is an increased prevalence of major depression in the people with chronic medical illnesses. Forty-five percent of people with asthma and 27 percent of people with diabetes have co-occurring depression.^{iv} Individuals with depression are about twice as likely to develop coronary artery disease, twice as likely to have a stroke, and more than four times as likely to die within six months from a myocardial infarction.^v
- Many chronic medical conditions are adversely affected by mental health conditions. Comorbidity increases impairment in functioning and decreases adherence to prescribed regimens.

Recent Advances in Medical Science Have Yielded Successful Treatments for Mental Disorders.

- Major depression, a common clinical problem in primary care, can be treated successfully with antidepressant medications and psychotherapy in 65 to 80 percent of all cases - a success rate that exceeds many current common medical treatments for non-psychiatric illnesses.^{vi}
- Eighty percent of those treated for a mental illness reported "high levels of efficacy and satisfaction."^{vii}
- Seventy-five percent of patients who are depressed show significant improvements after cognitive behavioral therapy treatment.^{viii}
- Nearly 86 percent of employees who were treated for depression with antidepressant medications reported that their work performance improved.^{ix}

Mental Illness Saps Productivity.

- More days of work loss and work impairment are caused by mental illness than by other chronic conditions, including diabetes, asthma, and arthritis.^x
- Employees with depression cost employers an estimated \$44 billion per year in lost productive time.^{xi}
- Mental illness and substance abuse annually cost employers an estimated \$80 to \$100 billion in indirect costs.^{xii}

Untreated Mental Illnesses Contribute to Overall Healthcare Costs.

- Individuals who have depression, the most frequently diagnosed mental illness, but are not receiving care for the condition, consume two to four times the healthcare resources of other enrollees.^{xiii}

Disability for Mental Illnesses Is a Serious (and Growing) Problem.

- Mental illness short-term disability claims are growing by ten percent annually and can account for 30 percent or more of the disability burden for the typical employer.^{xiv}
- Fifty-three percent of employers surveyed by Watson Wyatt found that return to work is more difficult following a psychiatric disability than after a physical disability.^{xv}

When Appropriately Designed and Managed, Mental Health Care Results in Minimal Costs.

- According to the Congressional Budget Office (CBO), the cost of parity legislation will increase group healthcare premiums 0.2 percent to 0.4 percent on average.^{xvi}
- The Office of Personnel Management (which implemented mental health parity for federal employees' plans in 2001) estimated the likely average increase in cost as 1.64% for fee-for-service plans and 0.3 percent for HMOs. It estimated that an individual would pay an extra 46 cents per biweekly paycheck and a family would pay \$1.02.^{xvii}
- A recent study published in the *New England Journal of Medicine* conducted on the implementation of mental health and substance abuse coverage in the Federal Employees Health Benefits Program (FEHBP) concluded that eliminating arbitrary and inflexible limits on coverage for treatment of mental illness has been shown to be affordable for health plans and employers.^{xviii}

- Milliman & Robertson found that the likely effect of parity would be to increase typical plan premiums by a modest 2.5 to 3.9 percent. A Coopers & Lybrand analysis, which excluded substance abuse, projected a 2.6 percent premium increase. According to CBO's estimate, employers would bear the cost of only 1.6 percent of the estimated premium increase.
- A RAND study states that mental health parity is affordable under managed care carve-outs. According to the report, even the most costly change would raise costs annually only \$7 per enrollee in a plan. Removing the typical average annual dollar limit of \$25,000 would increase insurance payments by only about \$1 per enrollee per year.^{xx}

Experience From State Parity Laws Shows Costs Are Minimal.

- A survey of 11 of the 18 insurance carriers and health plans in New Hampshire representing the majority of commercially covered lives in the state found that no carrier or health plan reported problems expressed by either employers or consumers related to the implementation of the state's 1994 mental health parity law, nor did carriers attribute any change in premiums to the parity law.^{xx}
- In North Carolina where a parity law for state employees was implemented in 1992, mental health payments as a portion of total health payments decreased from 6.4 percent to 3.4 percent for the fiscal year ending 1996. This represents a 47 percent reduction in costs. In the same time period, there was a 64 percent reduction in hospital days paid by the State Employees Health Plan for mental illness.^{xxi}
- A National Institutes of Health (NIH) report found that "the cost of parity was low" in Maryland's managed care environment. For the state's most experienced managed care company, "the proportion of the total medical premium attributable to the mental health [parity] benefit actually decreased by 0.2 percent after implementation of full parity."^{xxii}
- A large managed care organization in Minnesota, Allina Health System, reported that the state's 1995 parity law added only 26 cents per member per month for its 460,000 enrollees. Also in Minnesota, after a year under the parity law, Blue Cross/ Blue Shield had premium reductions of 5 to 6 percent in its small business health plans.^{xxiii}

THE BOTTOM LINE

When people get the mental health treatment they need, businesses benefit. Increased cost offsets and increased productivity and efficiency more than pays for any minimal cost increases. Parity is a way to ensure this care is provided by eliminating financial barriers to treatment.

ABOUT THE PARTNERSHIP FOR WORKPLACE MENTAL HEALTH

The [Partnership for Workplace Mental Health](#), a program of the [American Psychiatric Foundation](#), advances effective employer approaches to mental health by combining the knowledge and experience of the [American Psychiatric Association](#) and its employer partners. It promotes the business case for quality mental health care, including early recognition, access to care and effective treatment. Learn more at www.workplacementalhealth.org

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