

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2003

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HOUSE BILL 654

Short Title: Mental Health/Chemical Dependency Parity. (Public)

Sponsors: Representatives Alexander, Insko, Hackney, Wainwright (Primary Sponsors); Church, Luebke, and Weiss.

Referred to: Insurance.

March 25, 2003

A BILL TO BE ENTITLED

AN ACT TO REQUIRE PARITY IN HEALTH INSURANCE COVERAGE FOR
MENTAL ILLNESS AND CHEMICAL DEPENDENCY.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 58-51-50 reads as rewritten:

"§ 58-51-50. Coverage for chemical dependency treatment.

(a) Definitions – As used in this section, the term "~~chemical term~~":

(1) 'Chemical dependency' means the pathological use or abuse of alcohol or other drugs in a manner or to a degree that produces an impairment in personal, social or occupational functioning and which may, but need not, include a pattern of tolerance and withdrawal.

(2) 'Health benefit plan' has the same meaning as in G.S. 58-3-167.

(3) 'Insurer' has the same meaning as in G.S. 58-3-167.

(b) Every insurer ~~that writes a policy or contract of group or blanket health insurance or group or blanket accident and health insurance that is issued, renewed, or amended on or after January 1, 1985, shall offer to its insureds~~ shall provide in each group health benefit plan benefits for the necessary care and treatment of chemical dependency that are not less favorable than benefits for physical illness generally. ~~Except as provided in subsection (c) of this section, benefits~~ Benefits for treatment of chemical dependency shall be subject to the same ~~durational limits, dollar limits, deductibles, and coinsurance factors~~ limits as are benefits for physical illness generally. For purposes of this subsection, 'limits' includes durational limits, deductibles, coinsurance factors, co-payments, maximum out-of-pocket limits, annual and lifetime dollar limits, and any other dollar limits or fees for covered services.

(b1) Weighted Average. – If a group health benefit plan contains annual limits, lifetime limits, co-payments, deductibles, or coinsurance only on selected physical illness and injury benefits, and these benefits do not represent substantially all of the physical illness and injury benefits under the health benefit plan, then the insurer may

1 impose limits on the chemical dependency treatment benefits based on a weighted
2 average of the respective annual, lifetime, co-payment, deductible, or coinsurance limits
3 on the selected physical illness and injury benefits. The weighted average shall be
4 calculated in accordance with rules adopted by the Commissioner.

5 (b2) Case Management. – An insurer may use a case management program for
6 chemical dependency treatment benefits to evaluate and determine medically necessary
7 and medically appropriate care and treatment for each patient, provided that the
8 program complies with rules adopted by the Commissioner. These rules shall ensure
9 that case management programs are not designed to avoid the requirements of this
10 section concerning parity between the benefits for chemical dependency treatment and
11 those for physical illness generally.

12 (b3) Medical Necessity. – Nothing in this section prohibits a group health benefit
13 plan from managing the provision of benefits through common methods, including, but
14 not limited to, preadmission screening, prior authorization of services, or other
15 mechanisms designed to limit coverage to services for chemical dependency treatment
16 only to those that are deemed medically necessary.

17 ~~(c) Every group policy or group contract of insurance that provides benefits for~~
18 ~~chemical dependency treatment and that provides total annual benefits for all illnesses~~
19 ~~in excess of eight thousand dollars (\$8,000) is subject to the following conditions:~~

20 ~~(1) The policy or contract shall provide, for each 12 month period, a~~
21 ~~minimum benefit of eight thousand dollars (\$8,000) for the necessary~~
22 ~~care and treatment of chemical dependency.~~

23 ~~(2) The policy or contract shall provide a minimum benefit of sixteen~~
24 ~~thousand dollars (\$16,000) for the necessary care and treatment of~~
25 ~~chemical dependency for the life of the policy or contract.~~

26 (d) Provisions for benefits for necessary care and treatment of chemical
27 dependency in group policies or group contracts of insurance shall provide benefit
28 payments for the following providers of necessary care and treatment of chemical
29 dependency:

30 (1) The following units of a general hospital licensed under Article 5 of
31 ~~General Statutes Chapter 131E:131E~~ of the General Statutes:

32 a. ~~Chemical dependency units in licensed facilities; facilities~~
33 ~~licensed after October 1, 1984;~~

34 b. Medical units;

35 c. Psychiatric units; and

36 (2) The following facilities or programs licensed ~~after July 1, 1984, under~~
37 ~~Article 2 of General Statutes Chapter 122C: under Article 2 of Chapter~~
38 ~~122C~~ of the General Statutes:

39 a. Chemical dependency units in psychiatric hospitals;

40 b. Chemical dependency hospitals;

41 c. Residential chemical dependency treatment facilities;

42 d. Social setting detoxification facilities or programs;

43 e. Medical detoxification or programs; and

- 1 (3) Duly licensed physicians and duly licensed practicing psychologists
2 and certified professionals working under the direct supervision of
3 such physicians or psychologists in facilities described in (1) and (2)
4 above and in day/night programs or outpatient treatment facilities
5 licensed after July 1, 1984, under Article 2 of General Statutes Chapter
6 ~~122C~~ under Article 2 of Chapter 122C of the General Statutes.

7 Provided, however, that nothing in this subsection shall prohibit any policy or contract
8 of insurance from requiring the most cost effective treatment setting to be utilized by the
9 person undergoing necessary care and treatment for chemical dependency.

10 (e) ~~Coverage for chemical dependency treatment as described in this section shall~~
11 ~~not be applicable to any group policy holder or group contract holder who rejects the~~
12 ~~coverage in writing."~~

13 **SECTION 2.** G.S. 58-51-55 reads as rewritten:

14 "**§ 58-51-55. No discrimination against ~~the~~ mentally ill and chemically**
15 **dependent individuals.**

16 (a) Definitions. – As used in this section, the term:

- 17 (1) 'Mental illness' has the same meaning as defined in ~~G.S. 122C-3(21);~~
18 ~~and~~ G.S. 122C-3(21), with a mental disorder defined in the Diagnostic
19 and Statistical Manual of Mental Disorders, DSM-IV, or a subsequent
20 edition published by the American Psychiatric Association, except
21 those mental disorders coded in the DSM-IV or subsequent edition as
22 substance-related disorders (291.0 through 292.9 and 303.0 through
23 305.9) and those coded as 'V' codes.

- 24 (2) 'Chemical dependency' has the same meaning as defined in G.S. 58-
25 ~~51-50~~ 58-51-50, with a mental disorder defined in the Diagnostic and
26 Statistical Manual of Mental Disorders, DSM-IV, or subsequent
27 editions of this manual.

28 ~~with a diagnosis found in the Diagnostic and Statistical Manual of Mental Disorders~~
29 ~~DSM-3-R or the International Classification of Diseases ICD-9-CM, or a later edition of~~
30 ~~those manuals.~~

31 (b) Coverage of Physical Illness. – No insurance company licensed in this State
32 under this Chapter shall, solely because an individual to be insured has or had a mental
33 illness or chemical dependency:

- 34 (1) Refuse to issue or deliver to that individual any policy that affords
35 benefits or coverages for any medical treatment or service for physical
36 illness or injury;
- 37 (2) Have a higher premium rate or charge for physical illness or injury
38 coverages or benefits for that individual; or
- 39 (3) Reduce physical illness or injury coverages or benefits for that
40 individual.

41 (b1) ~~Coverage of Mental Illness. — A policy that covers both physical illness or~~
42 ~~injury and mental illness may not impose a lesser lifetime or annual dollar limitation on~~
43 ~~the mental health benefits than on the physical illness or injury benefits, subject to the~~
44 ~~following:~~

- 1 (1) ~~A lifetime limit or annual limit may be made applicable to all benefits~~
2 ~~under the policy, without distinguishing the mental health benefits.~~
- 3 (2) ~~If the policy contains lifetime limits only on selected physical illness~~
4 ~~and injury benefits, and these benefits do not represent substantially all~~
5 ~~of the physical illness and injury benefits under the policy, the insurer~~
6 ~~may impose a lifetime limit on the mental health benefits that is based~~
7 ~~on a weighted average of the respective lifetime limits on the selected~~
8 ~~physical illness and injury benefits. The weighted average shall be~~
9 ~~calculated in accordance with rules adopted by the Commissioner.~~
- 10 (3) ~~If the policy contains annual limits only on selected physical illness~~
11 ~~and injury benefits, and these benefits do not represent substantially all~~
12 ~~of the physical illness and injury benefits under the policy, the insurer~~
13 ~~may impose an annual limit on the mental health benefits that is based~~
14 ~~on a weighted average of the respective annual limits on the selected~~
15 ~~physical illness and injury benefits. The weighted average shall be~~
16 ~~calculated in accordance with rules adopted by the Commissioner.~~
- 17 (4) ~~Except as otherwise provided in this section, the policy may~~
18 ~~distinguish between mental illness benefits and physical injury or~~
19 ~~illness benefits with respect to other terms of the policy, including~~
20 ~~coinsurance, limits on provider visits or days of coverage, and~~
21 ~~requirements relating to medical necessity.~~
- 22 (5) ~~If the insurer offers two or more benefit package options under a~~
23 ~~policy, each package must comply with this subsection.~~
- 24 (6) ~~This subsection does not apply to a policy if the insurer can~~
25 ~~demonstrate to the Commissioner that compliance will increase the~~
26 ~~cost of the policy by one percent (1%) or more.~~
- 27 (7) ~~This subsection expires October 1, 2001, but the expiration does not~~
28 ~~affect services rendered before that date.~~

29 (e) ~~Mental Illness or Chemical Dependency Coverage Not Required.~~—~~Nothing~~
30 ~~in this section requires an insurer to offer coverage for mental illness or chemical~~
31 ~~dependency, except as provided in G.S. 58-51-50.~~

32 (d) ~~Applicability.~~—~~Subsection (b1) of this section applies only to group health~~
33 ~~insurance contracts, other than excepted benefits as defined in G.S. 58-68-25, covering~~
34 ~~more than 50 employees. The remainder of this section applies only to group health~~
35 ~~insurance contracts covering 20 or more employees. For purposes of this section, "group~~
36 ~~health insurance contracts" include MEWAs, as defined in G.S. 58-49-30(a)."~~

37 **SECTION 3.** Article 3 of Chapter 58 of the General Statutes is amended by
38 adding the following new section to read:

39 "**§ 58-3-220. Mental illness benefits coverage.**

40 (a) Mental Health Parity Requirement. – An insurer shall provide in each group
41 health benefit plan benefits for the necessary care and treatment of mental illness that
42 are no less favorable than benefits for physical illness generally. Benefits for treatment
43 of mental illness shall be subject to the same limits as benefits for physical illness
44 generally. For purposes of this subsection, 'limits' includes durational limits,

1 deductibles, coinsurance factors, co-payments, maximum out-of-pocket limits, annual
2 and lifetime dollar limits, and any other dollar limits or fees for covered services.

3 (b) Weighted Average. – If a health benefit plan contains annual limits, lifetime
4 limits, co-payments, deductibles, or coinsurance only on selected physical illness and
5 injury benefits, and these benefits do not represent substantially all of the physical
6 illness and injury benefits under the health benefit plan, then the insurer may impose
7 limits on the mental health benefits based on a weighted average of the respective
8 annual, lifetime, co-payment, deductible, or coinsurance limits on the selected physical
9 illness and injury benefits. The weighted average shall be calculated in accordance with
10 rules adopted by the Commissioner.

11 (c) Case Management. – An insurer may use a case management program for
12 mental illness benefits to evaluate and determine medically necessary and medically
13 appropriate care and treatment for each patient, provided that the program complies
14 with rules adopted by the Commissioner. These rules may ensure only that case
15 management programs are not designed to avoid the requirement of this section for
16 parity between the benefits for mental illness and those for physical illness generally.

17 (d) Medical Necessity. – Nothing in this section prohibits a group health benefit
18 plan from managing the provision of benefits through common methods, including, but
19 not limited to, preadmission screening, prior authorization of services, or other
20 mechanisms designed to limit coverage to services for mental illness only to those that
21 are deemed medically necessary.

22 (e) Definitions. – As used in this section:

23 (1) 'Health benefit plan' has the same meaning as in G.S. 58-3-167.

24 (2) 'Insurer' has the same meaning as in G.S. 58-3-167.

25 (3) 'Mental illness' has the same meaning as in G.S. 122C-3(21), with a
26 mental disorder defined in the Diagnostic and Statistical Manual of
27 Mental Disorders, DSM-IV, or a subsequent edition published by the
28 American Psychiatric Association, except those mental disorders
29 coded in the DSM-IV or subsequent edition as substance-related
30 disorders (291.0 through 292.9 and 303.0 through 305.9) and those
31 coded as 'V' codes."

32 **SECTION 4.** G.S. 58-65-75 reads as rewritten:

33 **"§ 58-65-75. Coverage for chemical dependency treatment.**

34 (a) Definition. – As used in this section, the term 'chemical dependency' means
35 the pathological use or abuse of alcohol or other drugs in a manner or to a degree that
36 produces an impairment in personal, social, or occupational functioning and which may,
37 but need not, include a pattern of tolerance and withdrawal.

38 (b) Chemical Dependency Parity Requirement. – Every group insurance
39 certificate or group subscriber contract under any hospital or medical plan governed by
40 this Article and Article 66 of this Chapter ~~that is issued, renewed, or amended on or~~
41 ~~after January 1, 1985, shall offer~~ shall provide to its insureds benefits for the necessary
42 care and treatment of chemical dependency that are not less favorable than benefits for
43 physical illness generally. ~~Except as provided in subsection (c) of this section,~~
44 ~~benefits~~Benefits for chemical dependency shall be subject to the same ~~durational~~limits,

1 ~~dollar limits, deductibles, and coinsurance factors~~ limits as are benefits for physical
2 illness generally. For purposes of this subsection, 'limits' includes durational limits,
3 deductibles, coinsurance factors, co-payments, maximum out-of-pocket limits, annual
4 and lifetime dollar limits, and any other dollar limits or fees for covered services.

5 (b1) Weighted Average. – If a hospital or medical plan governed by this Article
6 contains annual limits, lifetime limits, co-payments, deductibles, or coinsurance only on
7 selected physical illness and injury benefits, and these benefits do not represent
8 substantially all of the physical illness and injury benefits under the plan, then the group
9 insurance certificate or group subscriber contract may impose limits on the chemical
10 dependency treatment benefits based on a weighted average of the respective annual,
11 lifetime, co-payment, deductible, or coinsurance limits on the selected physical illness
12 and injury benefits. The weighted average shall be calculated in accordance with rules
13 adopted by the Commissioner.

14 (b2) Case Management. – A group insurance certificate or group subscriber
15 contract may use a case management program for chemical dependency treatment
16 benefits to evaluate and determine medically necessary and medically appropriate care
17 and treatment for each patient, provided that the program complies with rules adopted
18 by the Commissioner. These rules shall ensure that case management programs are not
19 designed to avoid the requirements of this section concerning parity between the
20 benefits for chemical dependency treatment and those for physical illness generally.

21 (b3) Medical Necessity. – Nothing in this section prohibits a hospital or medical
22 plan governed by this Article from managing the provision of benefits through common
23 methods, including, but not limited to, preadmission screening, prior authorization of
24 services, or other mechanisms designed to limit coverage to services for chemical
25 dependency treatment only to those that are deemed medically necessary.

26 ~~(c) Every group insurance certificate or group subscriber contract that provides~~
27 ~~benefits for chemical dependency treatment and that provides total annual benefits for~~
28 ~~all illnesses in excess of eight thousand dollars (\$8,000) is subject to the following~~
29 ~~conditions:~~

30 ~~(1) The certificate or contract shall provide, for each 12-month period, a~~
31 ~~minimum benefit of eight thousand dollars (\$8,000) for the necessary~~
32 ~~care and treatment of chemical dependency.~~

33 ~~(2) The certificate or contract shall provide a minimum benefit of sixteen~~
34 ~~thousand dollars (\$16,000) for the necessary care and treatment of~~
35 ~~chemical dependency for the life of the certificate or contract.~~

36 (d) Provisions for benefits for necessary care and treatment of chemical
37 dependency in group certificates or group contracts shall provide for benefit payments
38 for the following providers of necessary care and treatment of chemical dependency:

39 (1) The following units of a general hospital licensed under Article 5 of
40 ~~General Statutes Chapter 131E:Chapter 131E of the General Statutes:~~

- 41 a. ~~Chemical dependency units in facilities licensed after October~~
42 ~~1, 1984; licensed facilities;~~
43 b. Medical units;
44 c. Psychiatric units; and

- 1 (2) The following facilities or programs licensed ~~after July 1, 1984, under~~
2 ~~Article 2 of General Statutes Chapter 122C; under Article 2 of Chapter~~
3 122C of the General Statutes:
4 a. Chemical dependency units in psychiatric hospitals;
5 b. Chemical dependency hospitals;
6 c. Residential chemical dependency treatment facilities;
7 d. Social setting detoxification facilities or programs;
8 e. Medical detoxification facilities or programs; and
9 (3) Duly licensed physicians and duly licensed psychologists and certified
10 professionals working under the direct supervision of such physicians
11 or psychologists in facilities described in (1) and (2) above and in
12 day/night programs or outpatient treatment facilities licensed ~~after July~~
13 ~~1, 1984, under Article 2 of General Statutes Chapter 122C; under~~
14 Article 2 of Chapter 122C of the General Statutes. After January 1,
15 ~~1995, "duly licensed psychologist"~~Duly licensed psychologist' shall be
16 ~~defined as means~~ licensed psychologists who hold permanent licensure
17 and certification as health services provider psychologist issued by the
18 North Carolina Psychology Board.

19 Provided, however, that nothing in this subsection shall prohibit any certificate or
20 contract from requiring the most cost effective treatment setting to be utilized by the
21 person undergoing necessary care and treatment for chemical dependency.

22 ~~(e) Coverage for chemical dependency treatment as described in this section shall~~
23 ~~not be applicable to any group certificate holder or group subscriber contract holder~~
24 ~~who rejects the coverage in writing."~~

25 **SECTION 5.** G.S. 58-65-90 reads as rewritten:

26 "**§ 58-65-90. No discrimination against ~~the~~ mentally ill and chemically**
27 **~~dependent.~~dependent individuals.**

28 (a) Definitions. – As used in this section, the term:

- 29 (1) 'Mental illness' has the same meaning as defined in ~~G.S. 122C-3(21);~~
30 ~~and~~G.S. 122C-3(21), with a mental disorder defined in the Diagnostic
31 and Statistical Manual of Mental Disorders, DSM-IV, or a subsequent
32 edition published by the American Psychiatric Association, except
33 those mental disorders coded in the DSM-IV or subsequent edition as
34 substance-related disorders (291.0 through 292.9 and 303.0 through
35 305.9) and those coded as 'V' codes.
36 (2) 'Chemical dependency' has the same meaning as defined in G.S. ~~58-~~
37 ~~65-75~~58-65-75, with a mental disorder defined in the Diagnostic and
38 Statistical Manual of Mental Disorders, DSM-IV, or subsequent
39 editions of this manual.

40 ~~with a diagnosis found in the Diagnostic and Statistical Manual of Mental Disorders~~
41 ~~DSM-3-R or the International Classification of Diseases ICD/9/CM, or a later edition of~~
42 ~~those manuals.~~

1 (b) Coverage of Physical Illness. – No service corporation governed by this
2 Chapter shall, solely because an individual to be insured has or had a mental illness or
3 chemical dependency:

- 4 (1) Refuse to issue or deliver to that individual any individual or group
5 subscriber contract in this State that affords benefits or coverage for
6 medical treatment or service for physical illness or injury;
- 7 (2) Have a higher premium rate or charge for physical illness or injury
8 coverages or benefits for that individual; or
- 9 (3) Reduce physical illness or injury coverages or benefits for that
10 individual.

11 ~~(b1) Coverage of Mental Illness.—A subscriber contract that covers both physical~~
12 ~~illness or injury and mental illness may not impose a lesser lifetime or annual dollar~~
13 ~~limitation on the mental health benefits than on the physical illness or injury benefits,~~
14 ~~subject to the following:~~

- 15 ~~(1) A lifetime limit or annual limit may be made applicable to all benefits~~
16 ~~under the subscriber contract, without distinguishing the mental health~~
17 ~~benefits.~~
- 18 ~~(2) If the subscriber contract contains lifetime limits only on selected~~
19 ~~physical illness or injury benefits, and these benefits do not represent~~
20 ~~substantially all of the physical illness and injury benefits under the~~
21 ~~subscriber contract, the service corporation may impose a lifetime~~
22 ~~limit on the mental health benefits that is based on a weighted average~~
23 ~~of the respective lifetime limits on the selected physical illness and~~
24 ~~injury benefits. The weighted average shall be calculated in~~
25 ~~accordance with rules adopted by the Commissioner.~~
- 26 ~~(3) If the subscriber contract contains annual limits only on selected~~
27 ~~physical illness and injury benefits, and these benefits do not represent~~
28 ~~substantially all of the physical illness and injury benefits under the~~
29 ~~subscriber contract, the service corporation may impose an annual~~
30 ~~limit on the mental health benefits that is based on a weighted average~~
31 ~~of the respective annual limits on the selected physical illness and~~
32 ~~injury benefits. The weighted average shall be calculated in~~
33 ~~accordance with rules adopted by the Commissioner.~~
- 34 ~~(4) Except as otherwise provided in this section, the subscriber contract~~
35 ~~may distinguish between mental illness benefits and physical injury or~~
36 ~~illness benefits with respect to other terms of the subscriber contract,~~
37 ~~including coinsurance, limits on provider visits or days of coverage,~~
38 ~~and requirements relating to medical necessity.~~
- 39 ~~(5) If the service corporation offers two or more benefit package options~~
40 ~~under a subscriber contract, each package must comply with this~~
41 ~~subsection.~~
- 42 ~~(6) This subsection does not apply to a subscriber contract if the service~~
43 ~~corporation can demonstrate to the Commissioner that compliance will~~

1 increase the cost of the subscriber contract by one percent (1%) or
2 more.

3 (7) This subsection expires October 1, 2001, but the expiration does not
4 affect services rendered before that date.

5 (e) ~~Mental Illness or Chemical Dependency Coverage Not Required.~~ — Nothing
6 in this section requires a service corporation to offer coverage for mental illness or
7 chemical dependency, except as provided in G.S. 58-65-75.

8 (d) ~~Applicability.~~ — Subsection (b1) of this section applies only to subscriber
9 contracts, other than excepted benefits as defined in G.S. 58-68-25, covering more than
10 50 employees. The remainder of this section applies only to group contracts covering 20
11 or more employees."

12 **SECTION 6.** G.S. 58-67-70 reads as rewritten:

13 **"§ 58-67-70. Coverage for chemical dependency treatment.**

14 (a) Definition. — As used in this section, the term 'chemical dependency' means
15 the pathological use or abuse of alcohol or other drugs in a manner or to a degree that
16 produces an impairment in personal, social or occupational functioning and which may,
17 but need not, include a pattern of tolerance and withdrawal.

18 (b) Chemical Dependency Requirement. — ~~On and after January 1, 1985,~~
19 ~~every~~Every health maintenance organization that writes a health care plan on a group
20 basis and that is subject to this Article shall ~~offer~~provide benefits for the necessary care
21 and treatment of chemical dependency that are not less favorable than benefits under the
22 health care plan generally. ~~Except as provided in subsection (c) of this section, benefits~~
23 Benefits for chemical dependency shall be subject to the same ~~durational limits, dollar~~
24 limits, deductibles, and coinsurance factors ~~limits~~ as are benefits under the health care
25 plan generally. For purposes of this subsection, 'limits' includes durational limits,
26 deductibles, coinsurance factors, co-payments, maximum out-of-pocket limits, annual
27 and lifetime dollar limits, and any other dollar limits or fees for covered services.

28 (b1) Weighted Average. — If a group health plan contains annual limits, lifetime
29 limits, co-payments, deductibles, or coinsurance only on selected physical illness and
30 injury benefits, and these benefits do not represent substantially all of the physical
31 illness and injury benefits under the plan, then the health maintenance organization may
32 impose limits on the chemical dependency treatment benefits based on a weighted
33 average of the respective annual, lifetime, co-payment, deductible, or coinsurance limits
34 on the selected physical illness and injury benefits. The weighted average shall be
35 calculated in accordance with rules adopted by the Commissioner.

36 (b2) Case Management. — A health maintenance organization may use a case
37 management program for chemical dependency treatment benefits to evaluate and
38 determine medically necessary and medically appropriate care and treatment for each
39 patient, provided that the program complies with rules adopted by the Commissioner.
40 These rules shall only ensure that case management programs are not designed to avoid
41 the requirements of this section concerning parity between the benefits for chemical
42 dependency treatment and those for physical illness generally.

43 (b3) Medical Necessity. — Nothing in this section prohibits a health maintenance
44 organization from managing the provision of benefits through common methods,

1 including, but not limited to, preadmission screening, prior authorization of services, or
2 other mechanisms designed to limit coverage to services for chemical dependency
3 treatment only to those that are deemed medically necessary.

4 ~~(e) Every group health care plan that provides benefits for chemical dependency~~
5 ~~treatment and that provides total annual benefits for all illnesses in excess of eight~~
6 ~~thousand dollars (\$8,000) is subject to the following conditions:~~

7 ~~(1) The plan shall provide, for each 12-month period, a minimum benefit~~
8 ~~of eight thousand dollars (\$8,000) for the necessary care and treatment~~
9 ~~of chemical dependency.~~

10 ~~(2) The plan shall provide a lifetime minimum benefit of sixteen thousand~~
11 ~~dollars (\$16,000) for the necessary care and treatment of chemical~~
12 ~~dependency for each enrollee.~~

13 (d) Provisions for benefits for necessary care and treatment of chemical
14 dependency in group health care plans shall provide for benefit payments for the
15 following providers of necessary care and treatment of chemical dependency:

16 (1) The following units of a general hospital licensed under Article 5 of
17 ~~General Statutes Chapter 131E;Chapter 131E of the General Statutes:~~

- 18 a. ~~Chemical dependency units in facilities licensed after October~~
19 ~~1, 1984;licensed facilities;~~
20 b. Medical units;
21 c. Psychiatric units; and

22 (2) The following facilities or programs licensed ~~after July 1, 1984, under~~
23 ~~Article 2 of General Statutes Chapter 122C;under Article 2 of Chapter~~
24 ~~122C of the General Statutes:~~

- 25 a. Chemical dependency units in psychiatric hospitals;
26 b. Chemical dependency hospitals;
27 c. Residential chemical dependency treatment facilities;
28 d. Social setting detoxification facilities or programs;
29 e. Medical detoxification facilities or programs; and

30 (3) Duly licensed physicians and duly licensed practicing psychologists
31 and certified professionals working under the direct supervision of
32 such physicians or psychologists in facilities described in (1) and (2)
33 above and in day/night programs or outpatient treatment facilities
34 licensed ~~after July 1, 1984, under Article 2 of General Statutes Chapter~~
35 ~~122C;under Article 2 of Chapter 122C of the General Statutes.~~

36 Provided, however, that nothing in this subsection shall prohibit any plan from requiring
37 the most cost effective treatment setting to be utilized by the person undergoing
38 necessary care and treatment for chemical dependency.

39 ~~(e) Coverage for chemical dependency treatment as described in this section shall~~
40 ~~not be applicable to any group that rejects the coverage in writing.~~

41 (f) Notwithstanding any other provision of this section or Article, any health
42 maintenance organization subject to this Article that becomes a qualified health
43 maintenance organization under Title XIII of the United States Public Health Service
44 Act shall provide the benefits required under that federal Act, which shall be deemed to

1 constitute compliance with the provisions of this section; and any health maintenance
2 organization may provide that the benefits provided under this section must be obtained
3 through providers affiliated with the health maintenance organization."

4 **SECTION 7.** G.S. 58-67-75 reads as rewritten:

5 "**§ 58-67-75. No discrimination against ~~the~~ mentally ill and chemically**
6 **~~dependent.~~dependent individuals.**

7 (a) Definitions. – As used in this section, the term:

8 (1) 'Mental illness' has the same meaning as defined in ~~G.S. 122C-3(21);~~
9 ~~and~~G.S. 122C-3(21), with a mental disorder defined in the Diagnostic
10 and Statistical Manual of Mental Disorders, DSM-IV, or a subsequent
11 edition published by the American Psychiatric Association, except
12 those mental disorders coded in the DSM-IV or subsequent edition as
13 substance-related disorders (291.0 through 292.9 and 303.0 through
14 305.9) and those coded as 'V' codes.

15 (2) 'Chemical dependency' has the same meaning as defined in ~~G.S. 58-~~
16 ~~67-70~~G.S. 58-67-70, with a mental disorder defined in the Diagnostic
17 and Statistical Manual of Disorders, DSM-IV, or subsequent editions
18 of this manual.

19 ~~with a diagnosis found in the Diagnostic and Statistical Manual of Mental Disorders~~
20 ~~DSM-3-R or the International Classification of Diseases ICD/9/CM, or a later edition of~~
21 ~~those manuals.~~

22 (b) Coverage of Physical Illness. – No health maintenance organization governed
23 by this Chapter shall, solely because an individual has or had a mental illness or
24 chemical dependency:

25 (1) Refuse to enroll that individual in any health care plan covering
26 physical illness or injury;

27 (2) Have a higher premium rate or charge for physical illness or injury
28 coverages or benefits for that individual; or

29 (3) Reduce physical illness or injury coverages or benefits for that
30 individual.

31 ~~(b1) Coverage of Mental Illness. — A health care plan that covers both physical~~
32 ~~illness or injury and mental illness may not impose a lesser lifetime or annual dollar~~
33 ~~limitation on the mental health benefits than on the physical illness or injury benefits,~~
34 ~~subject to the following:~~

35 ~~(1) A lifetime limit or annual limit may be made applicable to all benefits~~
36 ~~under the plan, without distinguishing the mental health benefits.~~

37 ~~(2) If the plan contains lifetime limits only on selected physical illness and~~
38 ~~injury benefits, and these benefits do not represent substantially all of~~
39 ~~the physical illness and injury benefits under the plan, the HMO may~~
40 ~~impose a lifetime limit on the mental health benefits that is based on a~~
41 ~~weighted average of the respective lifetime limits on the selected~~
42 ~~physical illness and injury benefits. The weighted average shall be~~
43 ~~calculated in accordance with rules adopted by the Commissioner.~~

- 1 (3) ~~If the plan contains annual limits only on selected physical illness and~~
2 ~~injury benefits, and these benefits do not represent substantially all of~~
3 ~~the physical illness and injury benefits under the plan, the HMO may~~
4 ~~impose an annual limit on the mental health benefits that is based on a~~
5 ~~weighted average of the respective annual limits on the selected~~
6 ~~physical illness and injury benefits. The weighted average shall be~~
7 ~~calculated in accordance with rules adopted by the Commissioner.~~
8 (4) ~~Except as otherwise provided in this section, the plan may distinguish~~
9 ~~between mental illness benefits and physical injury or illness benefits~~
10 ~~with respect to other terms of the plan, including coinsurance, limits on~~
11 ~~provider visits or days of coverage, and requirements relating to~~
12 ~~medical necessity.~~
13 (5) ~~If the HMO offers two or more benefit package options under a plan,~~
14 ~~each package must comply with this subsection.~~
15 (6) ~~This subsection does not apply to a health benefit plan if the HMO can~~
16 ~~demonstrate to the Commissioner that compliance will increase the~~
17 ~~cost of the plan by one percent (1%) or more.~~
18 (7) ~~This subsection expires October 1, 2001, but the expiration does not~~
19 ~~affect services rendered before that date.~~
20 (c) ~~Mental Illness or Chemical Dependency Coverage Not Required. Nothing~~
21 ~~in this section requires an HMO to offer coverage for mental illness or chemical~~
22 ~~dependency, except as provided in G.S. 58-67-70.~~
23 (d) ~~Applicability. Subsection (b1) of this section applies only to group~~
24 ~~contracts, other than excepted benefits as defined in G.S. 58-68-25, covering more than~~
25 ~~50 employees. The remainder of this section applies only to group contracts covering 20~~
26 ~~or more employees."~~

27 **SECTION 8.** G.S. 58-50-155 reads as rewritten:

28 "**§ 58-50-155. Standard and basic health care plan coverages.**

- 29 (a) Notwithstanding G.S. 58-50-125(c), the standard health plan developed and
30 approved under G.S. 58-50-125 shall provide coverage for all of the following:
31 (1) Mammograms and pap smears at least equal to the coverage required
32 by G.S. 58-51-57.
33 (2) Prostate-specific antigen (PSA) tests or equivalent tests for the
34 presence of prostate cancer at least equal to the coverage required by
35 G.S. 58-51-58.
36 (3) Reconstructive breast surgery resulting from a mastectomy at least
37 equal to the coverage required by G.S. 58-51-62.
38 (4) For a qualified individual, scientifically proven bone mass
39 measurement for the diagnosis and evaluation of osteoporosis or low
40 bone mass at least equal to the coverage required by G.S. 58-3-174.
41 (5) Prescribed contraceptive drugs or devices that prevent pregnancy and
42 that are approved by the United States Food and Drug Administration
43 for use as contraceptives, or outpatient contraceptive services at least
44 equal to the coverage required by G.S. 58-3-178, if the plan covers

1 prescription drugs or devices, or outpatient services, as applicable. The
2 same exceptions and exclusions as are provided under G.S. 58-3-178
3 apply to standard plans developed and approved under G.S. 58-50-125.

4 (6) Colorectal cancer examinations and laboratory tests at least equal to
5 the coverage required by G.S. 58-3-179.

6 (7) Treatment of chemical dependency and mental illness that is at least
7 equal to the coverage required by G.S. 58-51-50 and G.S. 58-3-220,
8 respectively. The Plan may use a case management program in
9 accordance with G.S. 58-51-50 and G.S. 58-3-220, respectively.

10 (a1), (a2) Repealed by Session Laws 1999-197, s. 2.

11 (b) Notwithstanding G.S. 58-50-125(c), in developing and approving the plans
12 under G.S. 58-50-125, the Committee and Commissioner shall give due consideration to
13 cost-effective and life-saving health care services and to cost-effective health care
14 providers."

15 **SECTION 9.** This act becomes effective January 1, 2004, and applies to
16 health benefit plans that are delivered, issued for delivery, or renewed on and after that
17 date. For purposes of this act, renewal of a health benefit policy, contract, or plan is
18 presumed to occur on each anniversary of the date on which coverage was first effective
19 on the person or persons covered by the health benefit plan. To the extent this act is in
20 conflict with G.S. 58-50-63, this act prevails.