



To: Members of the Wisconsin State Assembly

From: The New Day Coalition

Date: February 17, 2010

Subject: **Business and Labor Support the Wisconsin Parity Act**

With both business and labor lining up behind the *Wisconsin Mental Health and Substance Abuse Parity Act (Senate Substitute Amendment 1 to SB-362)*, the New Day Coalition asks for your support of this important bill when presented to you on the Assembly floor.

The *Wisconsin Parity Act*, co-sponsored by Rep. Sandy Pasch (D-Whitefish Bay) and Sen. Dave Hansen (D-Green Bay), will provide immediate mental health and substance use disorder insurance benefits at parity levels for 200,000 currently insured employees of Wisconsin's small businesses—as well as their spouses and dependent children. Under this legislation, 173,000 individuals may also benefit from the increase in mental health and substance use disorder benefit coverage if their individual policies offer this coverage.¹ Ultimately, for the 700,000 Wisconsin employees whose companies are exempt from the federal *Paul Wellstone and Pete Domenici Mental Health Parity and Addiction Equity Act of 2008, P.L. 110-343*,² the *Wisconsin Parity Act* will provide them with the opportunity to be insured at increased mental health and substance use disorder treatment benefit levels.

Business Supports Parity

► Journal Communications, Inc.—A Case Study

Journal Communications, Inc. is a Milwaukee-based media and communications company specializing in publishing, radio and television broadcasting, and printing services. It has 4,000 employees nationally with 1,200 pre-Medicare and Medicare-eligible participants. In April 2008 Journal Communications, Inc. moved to parity as part of a three-year strategic plan to improve the health status of plan participants and increase employee productivity. The company had experienced indirect costs due to mental health conditions in excess of \$565,000.³ A full 6% of its short-term disability claims were due to mental health conditions, with an average duration of leave of 37 days and a direct cost to the company of \$16,000⁴.

In the first year that it offered parity-level mental health and substance use disorder treatment benefits—from April 2008 to March 2009—the company experienced decreases in both its behavioral health utilization as well as its behavioral health costs.

Jeff Kluever, Journal Communications, Inc. Director of Risk Management, detailed the company's mental health parity experience in the October 2009 webinar "Utilizing Mental Health Parity to Enhance Your Bottom Line."⁵ According to Kluever, providing restricted behavioral health benefits was "truly a disservice not only to Journal Communications from a cost standpoint but also to our medical plan participants." You can view the webinar at <http://worksourcewi.com/>.

Kluever's presentation showed that:

- **During its first year offering mental health and substance use disorder benefits at parity levels, Journal Communications' overall behavioral health costs decreased by 12.5%, from \$485,208 to \$424,179; and plan members diagnosed with a behavioral health issue *dropped* from 25.7% to 24%.**

Said Kluever: "If you believe that there's a tie-in to increased expense when you implement parity, you fully expect our (behavioral health) costs would have gone up, but that was not our experience. We actually saw a decrease in net paid per member per month (pm/pm), from \$8.24 to \$8.04."

- **After one year of parity, Journal Communications' behavioral healthcare costs were competitive with other members of the Business Health Care Group (BHCG), a coalition of employers in southeastern Wisconsin, many of whom have not implemented parity. Compared to BHCG normative data, Journal Communication's behavioral health pharmacy costs were nearly equal (\$4.63 pm/pm compared to \$4.53 pm/pm); its outpatient costs were slightly above the average (\$2.75 pm/pm compared to \$2.33 pm/pm); and its inpatient costs were significantly lower (\$.66 pm/pm compared to \$1.09 pm/pm).**
- **Small employers should not experience an increase in costs by moving to parity coverage.** Kluever summed up his thoughts on the *Wisconsin Parity Act* by saying: "**For the majority of small employers I would expect that they would have a very similar experience to what we've had, and there will *not* be an increase in their expense.** Because (with parity, employees are) receiving the appropriate care for whatever the (behavioral health) issue is, that expense is not being transferred over to a later date when it's become an acute or chronic condition, when the expense has ballooned out of control. I think (parity) will have a positive impact on their experience, which hopefully will result in controlling the renewal rates that they receive from their insurance carriers."

► KI—A Case Study

KI is an employee-owned, international furniture-making corporation headquartered in Green Bay with sales offices and manufacturing facilities around the world. The company has 3,000 employees worldwide—1,400 of whom are currently insured by KI.

- **In mid-2009, rising disability claims predominately in the mental health category led KI to increase its mental health and substance use disorder benefit from the minimum required by Wisconsin law to full parity, according to Jodi Williams, KI Benefit Manager.** KI believed that providing a full treatment benefit for its employees would help in the long run both to lower disability claims and control overall healthcare costs.

- **KI’s decision is consistent with its bottom line: KI anticipates a reduction in the direct and indirect costs of untreated mental health and substance use disorders.** As a result of its movement to parity, KI does not expect substantial increases in mental health and substance use disorder treatment utilization. It does anticipate higher cost claims per employees using services primarily because there are no longer any artificial caps on treatment.

“We knew that taking the cap off would affect claims costs, but we anticipated that it would save us money in other areas, such as increased productivity, and reduced absenteeism and disability claims,” said McWilliams. “Also, from the top down, KI management is adamant about wellness and getting benefits to our employees. We hope that in the long run our employees and their families will get the care they need early enough and often enough. Our management has consistently told our employees that we want them to use their benefits, that we want them to get preventative care. Like anything else, early detection is key, no matter for what.”

Labor Supports Parity

The Wisconsin State AFL-CIO is also a strong supporter of the *Wisconsin Parity Act*, recognizing that both employees and employers benefit from the provision of mental health and substance use disorder insurance coverage at parity levels—through enhanced employee wellness and productivity resulting in an improved bottom line.

- As Phil Neuenfeldt, Secretary-Treasurer of the Wisconsin State AFL-CIO, wrote in a letter dated February 10, 2010, to Wisconsin legislators:

“SB-362 represents an enlightened view of health care. People want to be productive members of the workforce and contribute to our society. The ability to hold a job and take home a paycheck contributes to an individual’s sense of well-being which aids in maintaining mental health. Health insurance coverage that promotes the early and effective treatment of mental illness and substance abuse will allow an individual to continue to be a productive member of the workforce. This benefits employers as well because it will reduce absenteeism and avoid the substantial costs that are associated with the replacement of skilled and experienced employees who did not receive the treatment they needed and deserved.”⁶

¹ The Lewin Group, “The Wisconsin Health Plan (WHP); Estimated Cost and Coverage Impacts,” Final Report, Prepared for the Wisconsin Health Project, June 4, 2007. and U.S. Department of Health and Social Services, Agency for Healthcare Research and Quality, “Medical Expenditure Panel Survey (MEPS),” Table II, State of Wisconsin, Private Sector Data by Firm Size, 2008.

² *The Paul Wellstone and Pete Domenici Mental Health Parity and Addiction Equity Act of 2008* (Division C, Title V, Subtitle B, Secs. 511-512 of The Emergency Economic Stabilization Act, H.R. 1424, P.L. 110-343) effective as of October 3, 2009.

³ Kluever assumes a 7.6% average productivity loss, based on a 2002 Lockheed Martin Pilot Study to assess the impact of twenty-eight medical conditions—some serious, some relatively benign—on workers’ productivity.

⁴ Jeff Kluever, “Utilizing Mental Health Parity to Enhance Your Bottom Line.” This webinar, hosted by Workforce Wisconsin, can be viewed at

<http://hosted.mediasite.com/mediasite/Viewer/?peid=c6872ef3ffa84229b1f012ce920a967b>

⁵ Kluever webinar.

⁶ The full letter is available at

http://parityforwisconsin.org/documents/AFL_CIO_Support_for_Senate_Bill_362_Substitute_Amendment_1.pdf