

Benefit Fact Sheet

What is it?

Managed Mental Health (MMH) benefits address mental health and substance abuse issues experienced by employees and their dependents. MMH programs are offered by employers through medical plan core benefits, medical plan riders, and specialized carve out plans. Carve out plans are typically administered by vendors that provide an Employee Assistance Plan (EAP) and are known as Managed Behavioral Health Organizations (MBHOs). Although carve out managed mental health plans gained popularity from the mid-1980s to the late 1990s, recent federal legislation and technology trends are reuniting mental health and medical plan benefits under single carrier platforms. In most employer plans, the legislation has resulted in the elimination of plan limits for mental health and substance abuse benefits.

Whether an employer implements an integrated or carve out approach, MMH plan benefits can include:

- early identification
- assessment and diagnosis (required by law)
- case management
- outpatient treatment (required by law)
- hospitalization (required by law)
- home-based treatment
- drug and alcohol treatment (required by law)
- residential and hospital psychiatric treatment (required by law)

What types of employers offer it?

All types of employers offer MMH.

What size employers offer it?

Federal mental health parity requires all employer group health plans, with the exception of the following, to offer mental health benefits:

- Small employers who employed between 2 and 50 employees during the preceding calendar year
- Employers whose costs increase by at least a certain percentage because of the Act's requirements (2% in the first plan year and 1% for all subsequent years).
- Nonfederal governmental employers that provide self-funded group health plan coverage to its employees can choose to opt out of mental health parity requirements. Certain CMS procedures must be completed to opt out.

Generally only companies with over 500 employees carve out MMH programs. Due to the additional fees and administrative requirements, carve out plans may be prohibitive for smaller employers.

What are the critical underwriting or participation requirements?

- Plan design
- Employee demographics
- Employer location and industry

What's new in this area?

Effective October 3, 2009, the passage of the Mental Health Parity and Addiction Equity Act of 2008 requires nearly all employer group health plans that offer medical benefits, to provide the same level of coverage for mental illness and substance abuse treatment as offered for other medical ailments. The 2008 Mental Health Parity Act builds on prior federal legislation passed in 1996, 2004 and 2007.

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How much does it cost?

Pricing for carve out programs varies widely based on utilization and claims experience. The approximate cost for a fully insured MMH carve out program is \$15 to \$20 per employee per month.

With respect to the 2008 federal parity legislation, most medical insurance carriers estimate the financial cost impact to be an estimated additional 0.5% to 2.0% of premium for a fully insured plan.

Pros and cons of carve out MMH plans

Pros

- Specialty vendors have developed expertise in behavioral health issues
- Robust network of behavioral health providers
- Networks include entire continuum of care so cases can be managed through entire episode
- Single point of entry for subscribers with behavioral health issues
- Specialized marketing and member communications materials

Cons

- Treatment potentially not integrated between the core medical and pharmacy program and the mental health carve-out
- Additional administration and cost
- Additional data management and reporting
- Additional employee/member communication

Informational link(s)

- [Mental Health Parity Fact Sheet](#) (ArlenGroup)
- [Substance Abuse and Mental Health Services Administration \(SAMHSA\)](#) (Department of Health & Human Services)
- [A Report of the Surgeon General](#) (Mental Health)
- [The Numbers Count](#) (NIMH)
- [NCQA Report Card For MBHOs](#)
- Several carriers provide managed mental health services including, [Aetna](#), [CIGNA](#), [ValueOptions](#) and [Magellan](#).

This Fact Sheet is designed to provide a general overview of the benefit program, service, or regulatory act it describes. The information included in this document is not a substitute for legal or professional opinion relative to a plan sponsor's particular fact pattern. Your ArlenGroup consultant can answer more specific questions relative to its application for your organization. A menu of additional topics is available online at: www.arlengroup.com/facts.