

February 24, 1999

Ms. Kathleen Dunn
Assistant Administrator
State of New Hampshire
Department of Health and Human Services
Office of Health Management
6 Hazen Drive
Concord, NH 03301-6527

Subject: Request for Clarification on Healthy Kids' Mental Health Coverage

Dear Ms. Dunn:

The State of New Hampshire (State) has recently asked William M. Mercer, Incorporated (Mercer) to respond to the Health Care Financing Administration's (HCFA) request for clarification on the effect of recent changes to the State's Healthy Kids (HK) benefit. Mercer previously certified the HK program to be in compliance with the actuarial equivalency requirements of the Balanced Budget Act of 1997 (BBA 97). This letter addresses the comparison of the mental health benefit in Healthy Kids to the benefit in the base plan, the Federal Employees Health Benefit Program (FEHBP).

In the original HK benefit, mental health services were covered but not substance abuse services. The comparison of the original benefit with the FEHBP benefit is as follows:

Original Benefit: Mental Health Only	Healthy Kids cost sharing and limits	FEHBP cost sharing and limits
Inpatient Hospital	\$0, limit of 15 days per year	\$150 per day, 100 days per year
Outpatient	\$5 copayment, 20 visits per year	\$200 deductible, 60%PPA, 25 visits per year

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New Benefit: Mental Health and Substance Abuse	Healthy Kids cost sharing and limits	FEBHP cost sharing and limits
Inpatient Hospital	\$0, limit of 15 days per year total	\$150 per day, 100 days per year, MH \$150 per day, 28 days per lifetime, SA
Outpatient	\$5 co-payment, 20 visits per year total	\$200 deductible, 60%PPA, 25 visits per year total for MH and SA

The attached chart illustrates the actuarial benefit changes to the Healthy Kids program. The chart is a modified version of our original actuarial analysis, which was designed to compare the overall benefits of HK and FEBHP.

We isolated the mental health benefits for both inpatient and outpatient to illustrate the value we have attributed to mental health remains in actuarial compliance with BBA 97. BBA 97 requires that the mental health benefit for the HK plan be at least 75% of the FEHBP. Our analysis shows that the value of the mental health benefit in the HK plan is 148% of the FEHBP plan, thus exceeding BBA 97 requirements.

We are being conservative (and keeping our comparison simple) by not including a utilization reduction associated with the cost sharing under the FEHBP plan. For inpatient, the \$150 per day would severely discourage utilization. Outpatient has a high deductible (\$200) and cost sharing (40%) which would greatly discourage utilization. Recognizing the effect on utilization of the cost sharing components of the FEHBP would further increase the spread between the HK and FEHBP plans.

Please call me at 602 522 6510 when you have had a chance to review this letter so that we can discuss these issues.

Sincerely,

Thomas P. Carlson, A.S.A.

TPC/jlt

Copy: Jeff Smith

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	Utilization	Estimated Average Cost	Healthy Kids		BlueCross FEB In Network	
			Cost Sharing	PMPM	Cost Sharing	PMPM
Inpatient Facility						
Acute Care Hospital Days/1000	106	\$ 900.00	-	\$ 7.95	-	\$ 7.95
Mental Health	30	\$ 600.00	-	\$ 1.50	150	\$ 1.13
Substance Abuse	15	\$ 600.00	-	\$ 0.75	150	\$ 0.56
Outpatient Facility						
Emergency Room	114	\$ 150.00	25	\$ 1.18	25	\$ 1.18
Surgical/Non-Surgical	284	\$ 210.00	-	\$ 4.96	50	\$ 3.78
Physician						
IP Surgery	18	\$ 840.00	-	\$ 1.28	175	\$ 1.02
OP Surgery	210	\$ 100.00	-	\$ 1.75	50	\$ 0.88
Maternity Delivery	1	\$ 1,500.00	-	\$ 0.09	-	\$ 0.09
IP Visits	83	\$ 100.00	-	\$ 0.69	-	\$ 0.69
ER Visits	114	\$ 40.00	-	\$ 0.38	-	\$ 0.38
Phys. Consult	47	\$ 110.00	5	\$ 0.41	10	\$ 0.38
OP Visits	2,457	\$ 30.00	5	\$ 5.12	10	\$ 4.10
OP Psychiatric Visits	200	\$ 30.00	5	\$ 0.42	20	\$ 0.17
OP Substance Abuse	100	\$ 30.00	5	\$ 0.21	20	\$ 0.08
Other						
Radiology	390	\$ 50.00	-	\$ 1.63	-	\$ 1.63
Pathology	1,381	\$ 10.00	-	\$ 1.15	-	\$ 1.15
Rx	2,836	\$ 20.00	7	\$ 3.07	10	\$ 2.36
Oral Contraceptives	400	\$ 30.00	7	\$ 0.77	10	\$ 0.67
Transportation	11	\$ 250.00	-	\$ 0.22	-	\$ 0.22
Immunization	684	\$ 20.00	-	\$ 1.14	-	\$ 1.14
Routine Well-Baby Exams	362	\$ 40.00	-	\$ 1.21	-	\$ 1.21
Visn/Hring/Spch	132	\$ 40.00	5	\$ 0.39	20	\$ 0.29
Newborn Exams	38	\$ 110.00	-	\$ 0.35	-	\$ 0.35
Physical Exams	241	\$ 60.00	-	\$ 1.20	-	\$ 1.20
Total Medical				\$ 37.83		\$ 32.51
Dental				\$ 5.78		\$ 3.50
Total				\$ 43.61		\$ 36.01
			Factor	121%		100