

October 24, 1986

SUBJECT: INSURANCE

WITHDRAWN

Circular Letter No. 20 (1986)

TO: ALL INSURERS LICENSED TO WRITE ACCIDENT AND HEALTH INSURANCE IN NEW YORK STATE

SUBJECT: INSURANCE DEPARTMENT REVIEW OF THE MENTAL ILLNESS EXCLUSION NOW PERMITTED IN HEALTH INSURANCE CONTRACTS

In 1972 the Insurance Department promulgated Regulation 62 to implement Chapter 554 of the Laws of 1971, which required that the Superintendent issue regulations deemed necessary or desirable to establish minimum standards for the form, content and sale of accident and health insurance policies and subscriber contracts in New York.

Section 52.16 of Regulation 62 sets forth prohibited provisions and coverages and currently includes the following provision under Section 52.16(c)(2):

"(c) No policy shall limit or exclude coverage by type of illness, accident, treatment or medical condition except as follows:

(2) Mental or emotional disorders, alcoholism and drug addiction, except that coverage must be made available or provided pursuant to sections 162, 250 and 253 of the Insurance Law;"

Since the date of the original promulgation of Regulation 62 there have been many changes in the manner of treatment of mental and emotional disorders. In the past, care and treatment for mental and emotional disorders was more custodial in nature, whereas today there is greater emphasis on non-institutional and outpatient care. In addition, the public has a better understanding of mental illness and seems more willing to accept and seek early treatment of mental and emotional disorders.

Recognizing this change in the delivery of mental health services and the need to continually evaluate the minimum standards applicable to health insurance contracts in New York, the Insurance Department intends to undertake an extensive review of the mental illness exclusion now permitted in health insurance contracts. The scope of the review will include, but not be limited to, the following matters:

- The organization, practice and effectiveness of mental health services and the relationship between physical and mental health
- The overall mental health care needs of the public as certified by the Commissioner of Mental Health and the effect that such benefits might be expected to have on meeting those needs.
- The effect that broader mental health coverage will have on access to services for treatment of mental illness.
- Whether broader mental health benefits will reduce utilization of other health care benefits.

- The effect broader insurance coverage will have on the number of mental health providers in this state.
- The development of systems and procedures to measure and control the utilization of mental health services.
- The extent and adequacy of existing mental health coverage in New York and the impact of existing "make available" legislation.
- The anticipated cost of expanding mental health coverage and the ability and willingness of individuals and employers to absorb this additional cost to their health insurance program.
- The effect on collective bargaining relationships in the event of expansion of mental health coverage through legislative or regulatory action.
- The effect on the competition among various types of health benefit plans including self-funded groups and HMO's in the event there is expansion of mental health coverage through regulatory or legislative action applicable to insurance carriers only.

As part of the review process, the Insurance Department intends to request the consent and views of the Commissioner of Health, Commissioner of Mental Health, Commissioner of the Office of Mental Retardation and Developmental Disabilities, Chairman of the Consumer Protection Board, health insurers, mental health providers, advocate organizations for the mentally ill, representatives of employers and unions and other interested parties. It is anticipated that the review process will be completed by the end of 1987 and a written report will be published setting forth the Department findings as to whether the current exclusion of mental or emotional disorders should be continued, modified or deleted.

Very truly yours,

[SIGNATURE]

JAMES P. CORCORAN

Superintendent of Insurance