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The Politics And Economics Of Mental Health ‘Parity’ Laws

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Abstract

Prologue:

“Politics is the art of the possible,” Otto von Bismarck once said. In the political saga described here, the “possible” turned out to be an amendment (Domeneci-Wellstone), originally intended to mandate full parity between mental health and medical/surgical benefits, that mandates instead only partial parity (“the same annual and lifetime limits on plan spending”). In addition, the amendment became part of a totally nonhealth-related appropriations bill instead of its original target, the Kassebaum-Kennedy bill. An irony of this “historic victory,” says lead author Richard Frank, is that the final amendment regulates “a market that isn't there anymore.”

In this paper Frank and his colleagues Chris Koyanagi and Tom McGuire describe the economic forces that traditionally limited coverage of mental health care, the tortuous journey of the new parity amendment, and the challenges of ensuring access to mental health care in today's managed care world. Frank is a professor in the Department of Health Care Policy at Harvard University and a research associate with the National Bureau of Economic Research. He and McGuire are writing a book on mental health/substance abuse finance reform as a result of

their joint 1994-1996 Robert Wood Johnson Foundation Investigator Award in Health Policy. Koyanagi is director of legislative policy at the Bazelon Center for Mental Health Law, in Washington, D.C. Her particular areas of responsibility are mental health care financing and children's mental health services. McGuire is a professor of economics at Boston University. He is the recipient of two sequential five-year Research Scientist Awards from the National Institute of Mental Health.

ABSTRACT: The enactment of the Domenici-Wellstone amendment in September 1996, which calls for the elimination of certain limits on coverage for mental health care under private insurance, is being hailed as a major step forward in the quest for “parity” in mental health coverage. Parity legislation is being introduced in a number of state legislatures and is finding new enthusiasm in Congress. In this paper we consider the efficiency rationale for these laws and examine their likely impact in the era of managed care. We conclude that although such successes represent important political events, they may offer only small gains in the efficiency and fairness of insurance markets.

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