

## **Bulletin 224**

### **Coinsurance on mental health and substance abuse benefits**

November 10, 1993

It has come to my attention that some insurers have misinterpreted the minimum standards for mental health and substance abuse benefits as set forth in Bureau of Insurance Rules 320 and 330. These rules provide that the level of benefits provided under any coinsurance provision must be at least the lesser of a specified percentage or "the level of benefits provided for any other illness." In many instances, the level of benefits for other illnesses is 80% until an out-of-pocket limit is reached, and then 100%. Therefore, if the coinsurance percentage for other illnesses is to be used for mental health and/or substance abuse benefits in lieu of a higher percentage specified in the rules, then the percentage paid by the insured must be counted toward the out-of-pocket limit and the benefit level must be raised to 100% after the out-of-pocket limit is reached and before the lifetime limit has been reached.

For example, if the benefit for other illnesses, after the deductible, is 80%, with an out-of-pocket limit of \$1,500, it would not be permissible to restrict inpatient substance abuse benefits to 80% with no out-of-pocket limit applicable. Such a benefit would be less than the 90% specified for inpatient substance abuse in Rule 320 and also less than the benefit for other illnesses, since other illnesses are subject to the out-of-pocket limit. Inpatient mental health benefits, however, could be restricted to 80% with no out-of-pocket limit applicable, since 80% is the percentage specified for inpatient mental health in Rule 330.

In the example above, if the insured had \$10,000 of inpatient substance abuse benefits and the policy pays on the same basis as other illnesses, the insured would pay the deductible (assume \$500) and 20% of the next \$5,000. At this point the out-of-pocket limit would be reached and the insurer would pay 100% of the remaining \$4,500 in addition to 80% of the \$5,000, for a total benefit of \$8,500. Alternatively, if the policy is designed to pay the 90% specified in Rule 320, it would pay 90% after the \$500 deductible, for a total benefit of \$8,550. If the claim were for inpatient mental health rather than substance abuse, a benefit of 80% after the deductible, or \$7,600, would be acceptable.

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