BENEFIT Plan Developments

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New Legislation Includes Mental Health Parity Provisions

The Emergency Economic Stabilization Act (EESA), signed into law on November 20, 2008, contains the Paul Wellstone and Pete Domenici Mental Health Parity and Addiction Equity Act of 2008. The new provisions will require health plan sponsors that offer mental health and substance abuse benefits to ensure that these benefits are equivalent to those for physical conditions.

The new law, effective for plan years beginning after October 3, 2009, amends the Employee Retirement Income Security Act of 1974 (ERISA), the Public Health Service Act (PHSA), and the Internal Revenue Code (IRC) by prohibiting group health plans from imposing greater financial requirements on participants using mental health and substance use disorder benefits than on those using medical and surgical benefits.

Some of the mental health parity provisions of EESA were also included in the Mental Health Parity Act of 1996 (MHPA), which prohibited plan sponsors from placing annual or lifetime dollar limits on mental health benefits that are lower than the corresponding dollar limits for medical and surgical benefits. However, MHPA was subject to regular renewal by Congress. EESA eliminated the sunset provision of MHPA, making its mental health parity provisions permanent.

Unlike MHPA, the new law specifically addresses benefits for substance abuse and chemical dependency, and it will require parity for both mental health benefits and substance use disorder benefits. In addition, the new legislation applies parity not only to dollar limits, but also to other

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financial requirements and forms of cost-sharing, such as co-payments, deductibles, co-insurance, and out-of-pocket expenditures. Limits on the number of days of coverage or visits to health care providers will only be permitted if the limits are the same for both mental and physical illnesses. Policies regarding out-of-network coverage must also be identical for all types of health benefits.

At the same time, however, the mental health parity provisions of EESA do not mandate that health plan sponsors offer mental health or substance abuse benefits; the legislation simply requires that plans that provide these forms of coverage do so at the same level as other benefits.

Employers with 50 or fewer employees are exempt from the law. There is also a limited exemption for plans with an increase in actual total health plan costs of 2% in the year the new law goes into effect, or of 1% in subsequent years, as the result of offering enhanced mental health and substance use disorder coverage. Plan sponsors must comply with new mental health parity requirements for at least six months before requesting an exemption from the law.

"For far too long, the stigma of mental illness and addiction has been used as an excuse to deny equitable insurance coverage for those biological disorders," said Rep. Patrick Kennedy (D-RI), a House sponsor of the bill. "The parity law outlaws this discriminatory practice, effectively opening a new door to treatments that will save lives."

Praising Congress's approval of the bill after nearly a decade of debate, Sen. Mike Enzi (R-WY) said, "Final passage of this mental health parity legislation is a watershed moment for millions of Americans with mental illness and their families. This landmark achievement unites the mental health advocacy, health care provider, employer, and insurance communities to bring fairness and relief to individuals and families who need help."

Employees Look To Employers For Benefits Information

Employees of all ages consider the workplace to be their primary source of information about employer-sponsored benefits, but many still do not understand the value of income protection and other types of benefits, according to a survey commissioned by employee benefit provider Unum.

Participating in the survey were 1,353 Americans, including 548 members of Generation Y (aged 18–30) and 805 members of the baby boom generation (aged 44–62). Results showed that 76% of employed baby boomers and 68% of Generation Y workers agree that the workplace is among the most reliable sources of information about benefits.

"As home values slip and the stock market fluctuates, it has never been more important to educate workers about their options for coverage that can help protect their financial stability," said Mike Simonds, senior vice president and chief marketing officer for Unum.

While respondents of the baby boom generation tend to have a better understanding of employee benefits than Generation Y respondents, significant numbers of employees of both generations appear to have gaps in their knowledge of certain types of benefits. For example, the survey showed that 52% of Generation Y and 44% of baby boomers are unfamiliar with critical illness insurance, while 43% of Generation Y and 27% of baby boomers are unfamiliar with long-term care coverage.

When asked if they feel vulnerable without access to income protection benefits, around one-third of respondents of both generations said they did, but 38% of the Generation Y employees surveyed said they do not know enough about these benefits to be concerned about not having them. At the same time, however, 34% of Generation Y employees and 31% of baby boomers rated their income from work as their most important asset.

"These benefits can help protect the financial stability of a workforce that is unlikely to have sufficient savings to fall back on if they are ill or injured," Simonds said. "But employees who do not understand these benefits—who do not know what they are or what purpose they serve—cannot use them effectively."

Researchers added that employees of different generations have had different experiences with employer-sponsored benefits. Baby boomers entered the workforce at a time when employee benefits decisions were made for them by one-size-fits-all benefits packages, but they have had to become more active in making benefits decisions over the course of their careers. Meanwhile, Generation Y workers have faced an array of choices since first entering the labor market, but they may still need support when making decisions about health plans, disability coverage, and life insurance.

Understanding Value-Based Benefit Designs

Despite considerable evidence indicating that high quality health care does not have to be the most expensive care available, many employees continue to believe that better quality health care equals higher costs, according to a study published by the Midwest Business Group on Health (MBGH), a coalition of self-insured employers.

The study's findings were based on the responses of nine focus groups of more than 50 employees working for three different companies. The purpose of the study was to determine employees' understanding of, and reaction to, value-based benefit design strategies and programs.

The goal of value-based benefit designs is to reduce the cost of health care providers, services, procedures, treatments, and medications. For example, the study noted, an employer may be able to lower the cost of diabetes-related treatments by encouraging diabetic employees to take their prescribed medications regularly, thereby minimizing the number of critical events and hospitalizations that typically result from a failure to follow doctors' orders. Similarly, a value-based benefit program might offer discounted co-pays for visits to physicians and hospitals with demonstrated track records as better performing, more efficient providers. Meanwhile, these programs might raise costs for visits to less efficient providers or for using less effective procedures or drugs.

The results of the focus groups indicated, however, that many employees remain wary of value-based benefit strategies, and that employers considering moving to this approach should provide support and guidance to employees before making the transition. For example, while most employees agreed that they want choices in health care benefits and wellness programs, many were also skeptical of efforts by employers to steer them toward or away from certain programs or providers.

In addition, the study found that employees often lack awareness and understanding of existing health care benefits, with many workers relying on "the grapevine" for information. Even employees who said they are motivated to manage their health often appear to be hindered by issues surrounding work/life balance, money, or lack of knowledge.

"What this tells us is that employers need to better educate employees about differences in quality health care and prepare employees to make quality choices and improve their health," said Larry Boress, president and CEO of MBGH. "Great care must be taken in communicating value-based benefits programs

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or employers will not only find a lack of participation, but also mistrust in their intentions to improve the health of their employees."

The findings suggested that monetary incentives alone may not be sufficient to persuade employees to participate in value-based benefit programs. Based on the responses of the focus groups, researchers concluded that peer persuasion and management support will likely be needed to encourage both initial and ongoing participation in these programs. Researchers further recommended that employers attempt to create incentives for participation in value-based benefit programs that make sense to employees.

Americans Report More Work And Less Play

The combined demands of employers, family responsibilities, and household chores have led Americans to report working more and having less time for leisure activities, according to an annual poll conducted by Harris Interactive.

The 2008 survey of 1,010 adults found that the number of hours of leisure respondents claimed to have available each week fell to just 16, down 20% from the previous year. Since the poll was first conducted, the number of leisure hours per week has declined by 10, from a high of 26 hours in 1973.

For the purposes of the survey, "working" is defined as time spent in employment, as well as housekeeping and studying. Results of the 2008 survey showed that the median number of hours spent working per week was 46, up slightly from 45 in 2007.

According to age group, the findings indicated that members of Generation X (aged 32–43) work a median of 55 hours a week, while baby boomers (aged 44–62) and "echo" boomers (aged 18–31) spend 50 hours a week working.

Among men, the median number of hours per week spent working was found to be 50, but the median number of hours spent on leisure was 20. By contrast, women reported working 40 hours a week, but having just 15 hours a week to devote to leisure activities. Not surprisingly, respondents living in households with children said they work more (50 hours a week) and have less leisure time (12 hours per week) than their childless counterparts. Those in households with no children reported working less (45 hours a week) and having more leisure time (16 hours a week).

Compared with previous years, the poll found that more people are spending their leisure time engaged in solo activities. When asked to identify their favorite leisure activity, 30% of respondents surveyed in 2008 said reading, while 24% cited watching TV, 17% said spending time with family and children, 8% said exercising, and 7% said engaging in computer activities.

In an effort to explain why Americans appear to have less leisure time, even as the amount of time spent working has not greatly increased, researchers speculated that, as the economic situation has worsened, people who are worried about their jobs spend more time "just checking in" with their employers by computer or wireless device. Although respondents do not count this time as "work," it falls into a grey area between work and leisure time.

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