

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

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HOUSE BILL 1567*

Short Title: Mental Health/Chem. Dep. Parity.

(Public)

Sponsors: Representatives Alexander, Barefoot, Crawford, Insko; Adams, Allen, Baddour, Blue, Bonner, Boyd-McIntyre, Buchanan, Church, Cole, Cox, Cunningham, Davis, Earle, Easterling, Edwards, Fitch, Ford, Fox, Goodwin, Hackney, Haire, Hensley, Hill, Hunter, Jarrell, Jeffus, Luebke, McAllister, McCrary, Melton, Michaux, Miller, Nesbitt, Oldham, Rogers, Saunders, Sutton, Tolson, Wainwright, Warner, Weiss, G. Wilson, Womble, Wright, and Yongue.

Referred to: Insurance, if favorable, Rules, Calendar and Operations of the House.

May 17, 2000

A BILL TO BE ENTITLED

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

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~~ term:

(1) '~~chemical~~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. 58-3-220.

(3) 'Insurer' has the same meaning as in G.S. 58-3-220.

(b) Chemical Dependency Parity Requirement for Health Insurance Contracts Covering Ten or More Employees. – ~~Every insurer that writes a policy or contract of~~

1 ~~group or blanket health insurance or group or blanket accident and health insurance that~~
2 ~~is issued, renewed, or amended on or after January 1, 1985, shall offer to its insureds~~
3 Every health insurer shall provide in each group health benefit plan covering 10 or more
4 employees benefits for the necessary care and treatment of chemical dependency that are
5 not less favorable than benefits for physical illness generally. Except as provided in
6 subsection (c) of this section, benefits Benefits for treatment of chemical dependency
7 shall be subject to the same durational limits, dollar limits, deductibles, and coinsurance
8 factors limits as are benefits for physical illness generally. For purposes of this
9 subsection, 'limits' includes day and visit limits, deductibles, coinsurance factors, co-
10 payments, maximum out-of-pocket limits, annual and lifetime dollar limits, and any other
11 dollar limits or fees for covered services prior to reaching any maximum out-of-pocket
12 limit. Any out-of-pocket limit under a policy shall be comprehensive for coverage of
13 chemical dependency, mental illness, and physical health conditions. A health benefit
14 plan shall be construed to be in compliance with this subsection if at least one of the
15 patient's choice of treatment options within the patient's policy meets the requirements of
16 this subsection.

17 (c) Chemical Dependency Parity Requirement for Health Insurance Contracts
18 Covering Less Than Ten Employees. – Every health insurer shall provide, in each group
19 health benefit plan covering less than 10 employees, benefits for the necessary care and
20 treatment of chemical dependency. Benefits for treatment of chemical dependency shall
21 be subject to the same limits as are benefits for physical illness generally. For purposes
22 of this subsection, 'limits' includes day and visit limits, maximum out-of-pocket limits,
23 and annual and lifetime dollar limits. 'Limits' does not include deductibles, co-payments,
24 coinsurance factors, and any other dollar limits or fees for covered services prior to
25 reaching any maximum out-of-pocket limit. Any out-of-pocket limit under a policy shall
26 be comprehensive for coverage of chemical dependency, mental illness, and physical
27 health conditions. A health benefit plan shall be construed to be in compliance with this
28 subsection if at least one of the patient's choice of treatment options within the patient's
29 policy meets the requirements of this subsection.

30 (d) Case Management. – An insurer may use a case management program for chemical
31 dependency treatment benefits to evaluate and determine medically necessary and
32 medically appropriate care and treatment for each patient, provided that the program
33 complies with rules adopted by the Commissioner of Insurance. These rules shall ensure
34 that case management programs are not designed to avoid the requirements of this section
35 concerning parity between the benefits for chemical dependency treatment and those for
36 physical illness generally.

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

42 (f) Utilization Review Criteria. – Notwithstanding any other provision in this
43 section, the criteria for determining when a patient needs to be placed in a substance

1 abuse treatment program shall be either (i) the diagnostic criteria contained in the most
2 recent revision of the American Society of Addiction Medicine Patient Placement
3 Criteria for the Treatment of Substance-Related Disorders or (ii) criteria adopted by the
4 insurer or its utilization review organization. The Department, in consultation with the
5 Department of Health and Human Services, may require a health plan or utilization
6 review organization to show compliance with this subsection.

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

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

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

16 ~~(d)(g) Provisions for benefits for necessary care and treatment of chemical~~
17 ~~dependency in group policies or group contracts of insurance shall provide benefit~~
18 ~~payments for the following providers of necessary care and treatment of chemical~~
19 ~~dependency:~~

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

22 a. ~~Chemical dependency units in facilities licensed after October 1,~~
23 ~~1984; licensed facilities;~~

24 b. ~~Medical units;~~

25 c. ~~Psychiatric units; and~~

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

28 a. ~~Chemical dependency units in psychiatric hospitals;~~

29 b. ~~Chemical dependency hospitals;~~

30 c. ~~Residential chemical dependency treatment facilities;~~

31 d. ~~Social setting detoxification facilities or programs;~~

32 e. ~~Medical detoxification or programs; and~~

33 ~~(3) Duly licensed physicians and duly licensed practicing psychologists and~~
34 ~~certified professionals working under the direct supervision of such~~
35 ~~physicians or psychologists in facilities described in (1) and (2) above~~
36 ~~and in day/night programs or outpatient treatment facilities licensed after~~
37 ~~July 1, 1984, under Article 2 of General Statutes Chapter 122C: Chapter~~
38 ~~122C of the General Statutes.~~

39 ~~Provided, however, that nothing in this subsection shall~~ This subsection does not prohibit any
40 policy or contract of insurance from requiring the most cost effective treatment setting to
41 be utilized by the person undergoing necessary care and treatment for chemical
42 dependency.

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

4 Section 2. Effective January 1, 2004, G.S. 58-51-50, as amended by Section 1
5 of this act, reads as rewritten:

6 **"§ 58-51-50. Coverage for chemical dependency treatment.**

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

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

12 (2) 'Health benefit plan' has the same meaning as in G.S. 58-3-220.

13 (3) 'Insurer' has the same meaning as in G.S. 58-3-220.

14 (b) ~~Chemical Dependency Parity Requirement for Health Insurance Contracts~~
15 ~~Covering 10 or More Employees.~~Requirement. – Every health insurer shall provide in each
16 group health benefit plan ~~covering 10 or more employees~~ benefits for the necessary care
17 and treatment of chemical dependency that are not less favorable than benefits for
18 physical illness generally. Benefits for treatment of chemical dependency shall be
19 subject to the same limits as are benefits for physical illness generally. For purposes of
20 this subsection, 'limits' includes day and visit limits, deductibles, coinsurance factors, co-
21 payments, maximum out-of-pocket limits, annual and lifetime dollar limits, and any other
22 dollar limits or fees for covered services prior to reaching any maximum out-of-pocket
23 limit. Any out-of-pocket limit under a policy shall be comprehensive for coverage of
24 chemical dependency, mental illness and physical health conditions. A health benefit
25 plan shall be construed to be in compliance with this subsection if at least one of the
26 patient's choice of treatment options within the patient's policy meets the requirements of
27 this subsection.

28 (c) ~~Chemical Dependency Parity Requirement for Health Insurance Contracts~~
29 ~~Covering Less Than 10 Employees.~~ – Every health insurer shall provide in each group
30 health benefit plan ~~covering less than 10 employees~~ benefits for the necessary care and
31 ~~treatment of chemical dependency.~~ Benefits for treatment of chemical dependency shall
32 be subject to the same limits as are benefits for physical illness generally. For purposes
33 of this subsection, 'limits' includes day and visit limits, maximum out of pocket limits,
34 and annual and lifetime dollar limits. 'Limits' does not include deductibles, co-payments,
35 coinsurance and any other dollar limits or fees for covered services prior to reaching any
36 maximum out of pocket limit. Any out of pocket limit under a policy shall be
37 comprehensive for coverage of chemical dependency, mental illness and physical health
38 conditions. A health benefit plan shall be construed to be in compliance with this
39 subsection if at least one of the patient's choice of treatment options within the patient's
40 policy meets the requirements of this subsection.

41 (d) Case Management. – An insurer may use a case management program for chemical
42 dependency treatment benefits to evaluate and determine medically necessary and
43 medically appropriate care and treatment for each patient, provided that the program

1 complies with rules adopted by the Commissioner of Insurance. These rules shall ensure
2 that case management programs are not designed to avoid the requirements of this section
3 concerning parity between the benefits for chemical dependency treatment and those for
4 physical illness generally.

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

10 (f) Utilization Review Criteria. – Notwithstanding any other provision in this
11 section, the criteria for determining when a patient needs to be placed in a substance
12 abuse treatment program shall be either (i) the diagnostic criteria contained in the most
13 recent revision of the American Society of Addiction Medicine Patient Placement
14 Criteria for the Treatment of Substance-Related Disorders or (ii) criteria adopted by the
15 insurer or its utilization review organization. The Department, in consultation with the
16 Department of Health and Human Services, may require a health plan or utilization
17 review organization to show compliance with this subsection.

18 (g) Provisions for benefits for necessary care and treatment of chemical
19 dependency in group policies or group contracts of insurance shall provide benefit
20 payments for the following providers of necessary care and treatment of chemical
21 dependency:

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

- 24 a. Chemical dependency units in licensed facilities;
- 25 b. Medical units;
- 26 c. Psychiatric units; and

27 (2) The following facilities or programs licensed under Article 2 of Chapter
28 122C of the General Statutes:

- 29 a. Chemical dependency units in psychiatric hospitals;
- 30 b. Chemical dependency hospitals;
- 31 c. Residential chemical dependency treatment facilities;
- 32 d. Social setting detoxification facilities or programs;
- 33 e. Medical detoxification or programs; and

34 (3) Duly licensed physicians and duly licensed practicing psychologists and
35 certified professionals working under the direct supervision of such
36 physicians or psychologists in facilities described in (1) and (2) above
37 and in day/night programs or outpatient treatment facilities licensed
38 under Article 2 of Chapter 122C of the General Statutes.

39 This subsection does not prohibit any policy or contract of insurance from requiring the
40 most cost effective treatment setting to be utilized by the person undergoing necessary
41 care and treatment for chemical dependency."

42 Section 3. G.S. 58-51-55 reads as rewritten:

1 **"§ 58-51-55. No discrimination against ~~the mentally ill and chemically dependent.~~**
2 **dependent individuals.**

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

4 (1) 'Mental illness' has the same meaning as defined in G.S. ~~122C-3(21); and~~
5 122C-3(21), with a mental disorder defined in the Diagnostic and
6 Statistical Manual of Mental Disorders, DSM-IV, or a subsequent
7 edition published by the American Psychiatric Association, except those
8 mental disorders coded in the DSM-IV or subsequent edition as
9 substance-related disorders (291.0 through 292.9 and 303.0 through
10 305.9) and those coded as 'V' codes.

11 (2) 'Chemical dependency' has the same meaning as defined in G.S. ~~58-51-~~
12 ~~50-58-51-50,~~ with a mental disorder defined in the Diagnostic and
13 Statistical Manual of Mental Disorders, DSM-IV, or subsequent editions
14 of this manual.

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

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

21 (1) Refuse to issue or deliver to that individual any policy that affords
22 benefits or coverages for any medical treatment or service for physical
23 illness or injury;

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

26 (3) Reduce physical illness or injury coverages or benefits for that
27 individual.

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

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

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

41 ~~(3) If the policy contains annual limits only on selected physical illness and~~
42 ~~injury benefits, and these benefits do not represent substantially all of~~
43 ~~the physical illness and injury benefits under the policy, the insurer may~~

1 impose an annual limit on the mental health benefits that is based on a
2 weighted average of the respective annual limits on the selected
3 physical illness and injury benefits. The weighted average shall be
4 calculated in accordance with rules adopted by the Commissioner.

5 (4) Except as otherwise provided in this section, the policy may distinguish
6 between mental illness benefits and physical injury or illness benefits
7 with respect to other terms of the policy, including coinsurance, limits
8 on provider visits or days of coverage, and requirements relating to
9 medical necessity.

10 (5) If the insurer offers two or more benefit package options under a policy,
11 each package must comply with this subsection.

12 (6) This subsection does not apply to a policy if the insurer can demonstrate
13 to the Commissioner that compliance will increase the cost of the policy
14 by one percent (1%) or more.

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

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

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

25 Section 4. Article 3 of Chapter 58 of the General Statutes is amended by
26 adding the following new section to read:

27 "**§ 58-3-220. Mental illness benefits coverage.**

28 (a) Mental Illness Parity Requirement for Health Benefit Plans Covering Ten or
29 More Employees. – A health insurer shall provide, in each group health benefit plan
30 covering 10 or more employees, benefits for the necessary care and treatment of mental
31 illness that are no less favorable than benefits for physical illness generally. Benefits for
32 treatment of mental illness shall be subject to the same limits as benefits for physical
33 illness generally. For purposes of this subsection, 'limits' includes day and visit limits,
34 deductibles, coinsurance factors, co-payments, maximum out-of-pocket limits, annual
35 and lifetime dollar limits, and any other dollar limits or fees for covered services prior to
36 reaching any out-of-pocket limit. Any out-of-pocket limit under a policy shall be
37 comprehensive for coverage of chemical dependency, mental illness, and physical health
38 conditions. A health benefit plan shall be construed to be in compliance with this
39 subsection if at least one of the patient's choice of treatment options within the patient's
40 policy meets the requirements of this subsection.

41 (b) Mental Illness Parity Requirement for Health Benefit Plans Covering Less
42 Than Ten Employees. – Every health insurer shall provide, in each group health benefit
43 plan covering less than 10 employees, benefits for the necessary care and treatment of

1 mental illness. Benefits for treatment of mental illness shall be subject to the same limits
2 as are benefits for physical illness generally. For purposes of this subsection, 'limits'
3 includes day and visit limits, maximum out-of-pocket limits, and annual and lifetime
4 dollar limits. 'Limits' does not include deductibles, co-payments, coinsurance factors,
5 and any other dollar limits or fees for covered services prior to reaching any maximum
6 out-of-pocket limit. Any out-of-pocket limit under a policy shall be comprehensive for
7 coverage of chemical dependency, mental illness, and physical health conditions. A
8 health benefit plan shall be construed to be in compliance with this subsection if at least
9 one of the patient's choice of treatment options within the patient's policy meets the
10 requirements of this subsection.

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

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

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

23 (1) 'Health benefit plan' means an accident and health insurance policy or
24 certificate; a nonprofit hospital or medical service corporation contract;
25 a health maintenance organization subscriber contract; a plan provided
26 by a multiple employer welfare arrangement; or a plan provided by
27 another benefit arrangement, to the extent permitted by the Employee
28 Retirement Income Security Act of 1974, as amended, or by any waiver
29 of or other exception to that Act provided under federal law or
30 regulation. 'Health benefit plan' includes a blanket health policy or
31 blanket accident and health policy. 'Health benefit plan' does not mean
32 any of the following kinds of insurance:

33 a. Accident.

34 b. Credit.

35 c. Disability income.

36 d. Long-term or nursing home care.

37 e. Medicare supplement.

38 f. Specified disease.

39 g. Dental or vision.

40 h. Coverage issued as a supplement to liability insurance.

41 i. Workers' compensation.

42 j. Medical payments under automobile or homeowners.

1 k. Insurance under which benefits are payable with or without
2 regard to fault and that are statutorily required to be contained in
3 any liability policy or equivalent self-insurance.

4 l. Hospital income or indemnity.

5 m. Short-term limited duration health insurance policies as defined
6 in Part 144 of Title 45 of the Code of Federal Regulations.

7 (2) 'Insurer' means an insurance company subject to this Chapter, a service
8 corporation organized under Article 65 of this Chapter, a health
9 maintenance organization organized under Article 67 of this Chapter,
10 and a multiple employer welfare arrangement subject to Article 49 of
11 this Chapter.

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

19 Section 5. Effective January 1, 2004, G.S. 58-3-220, as enacted by this act,
20 reads as rewritten:

21 **"§ 58-3-220. Mental illness benefits coverage.**

22 (a) ~~Mental Illness Parity Requirement for Health Benefit Plans Covering 10 or More~~
23 ~~Employees Requirement.~~ – A health insurer shall provide in each group health benefit
24 plan covering 10 or more employees benefits for the necessary care and treatment of mental
25 illness that are no less favorable than benefits for physical illness generally. Benefits for
26 treatment of mental illness shall be subject to the same limits as benefits for physical
27 illness generally. For purposes of this subsection, 'limits' includes day and visit limits,
28 deductibles, coinsurance factors, co-payments, maximum out-of-pocket limits, annual
29 and lifetime dollar limits, and any other dollar limits or fees for covered services prior to
30 reaching any out-of-pocket limit. Any out-of-pocket limit under a policy shall be
31 comprehensive for coverage of chemical dependency, mental illness and physical health
32 conditions. A health benefit plan shall be construed to be in compliance with this
33 subsection if at least one of the patient's choice of treatment options within the patient's
34 policy meets the requirements of this subsection.

35 (b) ~~Mental Illness Parity Requirement for Health Benefit Plans Covering Less~~
36 ~~Than 10 Employees.~~ – Every health insurer shall provide in each group health benefit
37 plan covering less than 10 employees benefits for the necessary care and treatment of
38 mental illness. Benefits for treatment of mental illness shall be subject to the same limits
39 as are benefits for physical illness generally. For purposes of this subsection, 'limits'
40 includes day and visit limits, maximum out of pocket limits, and annual and lifetime
41 dollar limits. 'Limits' does not include deductibles, co-payments, coinsurance factors and
42 any other dollar limits or fees for covered services prior to reaching any maximum out-
43 of-pocket limit. Any out of pocket limit under a policy shall be comprehensive for

1 ~~coverage of chemical dependency, mental illness and physical health conditions. A~~
2 ~~health benefit plan shall be construed to be in compliance with this subsection if at least~~
3 ~~one of the patient's choice of treatment options within the patient's policy meets the~~
4 ~~requirements of this subsection.~~

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

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

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

17 (1) 'Health benefit plan' means an accident and health insurance policy or
18 certificate; a nonprofit hospital or medical service corporation contract;
19 a health maintenance organization subscriber contract; a plan provided
20 by a multiple employer welfare arrangement; or a plan provided by
21 another benefit arrangement, to the extent permitted by the Employee
22 Retirement Income Security Act of 1974, as amended, or by any waiver
23 of or other exception to that Act provided under federal law or
24 regulation. 'Health benefit plan' includes a blanket health policy or
25 blanket accident and health policy. 'Health benefit plan' does not mean
26 any of the following kinds of insurance:

- 27 a. Accident.
- 28 b. Credit.
- 29 c. Disability income.
- 30 d. Long-term or nursing home care.
- 31 e. Medicare supplement.
- 32 f. Specified disease.
- 33 g. Dental or vision.
- 34 h. Coverage issued as a supplement to liability insurance.
- 35 i. Workers' compensation.
- 36 j. Medical payments under automobile or homeowners.
- 37 k. Insurance under which benefits are payable with or without
38 regard to fault and that are statutorily required to be contained in
39 any liability policy or equivalent self-insurance.
- 40 l. Hospital income or indemnity.
- 41 m. Short-term limited duration health insurance policies as defined
42 in Part 144 of Title 45 of the Code of Federal Regulations.

1 (2) 'Insurer' means an insurance company subject to this Chapter, a service
2 corporation organized under Article 65 of this Chapter, a health
3 maintenance organization organized under Article 67 of this Chapter,
4 and a multiple employer welfare arrangement subject to Article 49 of
5 this Chapter.

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

13 Section 6. G.S. 58-65-75 reads as rewritten:

14 **"§ 58-65-75. Coverage for chemical dependency treatment.**

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

19 (b) Chemical Dependency Parity Requirement for Group Insurance Certificate or
20 Group Subscriber Contracts Covering Ten or More Employees. – Every group insurance
21 certificate or group subscriber contract covering 10 or more employees under any
22 hospital or medical plan governed by this Article and Article 66 of this Chapter that is
23 issued, renewed, or amended on or after January 1, 1985, shall offer shall provide to its
24 insureds benefits for the necessary care and treatment of chemical dependency that are
25 not less favorable than benefits for physical illness generally. ~~Except as provided in~~
26 subsection (e) of this section, benefits Benefits for chemical dependency shall be subject to
27 the same durational limits, dollar limits, deductibles, and coinsurance factors limits as are
28 benefits for physical illness generally. For purposes of this subsection, 'limits' includes
29 day and visit limits, deductibles, coinsurance factors, co-payments, maximum out-of-
30 pocket limits, annual and lifetime dollar limits, and any other dollar limits or fees for
31 covered services prior to reaching any maximum out-of-pocket limit. Any out-of-pocket
32 limit under a policy shall be comprehensive for coverage of chemical dependency, mental
33 illness, and physical health conditions. A health benefit plan shall be construed to be in
34 compliance with this subsection if at least one of the patient's choice of treatment options
35 within the patient's policy meets the requirements of this subsection.

36 (c) Chemical Dependency Parity Requirement for Group Insurance Certificate or
37 Group Subscriber Contracts Covering Less Than Ten Employees. – Every group
38 insurance certificate or group subscriber contract covering less than 10 employees under
39 any hospital or medical plan governed by this Article and Article 66 of this Chapter shall
40 provide to its insureds benefits for the necessary care and treatment of chemical
41 dependency benefits for the necessary care and treatment of chemical dependency.
42 Benefits for treatment of chemical dependency shall be subject to the same limits as are
43 benefits for physical illness generally. For purposes of this subsection, 'limits' includes

1 day and visit limits, maximum out-of-pocket limits, and annual and lifetime dollar limits.
2 'Limits' does not include deductibles, co-payments, coinsurance factors, and any other
3 dollar limits or fees for covered services prior to reaching any maximum out-of-pocket
4 limit. Any out-of-pocket limit under a policy shall be comprehensive for coverage of
5 chemical dependency, mental illness, and physical health conditions. A health benefit
6 plan shall be construed to be in compliance with this subsection if at least one of the
7 patient's choice of treatment options within the patient's policy meets the requirements of
8 this subsection.

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

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

21 (f) Utilization Review Criteria. – Notwithstanding any other provision in this
22 section, the criteria for determining when a patient needs to be placed in a substance
23 abuse treatment program shall be either (i) the diagnostic criteria contained in the most
24 recent revision of the American Society of Addiction Medicine Patient Placement
25 Criteria for the Treatment of Substance-Related Disorders or (ii) criteria adopted by the
26 insurer or its utilization review organization. The Department, in consultation with the
27 Department of Health and Human Services, may require a health plan or utilization
28 review organization to show compliance with this subsection.

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

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

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

39 ~~(d)(g) Provisions for benefits for necessary care and treatment of chemical~~
40 ~~dependency in group certificates or group contracts shall provide for benefit payments for~~
41 ~~the following providers of necessary care and treatment of chemical dependency:~~

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

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

22 ~~Provided, however, that nothing in this subsection shall~~ This section does not prohibit any
23 certificate or contract from requiring the most cost effective treatment setting to be
24 utilized by the person undergoing necessary care and treatment for chemical dependency.

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

28 Section 7. Effective January 1, 2004, G.S. 58-65-75, as amended by Section 6
29 of this act, reads as rewritten:

30 **"§ 58-65-75. Coverage for chemical dependency treatment.**

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

35 (b) ~~Chemical Dependency Parity Requirement for Group Insurance Certificate or~~
36 ~~Group Subscriber Contracts Covering 10 or More Employees Requirement.~~ – Every
37 group insurance certificate or group subscriber contract ~~covering 10 or more employees~~
38 under any hospital or medical plan governed by this Article and Article 66 of this Chapter
39 shall provide to its insureds benefits for the necessary care and treatment of chemical
40 dependency that are not less favorable than benefits for physical illness generally.
41 Benefits for chemical dependency shall be subject to the same limits as are benefits for
42 physical illness generally. For purposes of this subsection, 'limits' includes day and visit
43 limits, deductibles, coinsurance factors, co-payments, maximum out-of-pocket limits,

1 annual and lifetime dollar limits, and any other dollar limits or fees for covered services
2 prior to reaching any maximum out-of-pocket limit. Any out-of-pocket limit under a
3 policy shall be comprehensive for coverage of chemical dependency, mental illness and
4 physical health conditions. A health benefit plan shall be construed to be in compliance
5 with this subsection if at least one of the patient's choice of treatment options within the
6 patient's policy meets the requirements of this subsection.

7 ~~(e) Chemical Dependency Parity Requirement for Group Insurance Certificate or~~
8 ~~Group Subscriber Contracts Covering Less Than 10 Employees. — Every group insurance~~
9 ~~certificate or group subscriber contract covering less than 10 employees under any~~
10 ~~hospital or medical plan governed by this Article and Article 66 of this Chapter shall~~
11 ~~provide to its insureds benefits for the necessary care and treatment of chemical~~
12 ~~dependency benefits for the necessary care and treatment of chemical dependency.~~
13 ~~Benefits for treatment of chemical dependency shall be subject to the same limits as are~~
14 ~~benefits for physical illness generally. For purposes of this subsection, 'limits' includes~~
15 ~~day and visit limits, maximum out of pocket limits, and annual and lifetime dollar limits.~~
16 ~~'Limits' does not include deductibles, co-payments, coinsurance factors and any other~~
17 ~~dollar limits or fees for covered services prior to reaching any maximum out of pocket~~
18 ~~limit. Any out of pocket limit under a policy shall be comprehensive for coverage of~~
19 ~~chemical dependency, mental illness and physical health conditions. A health benefit~~
20 ~~plan shall be construed to be in compliance with this subsection if at least one of the~~
21 ~~patient's choice of treatment options within the patient's policy meets the requirements of~~
22 ~~this subsection.~~

23 (d) Case Management. — A group insurance certificate or group subscriber contract
24 may use a case management program for chemical dependency treatment benefits to
25 evaluate and determine medically necessary and medically appropriate care and treatment
26 for each patient, provided that the program complies with rules adopted by the
27 Commissioner of Insurance. These rules shall ensure that case management programs are
28 not designed to avoid the requirements of this section concerning parity between the
29 benefits for chemical dependency treatment and those for physical illness generally.

30 (e) Medical Necessity. — Nothing in this section prohibits a hospital or medical
31 plan governed by this Article from managing the provision of benefits through common
32 methods, including, but not limited, to preadmission screening, prior authorization of
33 services, or other mechanisms designed to limit coverage to services for chemical
34 dependency treatment only to those that are deemed medically necessary.

35 (f) Utilization Review Criteria. — Notwithstanding any other provision in this
36 section, the criteria for determining when a patient needs to be placed in a substance
37 abuse treatment program shall be either (i) the diagnostic criteria contained in the most
38 recent revision of the American Society of Addiction Medicine Patient Placement
39 Criteria for the Treatment of Substance-Related Disorders or (ii) criteria adopted by the
40 insurer or its utilization review organization. The Department, in consultation with the
41 Department of Health and Human Services, may require a health plan or utilization
42 review organization to show compliance with this subsection.

1 (g) Provisions for benefits for necessary care and treatment of chemical
2 dependency in group certificates or group contracts shall provide for benefit payments for
3 the following providers of necessary care and treatment of chemical dependency:

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

- 6 a. Chemical dependency units in licensed facilities;
7 b. Medical units;
8 c. Psychiatric units; and

9 (2) The following facilities or programs licensed under Article 2 of Chapter
10 122C of the General Statutes:

- 11 a. Chemical dependency units in psychiatric hospitals;
12 b. Chemical dependency hospitals;
13 c. Residential chemical dependency treatment facilities;
14 d. Social setting detoxification facilities or programs;
15 e. Medical detoxification facilities or programs; and

16 (3) Duly licensed physicians and duly licensed psychologists and certified
17 professionals working under the direct supervision of such physicians or
18 psychologists in facilities described in (1) and (2) above and in
19 day/night programs or outpatient treatment facilities licensed under
20 Article 2 of Chapter 122C of the General Statutes. 'Duly licensed
21 psychologists' are defined as licensed psychologists who hold
22 permanent licensure and certification as health services provider
23 psychologist issued by the North Carolina Psychology Board.

24 This subsection does not prohibit any certificate or contract from requiring the most cost
25 effective treatment setting to be utilized by the person undergoing necessary care and
26 treatment for chemical dependency."

27 Section 8. G.S. 58-65-90 reads as rewritten:

28 "§ 58-65-90. **No discrimination against the mentally ill and chemically dependent.**
29 **dependent individuals.**

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

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

38 (2) 'Chemical dependency' has the same meaning as defined in G.S. ~~58-65-~~
39 ~~75-58-65-75,~~ with a mental disorder defined in the Diagnostic and
40 Statistical Manual of Mental Disorders, DSM-IV, or subsequent editions
41 of this manual.

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

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

7 (1) Refuse to issue or deliver to that individual any individual or group
8 subscriber contract in this State that affords benefits or coverage for
9 medical treatment or service for physical illness or injury;

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

12 (3) Reduce physical illness or injury coverages or benefits for that
13 individual.

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

18 (1) A lifetime limit or annual limit may be made applicable to all benefits
19 under the subscriber contract, without distinguishing the mental health
20 benefits.

21 (2) If the subscriber contract contains lifetime limits only on selected
22 physical illness or injury benefits, and these benefits do not represent
23 substantially all of the physical illness and injury benefits under the
24 subscriber contract, the service corporation may impose a lifetime limit
25 on the mental health benefits that is based on a weighted average of the
26 respective lifetime limits on the selected physical illness and injury
27 benefits. The weighted average shall be calculated in accordance with
28 rules adopted by the Commissioner.

29 (3) If the subscriber contract contains annual limits only on selected
30 physical illness and injury benefits, and these benefits do not represent
31 substantially all of the physical illness and injury benefits under the
32 subscriber contract, the service corporation may impose an annual limit
33 on the mental health benefits that is based on a weighted average of the
34 respective annual limits on the selected physical illness and injury
35 benefits. The weighted average shall be calculated in accordance with
36 rules adopted by the Commissioner.

37 (4) Except as otherwise provided in this section, the subscriber contract
38 may distinguish between mental illness benefits and physical injury or
39 illness benefits with respect to other terms of the subscriber contract,
40 including coinsurance, limits on provider visits or days of coverage, and
41 requirements relating to medical necessity.

1 ~~(5) If the service corporation offers two or more benefit package options~~
2 ~~under a subscriber contract, each package must comply with this~~
3 ~~subsection.~~

4 ~~(6) This subsection does not apply to a subscriber contract if the service~~
5 ~~corporation can demonstrate to the Commissioner that compliance will~~
6 ~~increase the cost of the subscriber contract by one percent (1%) or more.~~

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

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

12 ~~(d) Applicability. — Subsection (b1) of this section applies only to subscriber~~
13 ~~contracts, other than excepted benefits as defined in G.S. 58-68-25, covering more than~~
14 ~~50 employees. The remainder of this section applies only to group contracts covering 20~~
15 ~~or more employees."~~

16 Section 9. G.S. 58-67-70 reads as rewritten:

17 "**§ 58-67-70. Coverage for chemical dependency treatment.**

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

22 (b) On and after January 1, 1985, every Chemical Dependency Parity Requirement
23 For Health Care Plans Covering Ten or More Employees. — Every health maintenance
24 organization that writes a health care plan on a group basis covering 10 or more
25 employees and that is subject to this Article shall offer provide benefits for the necessary
26 care and treatment of chemical dependency that are not less favorable than benefits under
27 the health care plan generally. Except as provided in subsection (c) of this section, benefits
28 Benefits for chemical dependency shall be subject to the same durational limits, dollar
29 limits, deductibles, and coinsurance factors limits as are benefits under the health care plan
30 generally. For purposes of this subsection, 'limits' includes day and visit limits,
31 deductibles, coinsurance factors, co-payments, maximum out-of-pocket limits, annual
32 and lifetime dollar limits, and any other dollar limits or fees for covered services prior to
33 reaching any maximum out-of-pocket limit. Any out-of-pocket limit under a policy shall
34 be comprehensive for coverage of chemical dependency, mental illness, and physical
35 health conditions. A health benefit plan shall be construed to be in compliance with this
36 subsection if at least one of the patient's choice of treatment options within the patient's
37 policy meets the requirements of this subsection.

38 (c) Chemical Dependency Parity Requirement For Health Care Plans Covering
39 Less Than Ten Employees. — Every health maintenance organization that writes a health
40 care plan on a group basis covering less than 10 employees and that is subject to this
41 Article shall provide benefits for the necessary care and treatment of chemical
42 dependency. Benefits for chemical dependency shall be subject to the same limits as are
43 benefits under the health care plan generally. For purposes of this subsection, 'limits'

1 includes day and visit limits, maximum out-of-pocket limits, and annual and lifetime
2 dollar limits. 'Limits' does not include deductibles, co-payments, coinsurance factors,
3 and any other dollar limits or fees for covered services prior to reaching any maximum
4 out-of-pocket limit. Any out-of-pocket limit under a policy shall be comprehensive for
5 coverage of chemical dependency, mental illness, and physical health conditions. A
6 health benefit plan shall be construed to be in compliance with this subsection if at least
7 one of the patient's choice of treatment options within the patient's policy meets the
8 requirements of this subsection.

9 (d) Case Management. – A health maintenance organization may use a case
10 management program for chemical dependency treatment benefits to evaluate and
11 determine medically necessary and medically appropriate care and treatment for each
12 patient, provided that the program complies with rules adopted by the Commissioner of
13 Insurance. These rules shall ensure that case management programs are not designed to
14 avoid the requirements of this section concerning parity between the benefits for
15 chemical dependency treatment and those for physical illness generally.

16 (e) Medical Necessity. – Nothing in this section prohibits a health maintenance
17 organization from managing the provision of benefits through common methods,
18 including, but not limited, to preadmission screening, prior authorization of services, or
19 other mechanisms designed to limit coverage to services for chemical dependency
20 treatment only to those that are deemed medically necessary.

21 (f) Utilization Review Criteria. – Notwithstanding any other provision in this
22 section, the criteria for determining when a patient needs to be placed in a substance
23 abuse treatment program shall be either (i) the diagnostic criteria contained in the most
24 recent revision of the American Society of Addiction Medicine Patient Placement
25 Criteria for the Treatment of Substance-Related Disorders or (ii) criteria adopted by the
26 insurer or its utilization review organization. The Department, in consultation with the
27 Department of Health and Human Services, may require a health plan or utilization
28 review organization to show compliance with this subsection.

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

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

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

38 ~~(d)(g) Provisions for benefits for necessary care and treatment of chemical~~
39 ~~dependency in group policies or group contracts of insurance shall provide benefit~~
40 ~~payments for the following providers of necessary care and treatment of chemical~~
41 ~~dependency:~~

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

- 1 a. Chemical dependency units in ~~facilities licensed after October 1,~~
2 ~~1984;~~ licensed facilities;
3 b. Medical units;
4 c. Psychiatric units; and
5 (2) The following facilities or programs licensed ~~after July 1, 1984,~~ under
6 Article 2 of Chapter 122C of the General Statutes; ~~Statutes Chapter 122C:~~
7 a. Chemical dependency units in psychiatric hospitals;
8 b. Chemical dependency hospitals;
9 c. Residential chemical dependency treatment facilities;
10 d. Social setting detoxification facilities or programs;
11 e. Medical detoxification or programs; and
12 (3) Duly licensed physicians and duly licensed practicing psychologists and
13 certified professionals working under the direct supervision of such
14 physicians or psychologists in facilities described in (1) and (2) above
15 and in day/night programs or outpatient treatment facilities licensed ~~after~~
16 ~~July 1, 1984,~~ under Article 2 of ~~General Statutes Chapter 122C.~~ Chapter
17 122C of the General Statutes.

18 ~~Provided, however, that nothing in this subsection shall~~ This subsection does not prohibit any
19 policy or contract of insurance from requiring the most cost effective treatment setting to
20 be utilized by the person undergoing necessary care and treatment for chemical
21 dependency.

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

25 ~~(f)(h)~~ (h) Notwithstanding any other provision of this section or Article, any health
26 maintenance organization subject to this Article that becomes a qualified health
27 maintenance organization under Title XIII of the United States Public Health Service Act
28 shall provide the benefits required under that federal Act, which shall be deemed to
29 constitute compliance with the provisions of this section; and any health maintenance
30 organization may provide that the benefits provided under this section must be obtained
31 through providers affiliated with the health maintenance organization."

32 Section 10. Effective January 1, 2004, G.S. 58-67-70, as amended by Section 9
33 of this act, reads as rewritten:

34 **"§ 58-67-70. Coverage for chemical dependency treatment.**

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

39 (b) ~~Chemical Dependency Parity Requirement For Health Care Plans Covering 10 or~~
40 ~~More Employees Requirement.~~ – Every health maintenance organization that writes a
41 health care plan on a group basis ~~covering 10 or more employees~~ and that is subject to this
42 Article shall provide benefits for the necessary care and treatment of chemical
43 dependency that are not less favorable than benefits under the health care plan generally.

1 Benefits for chemical dependency shall be subject to the same limits as are benefits under
2 the health care plan generally. For purposes of this subsection, 'limits' includes day and
3 visit limits, deductibles, coinsurance factors, co-payments, maximum out-of-pocket
4 limits, annual and lifetime dollar limits, and any other dollar limits or fees for covered
5 services prior to reaching any maximum out-of-pocket limit. Any out-of-pocket limit
6 under a policy shall be comprehensive for coverage of chemical dependency, mental
7 illness and physical health conditions. A health benefit plan shall be construed to be in
8 compliance with this subsection if at least one of the patient's choice of treatment options
9 within the patient's policy meets the requirements of this subsection.

10 ~~(e) Chemical Dependency Parity Requirement For Health Care Plans Covering~~
11 ~~Less Than 10 Employees. — Every health maintenance organization that writes a health~~
12 ~~care plan on a group basis covering less than 10 employees and that is subject to this~~
13 ~~Article shall provide benefits for the necessary care and treatment of chemical~~
14 ~~dependency. Benefits for chemical dependency shall be subject to the same limits as are~~
15 ~~benefits under the health care plan generally. For purposes of this subsection, 'limits'~~
16 ~~includes day and visit limits, maximum out-of-pocket limits, and annual and lifetime~~
17 ~~dollar limits. 'Limits' does not include deductibles, co-payments, coinsurance factors and~~
18 ~~any other dollar limits or fees for covered services prior to reaching any maximum out-~~
19 ~~of-pocket limit. Any out-of-pocket limit under a policy shall be comprehensive for~~
20 ~~coverage of chemical dependency, mental illness and physical health conditions. A~~
21 ~~health benefit plan shall be construed to be in compliance with this subsection if at least~~
22 ~~one of the patient's choice of treatment options within the patient's policy meets the~~
23 ~~requirements of this subsection.~~

24 (d) Case Management. — A health maintenance organization may use a case
25 management program for chemical dependency treatment benefits to evaluate and
26 determine medically necessary and medically appropriate care and treatment for each
27 patient, provided that the program complies with rules adopted by the Commissioner of
28 Insurance. These rules shall ensure that case management programs are not designed to
29 avoid the requirements of this section concerning parity between the benefits for
30 chemical dependency treatment and those for physical illness generally.

31 (e) Medical Necessity. — Nothing in this section prohibits a health maintenance
32 organization from managing the provision of benefits through common methods,
33 including, but not limited, to preadmission screening, prior authorization of services, or
34 other mechanisms designed to limit coverage to services for chemical dependency
35 treatment only to those that are deemed medically necessary.

36 (f) Utilization Review Criteria. — Notwithstanding any other provision in this
37 section, the criteria for determining when a patient needs to be placed in a substance
38 abuse treatment program shall be either (i) the diagnostic criteria contained in the most
39 recent revision of the American Society of Addiction Medicine Patient Placement
40 Criteria for the Treatment of Substance-Related Disorders or (ii) criteria adopted by the
41 insurer or its utilization review organization. The Department, in consultation with the
42 Department of Health and Human Services, may require a health plan or utilization
43 review organization to show compliance with this subsection.

1 (g) Provisions for benefits for necessary care and treatment of chemical
2 dependency in group policies or group contracts of insurance shall provide benefit
3 payments for the following providers of necessary care and treatment of chemical
4 dependency:

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

- 7 a. Chemical dependency units in licensed facilities;
- 8 b. Medical units;
- 9 c. Psychiatric units; and

10 (2) The following facilities or programs licensed under Article 2 of Chapter
11 122C of the General Statutes:

- 12 a. Chemical dependency units in psychiatric hospitals;
- 13 b. Chemical dependency hospitals;
- 14 c. Residential chemical dependency treatment facilities;
- 15 d. Social setting detoxification facilities or programs;
- 16 e. Medical detoxification or programs; and

17 (3) Duly licensed physicians and duly licensed practicing psychologists and
18 certified professionals working under the direct supervision of such
19 physicians or psychologists in facilities described in (1) and (2) above
20 and in day/night programs or outpatient treatment facilities licensed
21 under Article 2 of Chapter 122C of the General Statutes.

22 This subsection does not prohibit any policy or contract of insurance from requiring the
23 most cost effective treatment setting to be utilized by the person undergoing necessary
24 care and treatment for chemical dependency.

25 (h) Notwithstanding any other provision of this section or Article, any health
26 maintenance organization subject to this Article that becomes a qualified health
27 maintenance organization under Title XIII of the United States Public Health Service Act
28 shall provide the benefits required under that federal Act, which shall be deemed to
29 constitute compliance with the provisions of this section; and any health maintenance
30 organization may provide that the benefits provided under this section must be obtained
31 through providers affiliated with the health maintenance organization."

32 Section 11. G.S. 58-67-75 reads as rewritten:

33 "**§ 58-67-75. No discrimination against ~~the mentally ill and chemically dependent.~~**
34 **dependent individuals.**

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

36 (1) 'Mental illness' has the same meaning as defined in G.S. ~~122C-3(21); and~~
37 122C-3(21), with a mental disorder defined in the Diagnostic and
38 Statistical Manual of Mental Disorders, DSM-IV, or a subsequent
39 edition published by the American Psychiatric Association, except those
40 mental disorders coded in the DSM-IV or subsequent edition as
41 substance-related disorders (291.0 through 292.9 and 303.0 through
42 305.9) and those coded as 'V' codes.

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

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

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

- 11 (1) Refuse to enroll that individual in any health care plan covering physical
12 illness or injury;
13 (2) Have a higher premium rate or charge for physical illness or injury
14 coverages or benefits for that individual; or
15 (3) Reduce physical illness or injury coverages or benefits for that
16 individual.

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

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

1 (6) This subsection does not apply to a health benefit plan if the HMO can
2 demonstrate to the Commissioner that compliance will increase the cost
3 of the plan by one percent (1%) or more.

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

6 (e) Mental Illness or Chemical Dependency Coverage Not Required.— Nothing in
7 this section requires an HMO to offer coverage for mental illness or chemical
8 dependency, except as provided in G.S. 58-67-70.

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

13 Section 12. G.S. 58-50-155 reads as rewritten:

14 "**§ 58-50-155. Standard and basic health care plan coverages.**

15 (a) Notwithstanding G.S. 58-50-125(c), the standard health plan developed and
16 approved under G.S. 58-50-125 shall provide coverage for all of the following:

17 (1) Mammograms and pap smears at least equal to the coverage required by
18 G.S. 58-51-57.

19 (2) Prostate-specific antigen (PSA) tests or equivalent tests for the presence
20 of prostate cancer at least equal to the coverage required by G.S. 58-51-
21 58.

22 (3) Reconstructive breast surgery resulting from a mastectomy at least equal
23 to the coverage required by G.S. 58-51-62.

24 (4) For a qualified individual, scientifically proven bone mass measurement
25 for the diagnosis and evaluation of osteoporosis or low bone mass at
26 least equal to the coverage required by G.S. 58-3-174.

27 (5) Prescribed contraceptive drugs or devices that prevent pregnancy and
28 that are approved by the United States Food and Drug Administration
29 for use as contraceptives, or outpatient contraceptive services at least
30 equal to the coverage required by G.S. 58-3-178, if the plan covers
31 prescription drugs or devices, or outpatient services, as applicable. The
32 same exceptions and exclusions as are provided under G.S. 58-3-178
33 apply to standard plans developed and approved under G.S. 58-50-125.

34 (6) Treatment of chemical dependency and mental illness in accordance
35 with G.S. 58-51-50 and G.S. 58-3-220, respectively.

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

40 Section 13. The Legislative Commission on Mental Health, Developmental
41 Disabilities, and Substance Abuse Services shall study the issue of requiring mental
42 illness and chemical dependency benefits in health benefit plans for groups with less than
43 10 employees in parity to physical illness benefits to the extent required under this act.

1 The study may review the health benefits and the cost effectiveness of the parity
2 requirements provided for in this act for these plans. In conducting the study, the
3 Commission shall consult with the North Carolina Institute of Medicine and other
4 interested entities. The Commission shall report its recommendations to the General
5 Assembly upon the convening of the 2003 Regular Session.

6 Section 14. Sections 2, 5, 7, and 10 of this act are effective January 1, 2004,
7 and apply to health benefit plans that are delivered, issued for delivery, or renewed on
8 and after that date. The remainder of this act is effective when it becomes law and
9 applies to health benefit plans that are delivered, issued for delivery, or renewed on and
10 after January 1, 2001. For purposes of this act, renewal of a health benefit policy,
11 contract, or plan is presumed to occur on each anniversary of the date on which coverage
12 was first effective on the person or persons covered by the health benefit plan.