

Mental Health Liaison Group

May 2, 1995

[Sent to entire Senate]

The Honorable Spencer Abraham
United States Senate
B34- Dirksen Senate Office Building
Washington, DC 20510

Dear Senator Abraham:

We are writing as members of the Mental Health Liaison Group Health Policy Issues Committee to share our serious concerns regarding the extension and expansion of the Medicare Select Program, as recently passed by the House of Representatives. We are concerned that the current Medicare Select program unintentionally locks enrollees into a discriminatory mental health benefit and creates a significant disincentive to purchase these plans.

Medicare law currently requires beneficiaries to pay a discriminatory 50% coinsurance for outpatient psychotherapy treatment. Fortunately, Medicare beneficiaries can cover the 50% coinsurance by purchasing "Medigap" supplemental insurance, since Congress mandated in 1990 that all Medigap policies cover the full 50% coinsurance.

This major improvement in Medicare coverage of treatment for mental illness may be completely undone by the Medicare Select program. Medicare Select plans cover coinsurance and deductibles for in-network care, but typically do not cover any out-of-pocket costs for those beneficiaries who seek treatment outside the Select network of designated providers. Thus, if beneficiaries seek out-of-network treatment for mental illness, they must once again pay the full discriminatory 50% coinsurance. The net effect will be to permanently "lock" those Medicare Select enrollees into their plan.

Further, allowing Medicare Select plans to offer such discriminatory coverage policies while competing against other traditional fee-for-service Medigap plans creates a distinctly "unlevel" playing field. Medicare Select plans can use their lack of coverage of the 50% coinsurance for out-of-network mental illness treatment to "skim" enrollees who are less likely to utilize these services, creating an adverse selection problem for traditional Medigap plans.

We believe that to address these serious problems, Medicare Select plans should be required to treat out-of-network coinsurance for all covered health care services identically. To do so, Medicare Select plans should be required to "equalize" the 50% coinsurance for out-of-network treatment of mental illness with the 20% coinsurance for other out-of-network Part B services by covering the difference between the 50% and the 20% coinsurance. This would retain the incentive for enrollees to obtain care in-network, but not unfairly penalize enrollees for seeking out-of-network treatment for mental illness.

As currently authorized, Medicare Select is a tremendous problem for any enrollee who chooses out-of-network treatment for mental illness. The change we suggest would eliminate this problem and would actually increase the market-based incentive to enroll in Medicare Select plans. It is good health policy and good insurance policy, and we urge you to offer or support an amendment to accomplish our objective.

Thank you for considering this urgent request. We would be glad to meet with you to provide further information. Please feel free to contact the following individuals if we can be of further assistance:

National organizations representing consumers, family members, advocates, professionals and providers

Joe Manes
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American Academy of Child & Adolescent Psychiatry
American Association for Marriage and Family Therapy
American Association for Partial Hospitalization
American Association of Pastoral Counselors
American Association of Private Practice Psychiatrists
American Association of Psychiatric Services for Children
American Counseling Association
American Family Foundation
American Group Psychotherapy Association
American Occupational Therapy Association
American Psychiatric Association
American Psychiatric Nurses Association
American Psychoanalytic Association
American Psychological Association
Anxiety Disorders Association of America
Association of Mental Health Administrators
Bazelon Center for Mental Health Law
Corporation for the Advancement of Psychiatry
Cult Awareness Network
National Association of Psychiatric Health Systems
National Association of Psychiatric Treatment Centers for Children
National Association of Social Workers
National Association of State Mental Health Program Directors
National Community Mental Healthcare Council
National Depressive and Manic Depressive Association
National Federation of Societies for Clinical Social Work
National Mental Health Association