

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

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SENATE BILL 1254*

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

(Public)

Sponsors: Senators Martin of Guilford, Martin of Pitt; Albertson, Carpenter, Clodfelter, Dannelly, Horton, Lucas, Phillips, Plyler, Purcell, Warren, and Weinstein.

Referred to: Health Care.

May 16, 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 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~~ Every health insurer shall provide in each group health benefit plan covering 10 or more employees benefits for the necessary care and treatment of chemical dependency that are

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

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

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

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

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

1 Department of Health and Human Services, may require a health plan or utilization
2 review organization to show compliance with this subsection.

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

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

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

12 ~~(d)(g) Provisions for benefits for necessary care and treatment of chemical~~
13 ~~dependency in group policies or group contracts of insurance shall provide benefit~~
14 ~~payments for the following providers of necessary care and treatment of chemical~~
15 ~~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 1,~~
19 ~~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 Chapter 122C of the General Statutes: Statutes Chapter 122C:~~

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

25 b. ~~Chemical dependency hospitals;~~

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

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

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

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

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

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

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

1 **"§ 58-51-50. Coverage for chemical dependency treatment.**

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

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

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

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

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

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

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

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

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

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

- 20 a. Chemical dependency units in licensed facilities;
21 b. Medical units;
22 c. Psychiatric units; and

23 (2) The following facilities or programs licensed 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 or programs; and

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

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

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

39 "**§ 58-51-55. No discrimination against ~~the mentally ill and chemically dependent~~**
40 **dependent individuals.**

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

42 (1) 'Mental illness' has the same meaning as defined in G.S. ~~122C-3(21); and~~
43 122C-3(21), with a mental disorder defined in the Diagnostic and

1 Statistical Manual of Mental Disorders, DSM-IV, or a subsequent
2 edition published by the American Psychiatric Association, except those
3 mental disorders coded in the DSM-IV or subsequent edition as
4 substance-related disorders (291.0 through 292.9 and 303.0 through
5 305.9) and those coded as 'V' codes.

- 6 (2) 'Chemical dependency' has the same meaning as defined in G.S. 58-51-
7 50-58-51-50, with a mental disorder defined in the Diagnostic and
8 Statistical Manual of Mental Disorders, DSM-IV, or subsequent editions
9 of this manual.

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

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

- 16 (1) Refuse to issue or deliver to that individual any policy that affords
17 benefits or coverages for any medical treatment or service for physical
18 illness or injury;
19 (2) Have a higher premium rate or charge for physical illness or injury
20 coverages or benefits for that individual; or
21 (3) Reduce physical illness or injury coverages or benefits for that
22 individual.

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

- 27 ~~(1) A lifetime limit or annual limit may be made applicable to all benefits~~
28 ~~under the policy, without distinguishing the mental health benefits.~~
29 ~~(2) If the policy contains lifetime limits only on selected physical illness~~
30 ~~and injury benefits, and these benefits do not represent substantially all~~
31 ~~of the physical illness and injury benefits under the policy, the insurer~~
32 ~~may impose a lifetime limit on the mental health benefits that is based~~
33 ~~on a weighted average of the respective lifetime limits on the selected~~
34 ~~physical illness and injury benefits. The weighted average shall be~~
35 ~~calculated in accordance with rules adopted by the Commissioner.~~
36 ~~(3) If the policy contains annual limits only on selected physical illness and~~
37 ~~injury benefits, and these benefits do not represent substantially all of~~
38 ~~the physical illness and injury benefits under the policy, the insurer may~~
39 ~~impose an annual limit on the mental health benefits that is based on a~~
40 ~~weighted average of the respective annual limits on the selected~~
41 ~~physical illness and injury benefits. The weighted average shall be~~
42 ~~calculated in accordance with rules adopted by the Commissioner.~~

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

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

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

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

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

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

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

23 "**§ 58-3-220. Mental illness benefits coverage.**

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

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

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

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

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

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

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

29 a. Accident.

30 b. Credit.

31 c. Disability income.

32 d. Long-term or nursing home care.

33 e. Medicare supplement.

34 f. Specified disease.

35 g. Dental or vision.

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

37 i. Workers' compensation.

38 j. Medical payments under automobile or homeowners.

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

42 l. Hospital income or indemnity.

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

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

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

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

17 **"§ 58-3-220. Mental illness benefits coverage.**

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

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

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

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

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

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

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

39 (2) 'Insurer' means an insurance company subject to this Chapter, a service
40 corporation organized under Article 65 of this Chapter, a health
41 maintenance organization organized under Article 67 of this Chapter,
42 and a multiple employer welfare arrangement subject to Article 49 of
43 this Chapter.

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

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

9 **"§ 58-65-75. Coverage for chemical dependency treatment.**

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

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

31 (c) Chemical Dependency Parity Requirement for Group Insurance Certificate or
32 Group Subscriber Contracts Covering Less Than Ten Employees. – Every group
33 insurance certificate or group subscriber contract covering less than 10 employees under
34 any hospital or medical plan governed by this Article and Article 66 of this Chapter shall
35 provide to its insureds benefits for the necessary care and treatment of chemical
36 dependency benefits for the necessary care and treatment of chemical dependency.
37 Benefits for treatment of chemical dependency shall be subject to the same limits as are
38 benefits for physical illness generally. For purposes of this subsection, 'limits' includes
39 day and visit limits, maximum out-of-pocket limits, and annual and lifetime dollar limits.
40 'Limits' does not include deductibles, co-payments, coinsurance factors, and any other
41 dollar limits or fees for covered services prior to reaching any maximum out-of-pocket
42 limit. Any out-of-pocket limit under a policy shall be comprehensive for coverage of
43 chemical dependency, mental illness, and physical health conditions. A health benefit

1 plan shall be construed to be in compliance with this subsection if at least one of the
2 patient's choice of treatment options within the patient's policy meets the requirements of
3 this subsection.

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

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

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

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

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

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

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

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

- 39 a. ~~Chemical dependency units in licensed facilities; facilities licensed~~
40 ~~after October 1, 1984;~~
41 b. ~~Medical units;~~
42 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: Chapter 122C of the General~~
3 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 or
11 psychologists in facilities described in (1) and (2) above and in
12 day/night programs or outpatient treatment facilities licensed ~~after July 1,~~
13 ~~1984, under Article 2 of General Statutes Chapter 122C: Chapter 122C of~~
14 the General Statutes. After January 1, 1995, 'duly-'Duly licensed
15 psychologists' ~~shall be~~are defined as licensed psychologists who hold
16 permanent licensure and certification as health services provider
17 psychologist issued by the North Carolina Psychology Board.

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

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

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

26 "**§ 58-65-75. Coverage for chemical dependency treatment.**

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

31 ~~(b) Chemical Dependency Parity Requirement for Group Insurance Certificate or~~
32 ~~Group Subscriber Contracts Covering 10 or More Employees Requirement. – Every~~
33 group insurance certificate or group subscriber contract ~~covering 10 or more employees~~
34 under any hospital or medical plan governed by this Article and Article 66 of this Chapter
35 shall provide to its insureds benefits for the necessary care and treatment of chemical
36 dependency that are not less favorable than benefits for physical illness generally.
37 Benefits for chemical dependency shall be subject to the same limits as are benefits for
38 physical illness generally. For purposes of this subsection, 'limits' includes day and visit
39 limits, deductibles, coinsurance factors, co-payments, maximum out-of-pocket limits,
40 annual and lifetime dollar limits, and any other dollar limits or fees for covered services
41 prior to reaching any maximum out-of-pocket limit. Any out-of-pocket limit under a
42 policy shall be comprehensive for coverage of chemical dependency, mental illness and
43 physical health conditions. A health benefit plan shall be construed to be in compliance

1 with this subsection if at least one of the patient's choice of treatment options within the
2 patient's policy meets the requirements of this subsection.

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

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

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

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

39 (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 Chapter 131E of the General Statutes:

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

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

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

23 "**§ 58-65-90. No discrimination against ~~the mentally ill and chemically dependent.~~**
24 **dependent individuals.**

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

26 (1) 'Mental illness' has the same meaning as defined in G.S. ~~422C-3(21); and~~
27 122C-3(21), with a mental disorder defined in the Diagnostic and
28 Statistical Manual of Mental Disorders, DSM-IV, or a subsequent
29 edition published by the American Psychiatric Association, except those
30 mental disorders coded in the DSM-IV or subsequent edition as
31 substance-related disorders (291.0 through 292.9 and 303.0 through
32 305.9) and those coded as 'V' codes.

33 (2) 'Chemical dependency' has the same meaning as defined in G.S. ~~58-65-~~
34 ~~75-58-65-75,~~ with a mental disorder defined in the Diagnostic and
35 Statistical Manual of Mental Disorders, DSM-IV, or subsequent editions
36 of this manual.

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

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

- 1 (1) Refuse to issue or deliver to that individual any individual or group
2 subscriber contract in this State that affords benefits or coverage for
3 medical treatment or service for physical illness or injury;
- 4 (2) Have a higher premium rate or charge for physical illness or injury
5 coverages or benefits for that individual; or
- 6 (3) Reduce physical illness or injury coverages or benefits for that
7 individual.
- 8 ~~(b1) Coverage of Mental Illness.—A subscriber contract that covers both physical
9 illness or injury and mental illness may not impose a lesser lifetime or annual dollar
10 limitation on the mental health benefits than on the physical illness or injury benefits,
11 subject to the following:~~
- 12 ~~(1) A lifetime limit or annual limit may be made applicable to all benefits
13 under the subscriber contract, without distinguishing the mental health
14 benefits.~~
- 15 ~~(2) If the subscriber contract contains lifetime limits only on selected
16 physical illness or injury benefits, and these benefits do not represent
17 substantially all of the physical illness and injury benefits under the
18 subscriber contract, the service corporation may impose a lifetime limit
19 on the mental health benefits that is based on a weighted average of the
20 respective lifetime limits on the selected physical illness and injury
21 benefits. The weighted average shall be calculated in accordance with
22 rules adopted by the Commissioner.~~
- 23 ~~(3) If the subscriber contract contains annual limits only on selected
24 physical illness and injury benefits, and these benefits do not represent
25 substantially all of the physical illness and injury benefits under the
26 subscriber contract, the service corporation may impose an annual limit
27 on the mental health benefits that is based on a weighted average of the
28 respective annual limits on the selected physical illness and injury
29 benefits. The weighted average shall be calculated in accordance with
30 rules adopted by the Commissioner.~~
- 31 ~~(4) Except as otherwise provided in this section, the subscriber contract
32 may distinguish between mental illness benefits and physical injury or
33 illness benefits with respect to other terms of the subscriber contract,
34 including coinsurance, limits on provider visits or days of coverage, and
35 requirements relating to medical necessity.~~
- 36 ~~(5) If the service corporation offers two or more benefit package options
37 under a subscriber contract, each package must comply with this
38 subsection.~~
- 39 ~~(6) This subsection does not apply to a subscriber contract if the service
40 corporation can demonstrate to the Commissioner that compliance will
41 increase the cost of the subscriber contract by one percent (1%) or more.~~
- 42 ~~(7) This subsection expires October 1, 2001, but the expiration does not
43 affect services rendered before that date.~~

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

4 (d) ~~Applicability.~~— ~~Subsection (b1) of this section applies only to subscriber~~
5 ~~contracts, other than excepted benefits as defined in G.S. 58-68-25, covering more than~~
6 ~~50 employees. The remainder of this section applies only to group contracts covering 20~~
7 ~~or more employees."~~

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

9 **"§ 58-67-70. Coverage for chemical dependency treatment.**

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

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

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

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

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

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

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

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

30 ~~(d)(g) Provisions for benefits for necessary care and treatment of chemical~~
31 ~~dependency in group policies or group contracts of insurance shall provide benefit~~
32 ~~payments for the following providers of necessary care and treatment of chemical~~
33 ~~dependency:~~

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

36 a. ~~Chemical dependency units in facilities licensed after October 1,~~
37 ~~1984; licensed facilities;~~

38 b. ~~Medical units;~~

39 c. ~~Psychiatric units; and~~

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

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

43 b. ~~Chemical dependency hospitals;~~

- 1 c. Residential chemical dependency treatment facilities;
2 d. Social setting detoxification facilities or programs;
3 e. Medical detoxification or programs; and
4 (3) Duly licensed physicians and duly licensed practicing psychologists and
5 certified professionals working under the direct supervision of such
6 physicians or psychologists in facilities described in (1) and (2) above
7 and in day/night programs or outpatient treatment facilities licensed ~~after~~
8 ~~July 1, 1984,~~ under Article 2 of ~~General Statutes Chapter 122C.~~ Chapter
9 122C of the General Statutes.

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

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

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

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

26 **"§ 58-67-70. Coverage for chemical dependency treatment.**

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

31 ~~(b) Chemical Dependency Parity Requirement For Health Care Plans Covering 10 or~~
32 ~~More Employees Requirement.~~ – Every health maintenance organization that writes a
33 health care plan on a group basis ~~covering 10 or more employees~~ and that is subject to this
34 Article shall provide benefits for the necessary care and treatment of chemical
35 dependency that are not less favorable than benefits under the health care plan generally.
36 Benefits for chemical dependency shall be subject to the same limits as are benefits under
37 the health care plan generally. For purposes of this subsection, 'limits' includes day and
38 visit limits, deductibles, coinsurance factors, co-payments, maximum out-of-pocket
39 limits, annual and lifetime dollar limits, and any other dollar limits or fees for covered
40 services prior to reaching any maximum out-of-pocket limit. Any out-of-pocket limit
41 under a policy shall be comprehensive for coverage of chemical dependency, mental
42 illness and physical health conditions. A health benefit plan shall be construed to be in

1 compliance with this subsection if at least one of the patient's choice of treatment options
2 within the patient's policy meets the requirements of this subsection.

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

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

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

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

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

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

43 a. Chemical dependency units in licensed facilities;

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

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

18 (h) Notwithstanding any other provision of this section or Article, any health
19 maintenance organization subject to this Article that becomes a qualified health
20 maintenance organization under Title XIII of the United States Public Health Service Act
21 shall provide the benefits required under that federal Act, which shall be deemed to
22 constitute compliance with the provisions of this section; and any health maintenance
23 organization may provide that the benefits provided under this section must be obtained
24 through providers affiliated with the health maintenance organization."

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

26 **"§ 58-67-75. No discrimination against ~~the mentally ill and chemically dependent.~~**
27 **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); and~~
30 122C-3(21), with a mental disorder defined in the Diagnostic and
31 Statistical Manual of Mental Disorders, DSM-IV, or a subsequent
32 edition published by the American Psychiatric Association, except those
33 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. ~~58-67-~~
37 70–58-67-70, with a mental disorder defined in the Diagnostic and
38 Statistical Manual of Mental Disorders, DSM-IV, or subsequent editions
39 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 health maintenance organization governed
2 by this Chapter shall, solely because an individual has or had a mental illness or chemical
3 dependency:

- 4 (1) Refuse to enroll that individual in any health care plan covering physical
5 illness or injury;
- 6 (2) Have a higher premium rate or charge for physical illness or injury
7 coverages or benefits for that individual; or
- 8 (3) Reduce physical illness or injury coverages or benefits for that
9 individual.

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

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

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

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

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

9 **"§ 58-50-155. Standard and basic health care plan coverages.**

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

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

14 (2) Prostate-specific antigen (PSA) tests or equivalent tests for the presence
15 of prostate cancer at least equal to the coverage required by G.S. 58-51-
16 58.

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

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

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

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

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

35 Section 13. The Legislative Commission on Mental Health, Developmental
36 Disabilities, and Substance Abuse Services shall study the issue of requiring mental
37 illness and chemical dependency benefits in health benefit plans for groups with less than
38 10 employees in parity to physical illness benefits to the extent required under this act.
39 The study may review the health benefits and the cost effectiveness of the parity
40 requirements provided for in this act for these plans. In conducting the study, the
41 Commission shall consult with the North Carolina Institute of Medicine and other
42 interested entities. The Commission shall report its recommendations to the General
43 Assembly upon the convening of the 2003 Regular Session.

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