



# AFFORDABLE CARE ACT WILL INCREASE COVERAGE, DEMAND FOR MENTAL HEALTH SERVICES

## Introduction

Through changes in private health insurance and Medicaid, the Affordable Care Act (ACA) may affect Kansans with mental illness as well as mental health providers. The ACA will increase the number of people with health insurance through the individual mandate, a potential expansion of Medicaid and several other provisions.

About 90 percent of the approximately 351,000 Kansans who now lack health insurance could be income-eligible for either the optional expanded Medicaid program or federally subsidized private coverage through the new health insurance exchange. Researchers estimate that at least one in six people in this newly insured group has serious mental health problems and that the demand for mental health services will increase as this group gains coverage.

## Rules for Mental Health, Substance Abuse Treatment

The ACA will require nearly all Americans to obtain health insurance coverage starting in 2014. Through the state's newly created online health insurance exchange, Kansans with incomes between 138 percent and 400 percent of the federal poverty level (FPL) may receive federal tax credits and cost-sharing subsidies to help purchase private insurance. Other Kansans can use the online exchange to determine Medicaid eligibility.

Also in 2014, any health insurance plan offered through exchanges, as well as Medicaid plans for newly eligible adults and many new plans outside exchanges, will have to provide certain "essential health benefits." The ACA establishes 10 broad areas of required coverage in the essential health benefits package, as shown in Figure 1 (page 2). One of the required service categories is mental

### KEY POINTS

- Starting in 2014, nearly all insurance plans must cover mental health and substance abuse services at financial and treatment levels equal to those offered for other medical services.
- If Kansas exercises the option to expand Medicaid, low-income uninsured adults will gain coverage for many mental health services.
- Despite expansions in mental health coverage, Medicaid may not cover some services for newly eligible adults.
- Under the Affordable Care Act (ACA), Medicaid health home services could provide care coordination for certain people with mental illness.
- By increasing the number of people with insurance coverage and expanding coverage of mental health benefits, the ACA likely will increase the demand for mental health services.
- The ACA includes several grants to train mental health providers and build the mental health workforce.

health and substance abuse treatment. The ACA also says coverage of mental health services must comply with federal parity laws, such as the Mental Health Parity and Addiction Equity Act of 2008. Under this act and other related laws, plans that offer mental health coverage must provide these benefits “at parity,” meaning they must provide the same financial and treatment coverage for mental health services that is offered for other medical services.

Nearly all plans in Kansas will be required to provide mental health benefits at parity starting in 2014 due to requirements in federal parity laws and the ACA, as shown in Table I. Because Kansas already has its own mental health parity laws, the biggest change will be for individual and small group plans, which currently are only required by state law to provide a minimum level of mental health benefits. The existing Medicaid plan in Kansas already is subject to federal parity laws because it is now delivered through the KanCare managed care model.

## Benchmark Plans Are Minimum for the Newly Eligible in Medicaid

If Kansas exercises the option to expand Medicaid coverage in 2014, Medicaid benefits will become available to all Kansans under age 65 with annual incomes at or below 138 percent of FPL, which is \$32,499 or less for a family of four in 2013. Currently, adult Kansans who are not disabled or elderly or who do not have children generally are not eligible for Medicaid, regardless of their income level.

The ACA requires states to provide at least a minimum set of benefits, known as the Medicaid benchmark plan,

to these newly eligible people. Benchmark plans do not have to include the array of benefits available through traditional Medicaid, but some states are considering providing all Medicaid enrollees with the traditional benefit package because it may be easier to administer and better meet their health needs. Other states may choose to design their benchmark plans to cover fewer benefits and potentially avoid some costs for this newly eligible group.

### Figure I. Essential Health Benefits Under the ACA

Required Service Categories:

- Ambulatory patient services
- Emergency services
- Hospitalization
- Laboratory services
- Maternity and newborn care
- Mental health and substance use disorder services, including behavioral health treatment
- Pediatric services, including oral and vision care
- Prescription drugs
- Preventive and wellness services and chronic disease management
- Rehabilitative and habilitative services and devices

While Medicaid benchmark plans will be required to follow parity laws and cover the 10 categories of essential health benefits, including mental health and substance abuse treatment, these plans are only required to provide mental health benefits similar to private health insurance plans. Private plans, even those required to provide essential health benefits, typically do not cover community-based services such as case management, peer support or attendant care offered under traditional Medicaid for Kansans

with severe mental illness. Mental health research recognizes that community-based services are effective for people with severe mental illness.

In Kansas, 27 community mental health centers (CMHCs) serve people who are uninsured or underinsured, although state funding for CMHCs to serve this population has dropped about 50 percent, from \$31 million in fiscal year 2007 to about \$16 million in fiscal year 2013. According to the Association of Community Mental Health Centers of Kansas, just more than half of the people served by CMHCs are uninsured and about one in seven patients has private insurance.

Two key state decisions — whether Kansas expands its Medicaid program to cover low-income adults and, if so, whether community-based mental health services are

included in the Medicaid benchmark plan for those newly eligible enrollees — may affect the source of payment for community-based services traditionally provided by CMHCs.

If community-based services are not included in the Medicaid benchmark plan, CMHCs likely will continue to depend on state funding to provide these services to the uninsured and underinsured. Additionally, if Kansas does not expand Medicaid under the ACA, as many as 130,000 low-income adults are likely to remain uninsured and many will continue to access CMHCs for mental health services. (Even with the Medicaid expansion and other elements of the ACA, experts predict a residual uninsured rate of between 4 percent and 6 percent.)

## Health Homes to Coordinate Care

One of the notable mental health opportunities in the ACA is the health home option, which can be included as a component of a state’s Medicaid program. Health home services include care coordination for people with two or more chronic diseases or a chronic disease and a mental health condition.

As of November 2012, the federal government had approved health home services in eight states. Seven states have proposals under review, and 10 states — including Kansas — have been approved for planning grants. If approved for implementation, Kansas officials initially plan to pursue health homes for people with severe and persistent mental illness, diabetes or both. According to the timeline proposed for the ACA funding, these health home services would be available starting in January 2014. For a limited time, the federal government will pay an enhanced rate to the state for these services.

Missouri was awarded one of the first planning grants and began offering health home services in January 2012. Like other states, Missouri has focused on mental health, utilizing CMHCs as health home providers and mental health professionals as part of health home clinical teams. Other states, like Oregon and New York, are implementing health home options through managed care arrangements, as Kansas proposes to do. As Kansas continues to plan its health home program, state policymakers have the opportunity to seek input from mental health providers and consumers about the most effective way to coordinate care. They also can look to

**Table 1. How Mental Health Parity Laws and the ACA Apply to Private Insurance Plans**

Health insurance plan type/coverage	Subject to Kansas mental health parity laws and/or federal parity laws (pre-ACA)	Required by the ACA to comply with federal parity laws
Large group, fully insured <sup>1</sup>	Must comply with Kansas and federal parity laws.	ACA not applicable.
Large group, self-insured	Must comply with federal parity laws. <sup>2</sup>	ACA not applicable.
Individual	Kansas law requires coverage of a minimum level of mental health benefits.	All individual plans must comply with federal parity laws. New plans and exchange plans are required to provide mental health benefits at parity.
Small group <sup>3</sup>	Kansas law requires coverage of a minimum level of mental health benefits.	New plans and exchange plans must comply with federal parity laws and provide mental health benefits at parity.

<sup>1</sup>In 2017, states will have the option to open health insurance exchanges to employers with more than 100 workers. If an employer with a large group, fully insured plan wants to offer benefits through an online exchange, it must provide essential health benefits.

<sup>2</sup>If mental health benefits already are covered, they must be provided at parity. However, federal parity laws do not mandate that plans cover mental health benefits. Kansas parity laws do not apply to self-insured plans.

<sup>3</sup>Self-insured small group plans are exempt from Kansas parity laws and ACA essential health benefits requirements. However, most small group plans are fully insured and subject to requirements.

other states that have experimented with health home coordination for mental illness and with managed care companies.

## Grants to Build the Mental Health Workforce

With the ACA's expansion of Medicaid and private insurance coverage, researchers estimate that an additional 4.3 million people will use mental health services nationally. Because most Kansas counties are in federally designated mental health professional shortage areas, this increase in demand could intensify the state's current shortage of mental health professionals.

The ACA includes several programs to build the mental health care workforce:

- Grants for mental health practitioner training. These grants support training programs in social work, graduate psychology, professional child and adolescent mental health, and paraprofessional child and adolescent work.
- Pediatric Specialty Loan Repayment Program. Pediatric specialists, including child or adolescent mental health specialists, who work in underserved areas will be eligible for financial help.
- Primary Care Extension Program. This program educates primary care providers about mental health services, evidence-based treatments and other items.

## Conclusion

State officials will have to decide whether to expand the Medicaid program in Kansas and, if so, what level of benefits to provide to adults newly eligible for Medicaid. If Kansas policymakers decide not to cover services already covered under traditional Medicaid, like community-based mental health services, it will be important to track funding for and access to mental health services for adults with severe mental illness.

With the existing ACA grant to integrate mental health and physical health services through health homes, Kansas officials have an opportunity to seek input from mental health providers and consumers, the KanCare managed care companies and other states that have experimented with these health homes. Officials can use this planning phase to tap into the state's mental health resources and design a program that best fits the needs of Kansans with mental illness.

By increasing the number of people with insurance coverage, the ACA likely will boost demand for mental health services, particularly when combined with new requirements for mental health benefit coverage. State officials should monitor access to mental health services and the capacity of the mental health workforce to meet the demand for those services.

### Under the ACA: Access to Insurance

Beginning in 2014, health insurance companies generally will not be able to:

- Deny someone insurance coverage due to a pre-existing condition, such as a mental illness.
- Charge higher rates for people with mental illness, as is common practice currently.

### More Information

This publication is the ninth in a series of briefs about the impact of health reform in Kansas. It is based on work done by Emily Meissen-Sebelius, M.S.W. This document and the other briefs in the series are available at [www.khi.org](http://www.khi.org).

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### KANSAS HEALTH INSTITUTE

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