

ISSUE BRIEF #6

Parity

Expanding Equitable Insurance Coverage for Addiction and Mental Health Treatment

Right now an estimated 23 million Americans are addicted to alcohol or drugs and need treatment; unfortunately, only one in 10 of them (2.3 million) gets the treatment they need.ⁱ The result: a treatment gap of more than 20 million Americans. Lack of insurance, inadequate insurance coverage, and insufficient public funds are chief among the many reasons for the gap. But a new parity law that became effective in 2010 provides an opportunity to help close that gap and bring addiction treatment to millions of Americans who need it.

Closing the Addiction Treatment Gap through Parity – Up to 140 Million Americans Expected to Have Improved Access to Expanded Addiction Treatment

On January 1, 2010, the Wellstone-Domenici Parity Act went into effect, expanding access to mental health and addiction treatment coverage in many employer-sponsored group health plans. The new federal law applies to group health plans covering 50 or more employees that provide any level of coverage for treatment of mental health and substance use disorders. Those plans are now required to cover mental health and substance use disorders benefits at “parity,” or in the same way as they cover other medical and surgical servicesⁱⁱ

Simply put, **“parity” is the treatment of addiction and mental illness in insurance benefits in the same way as other medical conditions.**

When the law is fully implemented, it is estimated that 140 million Americans could have improved access to addiction and mental health treatment services should they need it.ⁱⁱⁱ

However, the law does not mandate that all employers provide mental health and addiction coverage as part of their group health plan. The law only applies to plans that offer some coverage for substance use disorders and mental illness; large group health plans are now required to cover addiction treatment and mental health benefits “at parity” with other medical services. Small employers with fewer than 50 employees, and individual health plans are exempt from the Act’s provisions.

Federal vs. State Requirements

Some states have already taken steps to enact strong parity laws to ensure that addiction and mental health treatment benefits are not treated more restrictively than other medical and surgical benefits. The new federal requirements will not pre-empt state laws and regulations that are equal to or stronger than the federal requirements. But for those states without parity requirements, or with requirements that are less than the federal standard, the new requirements will take precedence, eliminating discrimination in insurance coverage for millions of Americans with addiction and mental health treatment needs.

The Gap Within Parity

While the new parity law helps expand access to addiction treatment for the millions who need it, there is a great deal of work still to be done.

The protections of the new law do not apply to the millions of Americans who are uninsured and need addiction treatment. It does not help those who work for small employers with 50 or fewer employees or to plans in the individual market. Nor does it offer relief to those whose plans provide no coverage for addiction treatment services.

Further, **non-federal governmental plans (those maintained by a county, city or school district) may “opt out” of the federal law.** Employers also can opt out if they can prove that parity caused their costs to rise by 2 percent or more in the first year, or 1 percent or more in subsequent years.

Recognizing the limitations of the federal parity law, the new federal health care law will significantly expand coverage for and access to addiction treatment services. The “Patient Protection and Affordability Care Act” was signed into law on March 23, 2010 and includes substance use disorder and mental health services in the basic benefit package. It also requires all plans in the health care exchanges to comply with the parity law. These requirements are also extended to all newly Medicaid-eligible parents and childless adults who must receive basic benefits, including addiction treatment provided at parity.

Both the parity and health care reform laws will be subject to additional federal regulatory rulemaking and guidance, including efforts to further define the scope of services and continuum of care to be covered under the fully-implemented laws.

Providing parity will help to eliminate stigma for alcohol and drug addiction, by treating addiction similarly to other chronic health conditions. Full implementation of the Wellstone-Domenici Parity Act will eliminate a clearly discriminatory policy that has kept thousands of individuals with untreated addiction from receiving critically important treatment services.

The Closing the Addiction Treatment Gap (CATG) initiative continues to work to ensure that all people who need treatment have access to quality addiction treatment services. The initiative aims to bridge the treatment gap through three strategies: broadening insurance coverage, increasing public funding, and achieving greater program efficiency and quality.

ⁱ 2008 National Survey on Drug Use and Health: National Findings, Department of Health and Human Services, Substance Abuse and Mental Health Services Administration (SAMHSA), Office of Applied Studies (OAS), <http://www.oas.samhsa.gov/nsduh/2k8nsduh/2k8Results.cfm>

ⁱⁱ “Obama Administration Issues Rules Requiring Parity in Treatment of Mental, Substance Use Disorders: Paul Wellstone, Pete Domenici Parity Act Prohibits Discrimination,” U.S. Department of Health and Human Services press release, January 29, 2010.

ⁱⁱⁱ “Parity Law Expands Mental Health Access,” Kaiser Health News, Sandra G. Boodman, March 02, 2010.