



The Financial Effects of Parity Laws on Families of Children with Mental Health Care Needs

Source: Barry, C. L., & Busch, S. H. (2007). Do state parity laws reduce the financial burden on families of children with mental health care needs? *Health Services Research, 42*, 1061-1084.

It is common for insurers to limit coverage for mental health disorders out of concern about prohibitive costs. Recently, the number of states that have passed parity legislation has climbed to 37, although the policies vary substantially among these states. This article examines the financial impact of state parity laws on privately-insured families seeking mental health services for their children.

Method

Data from the nationally representative 200 State and Local Area Integrated Telephone Survey (SLATIS) National Survey of Children with Special Health Care Needs (CSHCN) were used for this analysis. Specifically, data from CSHCN (not necessarily mental health) who were covered by private insurance were utilized. To assess financial needs, the study used the following measures (1) whether annual child out-of-pocket (OOP) expenses exceeded \$1000 annually; (2) whether the family reported that the child's health care costs created financial problems; (3) whether the family reported needing additional income for the child's medical expenses, and; (4) whether the family considered their OOP spending to be reasonable. The study also measured whether the child received all needed mental health care. Demographics controlled for included age, gender, race, mother's education, and household income. Disease severity and characteristics were also included in the analyses.

Strict criteria were used to determine whether a state had parity laws or not. States with parity laws that apply only to state employees, reflect the limited federal regulations, or allow insurers to impose limits on inpatient day or outpatient visits were not considered parity states in this analysis. As a result, 23 states were classified as having parity laws.

Data were analyzed using two-stage generalized method of moments regression models with and without interactions.

Results

Half the children in the sample lived in a parity state and one in five reported needing mental health care; 60% were male, 87% were White, and 92% reported incomes over 150% of the federal poverty level.

Regarding financial burden, 14% of all families spent more than \$1000 annually OOP to treat a child's SHCN and 28.2% felt their OOP spending was unreasonable. Similarly, 17.4% of respondents reported that the child's health care had caused financial problems. Only 14% of families reported not receiving needed mental health care, regardless of whether or not they lived in a parity state.

Results of the interaction regression models demonstrated that living in a parity state significantly reduced the financial burden on families of children with mental health care needs. More specifically, when comparing the families living in parity states with those who were not, 7% fewer had OOP expenses over \$1000, 11% fewer viewed their OOP expenses as unreasonable, and 10% fewer stated that their OOP expenses caused financial problems.

Discussion & Conclusions

This study demonstrated that state parity laws reduce the financial burden of privately-insured families of children with mental health needs. However, living in a parity state was not significantly related to receiving needed mental health care. Thus, according to this study, parity laws appear to impact out-of-pocket expenditures for, but not access to, children's mental health care.

Although considered important due to its being the first to address this issue, there were limitations to this study, which the authors acknowledged. First, OOP spending was based on all child health care, not just care relating to mental health; data simply prohibited teasing out costs specific to mental health. Second, the amount of mental health care use was not calculated, only whether mental health care was used, and if access to care was limited. Therefore, it is not clear whether parity laws decrease spending by decreasing extra services; result in less OOP spending while increasing the number of services; or whether the amount of services is the same between families living in parity and non-parity states. Again, limited data prevented the authors from exploring this issue.

We recommend that more specific data be systematically collected across states so that it is possible to determine how parity laws impact the cost of mental health care specifically and whether these laws have an effect on the number of services received.



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