

Recent Decision on the California Mental Health Parity Law: Health Plans Must Cover All Medically Necessary Treatment

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In an exciting victory for mental health parity in insurance claims, a California appeals court issued its decision in *Rea v. Blue Shield of California*¹ on June 10, 2014. The court decided that the insurance company could not deny coverage for residential treatment for eating disorders, “even where the health plan does not provide coverage” for such treatment. Decision, page 2). The court decision was based on the California Mental Health Parity Act, which requires that “every health service plan contract ‘provide coverage for the diagnosis and medically necessary treatment of severe mental illnesses ... under the same terms and conditions applied to other medical conditions.’” Page 2.

The plaintiff, Marissa Rea, was diagnosed with Anorexia Nervosa. Outpatient treatment had been unsuccessful, and her doctor advised her that residential treatment was medically necessary. Ms. Rea’s health care services plan, Blue Shield of California, denied the claim, stating that while the Mental Health Parity Act did require equal coverage for both medical and mental health coverage, there was nothing in the statutory language that showed an intent to cover all treatments for mental illness simply because the treatment was considered medically necessary. The trial court ruled for Blue Shield, and dismissed Ms. Rea’s lawsuit.

¹ Rea v. Blue Shield of California, 2014 WL 2584433, Cal.App. 2 Dist., June 10, 2014.

The state court of appeal appellate court disagreed, finding that parity does not require identical matching of services between physical health services and mental health care. Instead, the Act “requires treatment of mental illnesses sufficient to reach the same quality of care afforded physical illnesses.”

Disability Rights California (DRC) and other public interest groups filed a “friend of the court” brief in the Rea case. In this paper, DRC argued that it was good public policy to require insurance plans to cover the most effective treatment for conditions such as autism or schizophrenia, even if there is not precise analog in the medical area. For example, DRC’s paper pointed to the extensive evidence that assertive community treatment (known as ACT) is more effective and less costly than inpatient hospitalization or traditional office-based outpatient therapy. The state appeals court agreed about the policy consequences, stating that Blue Shield’s denial of coverage “would exclude one of the most effective treatments for [the plaintiffs’ condition],” and thwart one of the primary purposes of the Parity Law. “Victims of eating disorders will not receive effective treatment, resulting in needless suffering and physical deterioration ... the loss of productivity and increased physical illness.”

This definition of parity in the *Rea* decision applies not only for health care services plans like HMOs, but for insurance plans such as PPOs and EPOs. In *Burton v. Blue Shield of California Life & Health Insurance Co.*², the plaintiff was diagnosed with anxiety, major depressive disorder, and panic disorder among other illness. Her doctor recommended a residential treatment facility in Tucson, Arizona to treat several disorders including major depressive disorder. Her health insurance, a PPO, denied the prior authorization request, stating treatment was not required by the Mental Health Parity Act because of the type of treatment. The federal court in Los Angeles ruled against the health plan, and found that the medically necessary residential treatment was required by the Parity Act.

This is good news for people whose health care services plan falls under the California Mental Health Parity Act. The Parity Act requires equal insurance coverage for people with severe mental illnesses and for children with severe emotional disturbances. Treatments that are most effective for mental health care are covered even without an identical service available in medical/surgical care. These treatments include the use of a team approach, low caseloads, home visits and a comprehensive approach to the person’s daily needs.

² *Burton v. Blue Shield of California Life & Health Insurance Co.*, 2012 WL 242841 (C.D.Cal.)(2012).

This information is provided to you through the combined effort of the following organizations:

Disability Rights California
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Legal Aid Society of San Diego, Inc.
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Mental Health Advocacy Project
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We want to hear from you! After reading this fact sheet please take this short survey and give us your feedback.

English version: <http://fs12.formsite.com/disabilityrightsca/form54/index.html>

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The California Mental Health Services Authority (CalMHSA) is an organization of county governments working to improve mental health outcomes for individuals, families and communities. Prevention and Early Intervention programs implemented by CalMHSA are funded by counties through the voter-approved Mental Health Services Act (Prop 63). Prop. 63 provides the funding and framework needed to expand mental health services to previously underserved populations and all of California's diverse communities.



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