

Benefits by Bolton

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California's Mental Health Parity Law (AB88)

Effective July 1, 2000

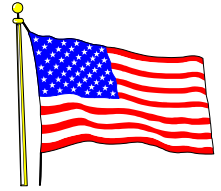
Over the past several years, mental illness has increasingly been the focus of national attention with an effort made to de-stigmatize mental illness and put into action the systems and laws which will treat mental illness on an equal basis with physical illness. The first of these laws was the 1996 Mental Health Parity Act. To date, 27 states have passed their own, more stringent versions of the mental health parity legislation.

Effective July 1, 2000 in California all renewing and newly implemented plans will have to comply with the new Mental Health Parity Law (AB88). This law mandates that treatment of several mental illnesses be included in every contract issued, amended or renewed after July 1, 2000. The law requires coverage for nine specific mental health diagnoses:

- Schizophrenia
- Schizo-Affective Disorder
- Bipolar Disorder
- Major Depressive Disorders
- Panic Disorder
- Obsessive Compulsive Disorder
- Pervasive Development Disorder or Autism
- Anorexia Nervosa
- Bulimia Nervosa

The coverage for these mental health illnesses are to be similar to coverage offered on other medical conditions (i.e., same copayments and limits, mental health dollar limits, day limits, copayments, coinsurance and other benefit maximums for these behavioral disorders must be the same as those in the general plan. The new law stipulates that coverage be provided to cover the diagnosis and medically necessary treatment of

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severe mental illnesses or serious emotional disturbances at any age. This new state law will supersede the federal law for mental health parity (in effect until 9/1/2000).

The Impact of AB88 on Employers...

AB 88 applies to all California commercial health plans, both group and individual, including group plans with multiple year contracts. Federally supported Medicare and Medicaid (Medical in California) beneficiaries and self-funded medical plans are exempt. Employer sponsored welfare benefit plans that are fully insured (i.e., the benefit plan does not carry risk and instead the payer purchases medical benefits from a licensed health plan or carrier) are subject to state insurance laws, including mandated benefit laws such as AB88. Medical plans offered through California purchasing coalitions and Taft-Harley trust funds are subject to California mandated laws such as AB88 if they are not self-insured.

Determination of premium rate increases are indicated to rise on a national level between 1-5%. Members of the California Association of Health Plans have estimated that AB88 would increase health care premiums from 1.5% to 6.5%. The differences in the increases among plans will be due to the wide disparity in what plans currently cover. Generally, large increases will be seen in those plans that do not have coverage for behavioral health (i.e., inpatient or outpatient) included.

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COBRA 2000 Highlights

New Definition for Eligible Employees: Employers need not count self-employed individuals, independent contractors and directors in determining the total number of employees. In addition, part-time employees need only be counted as a percentage of an employee (i.e., the percentage is equal to the percentage of hours worked in comparison to full-time employees). For example, if a part-time employee works 20 hours and full-time is considered to be 40 hours, the part-time employee would be counted at 50%.

Dual Coverage: Employers can no longer deny COBRA coverage to anyone with “other group insurance.” An employer may terminate COBRA coverage once an individual becomes covered under another plan – the key term is “becomes covered.” Any coverage that goes into effect *after* the start date of COBRA coverage can be used as a valid reason to terminate COBRA coverage. However, if “other group medical coverage” was in effect prior to the date that COBRA began (or even if it went into effect on the same date as COBRA coverage), the individual(s) must be allowed to have coverage on *both* plans. This includes Medicare.

Out-of-Area Relocations of a Qualified Beneficiary: Under the new regulations, if an individual moves to an area in which the employer maintains any type of plan, the plan must be made available to the qualified beneficiary. This can occur if the employer maintains other benefit plans through other locations or divisions. In addition, if the employer maintains a special plan for a specific class of employee (e.g. out-of-area salespersons or executives) and that plan could be used in the area to which an individual moves, that plan must be offered even if the individual was not a member of that class to which the plan would normally be offered.

Notification to “Concerned Parties” During an Election Period: New Notification Obligation! Under the new regulations, if a health care provider makes an inquiry about the status of coverage during a period of non-election/non-payment and while the individuals are still eligible to elect coverage, the “plan” must inform such “interested parties” that the individual is “not currently covered but will have retroactive coverage to the date of ____ if COBRA coverage is elected and paid for.”

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This notification is now part of COBRA law because a third party (e.g., hospital, doctor) can pay the COBRA premiums on behalf of individuals in order to receive payment for medical care rendered. If employers will be participating in the notification process, it is suggested that inquiries and responses be documented, as most will occur through telephone calls.

Underpayment of Premiums/Partial Payments: New Procedural Obligation! Under the new regulations, employers are required to accept a partial payment and apply the amount received towards any month(s) of coverage for which it possible to do so. If the payment received is less than one month’s premium or there is a balance inadequate to pay for an additional month, a PAST DUE NOTICE must be sent. When a past due notice is sent, employers must provide an ADDITIONAL grace period of 30-days from the date the notice is sent before the partial payment can be returned and coverage canceled for non-payment.

Under this new obligation, it is also important for employers to monitor the due dates of premiums and PROMPTLY send out the PAST DUE NOTICE to avoid extensive grace periods. Existing COBRA procedures should already have procedures in place for determinations of DUE DATE and GRACE PERIOD guidelines.

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