

Special Report



ADMINISTERING
GENEROUS
MENTAL HEALTH

BENEFITS:
OPINIONS OF EMPLOYERS



DEPARTMENT OF HEALTH AND HUMAN SERVICES
Substance Abuse and Mental Health Services Administration
Center for Mental Health Services





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GENEROUS
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Disclaimer

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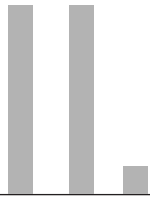
Executive Summary

This report synthesizes the experiences of seven large employers that offer generous mental health benefits to their employees. Representatives of these employers shared their views and experiences in a one-day focus group meeting.

These employers use a variety of innovative practices to ensure that employees have access to mental health services and use them. The experiences of these employers may prove useful for other companies seeking to improve mental health coverage.

Participants' observations are summarized in five areas: rationale, contextual factors, benefit design, benefit management, and next steps for action. Key lessons learned from their experiences include the following:

- Investing in comprehensive mental health benefits is a sound business strategy. These employers believe that generous mental health benefits can decrease health care costs, increase productivity, reduce absenteeism, and create a comparative advantage in the labor market.
- While specific benefits may vary, approaches should provide early intervention, offer services across a continuum of care, and cover a wide range of mental health problems for employees and family members.
- Approximately 5 to 7 percent of total health care expenditures are needed in order to provide a comprehensive mental health benefit. These levels demonstrate employers' commitment to adequate funding of mental health services, which the employers believe will reduce general health care and other indirect costs.
- These companies promote an environment that reduces the stigma of mental illness and offer multiple points of entry to mental health care to facilitate access to care.
- All these employers take an active role in managing the mental health benefit. They use an extensive review process during procurement and monitor vendors throughout the contract period.
- To increase the number of employers offering comprehensive mental health benefits, meeting participants suggested that the Federal government support research to quantify the value of mental health benefits for employers.



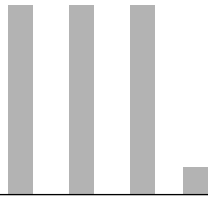
Overview and Background

Insurance coverage for psychiatric conditions has evolved continually during the past 50 years. Even after the widespread development of private health insurance in the 1930s, mental health was primarily regarded as a State responsibility until the 1950s. At that time, general hospitals began to provide psychiatric services, and employers began covering mental health in their benefits packages (Robinson et al., 1993).

Rising health care costs in the late 1980s led many employers to examine more closely their health benefits and the arrangements for providing them. Cost-containment strategies increased benefit limitations and other restrictions on mental health care. According to one study, 63 percent of plans imposed benefit limits on inpatient psychiatric care in 1990, compared with 88 percent in 1998. For outpatient care, the number of plans imposing such restric-

tions rose from 26 to 57 percent between 1988 and 1998 (Hay Group, 1999).

This report synthesizes the experience of several employers that provide comprehensive mental health coverage to their employees. These employers use a variety of innovative practices to ensure that employees not only have access to mental health services but also use them. Their experiences may prove useful for other companies seeking to improve mental health coverage.



Approach to the Study

Representatives from seven employers attended a full-day meeting in which they shared their experiences in mental health benefit design and management. These employers all provided and administered comprehensive mental health benefits in their employee health plans. Meeting participants included representatives of Bank One, Delta Air Lines, Eli Lilly and Company, Fannie Mae, Motorola, and Puget Sound Energy (see Appendix A). The meeting also included one representative from a company that wished to remain anonymous because of concerns about pending union negotiations.

In selecting these employers, “comprehensive” benefits were defined broadly to include such elements as Employee Assistance Programs (EAPs) as well as access to and flexibility of mental health services. The selected employers

- provide benefits that extend beyond the traditional limits of 30 inpatient days and 20 outpatient days per year,
- place a high priority on mental health,
- provide a range of innovative and flexible benefits (e.g., offer multiple levels of care beyond inpatient and outpatient treatment) and integrate these benefits with other company programs such as an EAP,
- encourage employees to access mental health care,
- represent a geographically diverse group, and
- operate in a variety of industry sectors.

The participants had a diverse set of professional backgrounds. In addition to human resources professionals and health benefit administrators were two physicians and one psychiatrist. All but one of the corporate groups operate under ERISA¹ and are therefore free of State mandates.

The participating employers use a variety of approaches to manage and deliver health benefits, including health maintenance organizations (HMOs), preferred provider organizations (PPOs), and indemnity plans. Most of the participants are self-insured and contract with third-party administrators to

¹ The Federal Employee Retirement Security Act (ERISA) was originally adopted in 1974 to correct problems of fraud and mismanagement in employee benefit plans. One section of the Federal law preempts almost all State regulation of employee benefit plans established by employers. As such, States cannot require ERISA employers to cover mental health benefits.

manage benefits and provider networks. These contracted insurers or benefits administrators will be referred to as insurers or vendors throughout this discussion.

The characteristics of the employer participants present some limitations in using them as models for other companies. Some concepts and recommendations apply only to large self-insured companies with extensive employee populations and available resources. Nonetheless, many of the findings will prove relevant to small businesses and those that do not self-insure their health benefits. For example, interested employers can model their coverage on the designs discussed and can use management techniques

such as purchasing groups to enhance their purchasing power.

This report summarizes the participants' experiences and suggestions in five key areas: rationale, contextual factors, benefit design, benefit management, and next steps. In addition to specific suggestions concerning benefit design, philosophy, and management, the meeting participants described the advantages of offering comprehensive mental health care. The focus group did not reach consensus or vote on specific recommendations, nor was a consensus sought. Rather, this report simply presents the opinions and beliefs of the meeting participants.

IV. Lessons Learned

A. Rationale

Meeting participants emphasized that all aspects of corporate operations involve cost-benefit analysis. Employers believe that generous health benefits can ultimately decrease health care costs, increase productivity, reduce absenteeism, and create a comparative advantage in the labor market. Meeting participants also cited recent studies that support these assertions (Goetzel et al., 1998).

Given tight labor conditions, attracting and retaining high-quality employees is a significant challenge. Salary alone is not sufficient to entice new employees. Instead, employers must prove that they value employee well-being. Generous mental health benefits demonstrate an overall corporate dedication to employee wellness. This is a key component in helping employers recruit the best employees, retain them, and maximize their productivity.

All participants use benchmarks of peer employers in designing their benefit plans. Providing comprehensive mental health benefits reflects a corporate desire to excel in comparison to similar companies. A variety of industry-specific pressures can also influence the level of employee benefits. For example, a pharmaceutical company cannot maintain credibility if it asserts the need for psychotropic medication, but denies the significance of mental health care for its employees.

Although business strategy drives benefit design and administration, participants did not base their decision to cover mental health on quantitative data. In evaluating their health benefits, these companies examined indirect, and often unquantifiable, costs influencing overall corporate performance. Several meeting participants implemented generous benefits based on a general belief that increasing mental health coverage would have a positive impact on their work force.

B. Contextual Factors

Many contextual factors influence companies to provide comprehensive mental health benefits. Corporate leadership and culture shape an employer's attitude toward mental health and willingness to develop innovative programs. Furthermore, external factors can affect an employer's ability to provide the level of benefits it desires.

Participants emphasized the role of corporate leaders in catalyzing their companies' decisions to expand mental health benefits. Several employers rethought health plan options only after new benefits administrators proposed alternative approaches and ideas. In several companies, the mental health background of benefits administrators with mental health backgrounds initiated the corporate dedication to mental health care.

The role of benefits administrators also significantly affects the influence they can assert. The participants conceptualized the

position as an important component of the corporate structure. These employers place a high value on hiring and maintaining a cadre of accomplished benefits professionals. This emphasis gives benefits administrators authority and credibility in their organizations and enables them to take an active role in benefit design and management.

A company's leadership can also help define its corporate culture. Advocating for success and excellence in a company's work is incongruous with a limited focus on employee benefits. For example, several employers said they use "Six Sigma"² as a benchmark for manufacturing quality. To require such rigorous standards, the companies themselves must excel in all corporate endeavors, including benefits provision. In such an environment, executives are more willing to allocate significant resources to mental and overall health coverage.

Several employers said they also have developed corporate cultures that reduce the stigma of mental illness. A "stigma-free" health benefit is part of a consistent approach to physical and mental health and encourages employees to access necessary psychiatric care. These employers have also developed procedures to help people with mental disorders return to work after treatment.

External factors can affect an employer's ability to develop innovative mental health care programs. A company's geographic location is one factor that determines the mental health services available to employees. Several participants have extensive operations in areas without a robust mental health delivery system. Also, vendors offering integrated³ services may have limited mental

health provider capacity. In such cases, employers may contract with carve-outs to ensure that their mental health networks include sufficient numbers and types of mental health care providers.

Regulations and mandates represent another type of external factor. Some participants suggested that mandates on employer-sponsored health benefits may reduce their ability to provide flexible and generous mental health coverage. They suggested that regulations requiring employers to conform to a specific set of benefits would prove less effective than measures designed to help employers design individualized plans. All but one of the companies that participated in the focus group are self-insured and voluntarily offer comprehensive benefits because they believe doing so is sound business strategy.

Finally, the current period of economic growth and unprecedented employment has afforded many employers the opportunity to expand benefits. Meeting participants did not anticipate pressures to decrease mental health benefit levels during an economic downturn. Some employers had experienced significant financial hardship during the past several years but still continued to provide comprehensive mental health benefits. However, smaller employers and those not as well established in their respective industries already face challenges in improving or maintaining current benefit levels. A general recognition that those benefits may produce long-term cost savings can moderate the impact of economic factors.

² Six Sigma quality refers to a standard of 0.002 defects per every one million products manufactured.

³ An integrated approach to mental health service delivery involves an employer using one managed care vendor to manage both mental and physical health benefits. Other employers contract directly with vendors that specialize in managing health care and/or substance abuse benefits. This type of contract is generally referred to as a carve-out.

C. Benefit Design

The meeting participants did not reach a consensus concerning what specific baseline benefit levels define “generous” benefits. Employers offer services across the continuum of care and for a wide range of mental health problems. Nevertheless, they suggested several approaches that characterize comprehensive mental health care. Comprehensive mental health benefits focus on prevention and early detection and often include components designed to encourage employee access to a wide range of services. To reduce barriers to care, participants said they work toward eliminating sources of stigma or apprehension concerning job security that limit use of mental health services.

These employers cover early interventions and followup care, as well as traditional inpatient and outpatient treatment. Many of them have developed graduated levels of outpatient care. These graduated levels provide services at what one representative terms “the least intensive locus of care,” ensuring that the employee receives the appropriate level of treatment.

Implemented programs include

- on-site screening and preventive health care programs, coupled with incentives for participation, including stress management and depression screening;
- educational seminars on mental health topics;
- elder care services designed to reduce levels of stress for employees with aging parents;
- supervisor education on detecting mental health problems in the workplace; and
- rapid response teams for crisis intervention.

Many employers tailor early intervention programs to their specific employee populations. For example, several companies with predominately female workers have developed extensive depression screening programs in consideration of women’s higher incidence of depression.

The employers apply these diverse services to a wide range of mental health problems to prevent the development of serious issues and to improve the overall wellness of their work force. Many companies use an EAP as an early clearinghouse for such problems. The EAP can refer people to the mental health network and match them with the most appropriate provider. Most participants have developed EAPs that cover “V Codes,” defined in the *Diagnostic and Statistical Manual of Mental Disorders* (1994) as problems such as grief or marital difficulties that lack specific diagnostic criteria. These non-specific psychiatric problems categorized as “V Codes” are usually excluded from coverage by most insurers.

Recognizing that an employee’s productivity often is affected by life outside the workplace, many of these employers extend services to family members and relatives. Under their EAPs, several companies cover a minimum of six visits for all household members and relatives of an employee.

These employers recognize that to be considered “comprehensive,” mental health benefits must provide employees with access to care in the most effective way. One of the most significant barriers to access is the apprehension experienced by the employees themselves. Despite education efforts, employees are hesitant to access mental health care through employer insurance because of stigma surrounding such treatment and fear that seeking help will damage

their employability. Complete elimination of the stigma surrounding mental disorders is not readily attainable. However, developing a corporate culture that supports all employees and is accepting of mental health problems may persuade other employees to seek mental health care.

Employers have also attempted to reduce or eliminate barriers to care by developing multiple points of entry to mental health care. Many participants provide on-site services and enable self-referrals into the EAP or the mental health provider network. Employees can then access services through the portal with which they feel most comfortable.

Most employers publicize their EAPs as the typical initial point of entry into the mental health system. By framing the EAP as a broad work-life initiative, companies encourage their employees to use the wide range of services offered. Several companies have taken this approach one step further by uniting the EAP and other work-life initiatives under one central point of contact. Through this system, employees can reach a single counselor who can direct them to the most appropriate mode of access for mental health care (e.g., EAP or provider network) and other work-life services, such as legal, elder care, or child care assistance.

These employers also ensure the confidential nature of EAP consultations. Some have allowed the EAP to provide “blind” care by eliminating eligibility verification for employees wishing to access care. In these cases, individuals can call the EAP and receive treatment without providing their name or verifying that they are eligible for the benefit.

D. Management Approach

Insurers and Vendors

Providing comprehensive mental health coverage requires an active role in managing the benefit. Benefit management includes contracting with vendors, monitoring health plans, and making changes in response to employee feedback and performance data.

In selecting vendors, most employers use a “Request for Proposal” contracting process with extensive review procedures. They evaluate the scope of mental health benefits provided, administrative and clinical capabilities, clinical quality, past performance, and financial solvency. Some employers conduct interviews with providers and make on-site visits to assess the vendor’s capabilities. Most participants insist on contractual specifications and performance standards. Instead of collecting their own data, employers tend to rely on information provided by the vendor or external organizations such as the National Committee for Quality Assurance. Such standards often consist of

- Health Plan Employer Data and Information Set (HEDIS) measures,
- usage and claims data,
- health plan dollars allocated to mental health,
- employee satisfaction surveys, and
- administrative efficiency indicators such as claims payment timing and telephone response rates.

Some employers actively use such information to monitor vendors and frequently make changes in benefit design or policy if performance is poor. Several are developing

the capacity to collect and analyze performance data to integrate usage rates and claims information with associated costs.

Participants believe that 5 to 7 percent of total health care expenditures should be allocated to mental health services. These levels demonstrate employers' commitment to adequately funding mental health services, which the employers believe will reduce physical health costs and other indirect costs. The participants note that these levels are specific to their own companies, industries, geographic locations, and generosity of overall health benefits. Other employers should not regard these levels as the sole marker of a "generous" benefit.

Although these employers share a common view of mental health benefits, their philosophies often conflict with the traditional approaches used by other employers and by insurers. Even under self-insured plans where the company is at full risk, vendors may hesitate to alter their traditional set of services for several reasons. In competing for new contracts, vendors that propose a wide range of services with high levels of coverage and low cost-sharing requirements typically do not fare well. Providing such benefits requires more extensive employer expenditures, and vendors rarely find employers anxious to increase health care costs. Thus, most vendors offer traditional benefits packages containing little mental health coverage. In fact, according to the participants, vendors frequently fail to understand that some employers want to increase or maintain a target level of mental health spending. Furthermore, insurers often resist developing individualized benefit plans because they already support predetermined

arrays of services. Significant numbers of highly customized benefits packages can increase administrative costs, especially if employers procure the contracts each year.

Several employers have developed mutually beneficial partnerships with their vendors. They communicate their preferred approach clearly and take adequate time before the contract period begins to explain the rationale behind offering generous benefits. As a result, vendors not only address the employers' concerns more readily but also offer them opportunities to participate in innovative programs.

The participants also suggested a variety of alternative techniques that can be used to encourage vendors to provide desired services. Employers can write performance standards into contracts, requiring vendors to comply. Other participants have attempted to leverage purchasing power through contracts with a few national vendors or by devoting more administrative resources to managing smaller, more customized regional plans. Educating other employers, insurers, and vendors about the advantages and cost savings gained through offering generous mental health benefits can also help convince vendors.

Purchasing groups and other business consortia can aid in procuring and monitoring contracts. Employers can pool influence by creating coalitions or information networks of companies contracting with the same vendor. By sharing performance indicators concerning the vendor, employers can improve the level of services offered. Smaller employers can become influential purchasers by acting through a larger consortium.

Providers

Recent studies suggest that mental health specialists have results similar to those of primary care physicians in terms of diagnostic reliability and outcomes (U.S. Department of Health and Human Services, 1999). Nevertheless, several meeting participants reported less confidence in mental health providers than in primary care and specialist physicians. The participants are more reluctant to eliminate use restrictions on mental health than to eliminate them on general health care. They believe certain mental health treatment approaches have inadequate proof of clinical effectiveness. They also believe the professional licensing and monitoring systems of some mental health professions are less stringent than those used by other health care providers. Several participants reported personal experiences with providers who diagnosed certain disorders excessively, leading to unnecessary mental health and disability costs.

At the same time, employers remain apprehensive about the increasing reliance on primary care physicians to provide mental health services. Most patients prefer to see their regular physician, and such visits do not face the same usage restrictions and management as specialist care. As a result, many patients access mental health services in the primary care setting. The meeting participants questioned whether primary care physicians can treat mental illnesses as effectively as mental health specialists. Thus, inappropriate provision of mental health services in the primary care setting may drive up an employer's health care costs.

Nonetheless, the participants wanted employees to access care. Requiring employees to receive mental health care from mental health specialists would limit the number of patients accessing treatment. Employers must therefore manage mental health care provided by both mental health specialists and primary care physicians.

V. Next Steps

The employers recommend that a comprehensive effort to quantify the advantages of generous mental health coverage and then educate employers could have a significant effect. Many employers fail to provide comprehensive mental health benefits because they cannot justify the initial expense.

Some of the savings associated with increased access to and provision of mental health services are not immediately realized. Demonstrating that an initial increase in mental health costs can have a positive impact on the long-term financial bottom line could entice other employers to provide benefits that are more comprehensive.

Convincing employers will require an extensive research and education effort involving data collection, analysis, and

distribution. Studies must conclusively demonstrate the advantages associated with improved mental health benefits. These studies must be widely distributed and accessible to employers. In addition, employers need technical assistance in developing and implementing a comprehensive mental health plan. The Federal Government can play an active role in the education effort by providing support and funding to develop the information necessary to convince employers.

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Appendix A: List of Meeting Participants

Bank One

Daniel J. Conti, Ph.D.
Vice President
Employee Assistance Program Director

Delta Air Lines, Inc.

Thomas Faulkner, M.D., M.H.A.
Regional Medical Director, Air Crew Health Services

Eli Lilly and Company

Gregory Larkin, M.D.
Director of Corporate Health Services

Cindy Allen, Ph.D.
Clinical Psychologist, Corporate Health Services

Fannie Mae

Eliot Sorel, M.D., F.A.P.A.
On-site Psychiatrist

Judy Dale, M.H.R.D.
Director, Health and Work Life Center

Motorola

Randall Johnson
Director of North America Benefits

Puget Sound Energy

Dorothy Graham
Vice President, Human Resources

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Employee Assistance Program Director

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