

NEW JERSEY  
**SMALL EMPLOYER HEALTH BENEFITS PROGRAM**

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ADVISORY BULLETIN  
98-SEH-05

August 7, 1998

To: SEH Program Member Carriers  
From: Ellen F. DeRosa, Deputy Executive Director  
**Re: Amendments to the Mental or Nervous Conditions or Substance Abuse Provision in Plans B, C, D and E and the HMO-POS Plan**

Advisory Bulletin 98-SEH-04, dated May 20, 1998, advised SEH Program Member Carriers that the Small Employer Health Benefits (SEH) Program Board adopted changes to the mental or nervous conditions and substance abuse provisions of Plans B, C, D, and E and the HMO-POS Plan. As explained in the proposal for those amendments, the SEH Board recognized that standard plans B, C, D, E and HMO-POS provided coverage for the treatment of mental or nervous conditions which would not satisfy the requirements of the Mental Health Parity Act of 1996 (MHP Act). Due to the manner in which the size of a New Jersey small employer group is determined it is possible that a group which qualifies as a small employer pursuant to New Jersey law could also be subject to the MHP Act. Rather than creating plan designs which would have one benefit structure for groups which are subject to the MHP Act and another structure for groups which are not subject to the MHP Act, the SEH Board proposed and adopted forms changes effective September 1, 1998 which modify the mental or nervous condition coverage as contained in the standard plans which apply regardless of the size of the employer group. Thus, **all** small employer group Plans B, C, D, and E and HMO-POS which are issued or renewed on or after September 1, 1998 must contain the adopted changes, regardless of whether the small employer group is subject to the MHP Act.

The MHP Act applies to employer groups with greater than 50 employees and was effective for plans issued or renewed on or after January 1, 1998. For New Jersey Small Employer groups subject to the MHP Act with coverage under Plans B, C, D E or HMO-POS, the following guidelines apply:

- If coverage was issued or renewed on or after January 1, 1998 but prior to September 1, 1998, (or the date the carrier implements the changes to the standard plans, if prior to September 1, 1998), the carrier must waive the \$5,000 per year, \$25,000 lifetime limits with respect to coverage for mental or nervous conditions and substance abuse. Coverage for the treatment of mental or nervous conditions and substance abuse may be subject only to the application of the deductible, copayment, if any, and coinsurance. No alternate internal limits may be substituted for the \$5,000 and \$25,000 limits that must be waived. Coverage under these terms would continue until the first anniversary on or after the date the carrier implements the September 1, 1998 forms changes to include the 30 days inpatient and 20 visits outpatient limits.
- If coverage is issued or renewed on or after the date the carrier implements the September 1, 1998 forms changes, the coverage is subject to the 30 days inpatient and 20 visits outpatient limits contained in the standard plans as of the date of issue or renewal.

**Assumption:** 72 employee firm with 32 employees covered under a collective bargaining arrangement. The group is a 40 “eligible employees” small employer group. The plan is Plan B, C, D, E or HMO-POS. The group is **subject** to the MHP Act.

**Example 1:**

January 1, 1998 effective date

Waive \$5,000 and \$25,000 internal limits; apply deductible, copayments, if any, and coinsurance to charges for mental or nervous conditions and substance abuse. Amend the plan as of January 1, 1999 to include the 30 days inpatient and 20 visits outpatient limits.

**Example 2:**

August 1, 1998 effective date

Except as stated below, waive \$5,000 and \$25,000 internal limits; apply deductible, copayments, if any, and coinsurance to charges for mental or nervous conditions and substance abuse. Amend the plan as of August 1, 1999 to include the 30 days inpatient and 20 visits outpatient limits.

Exception: If the carrier has implemented the amendments that were adopted May 20, 1998 as of August 1, 1998, which is prior to the September 1, 1998 date, the plan would be issued using the 30 days inpatient and 20 visits outpatient limits.

**Example 3:**

October 1, 1998 effective date

The plan would be issued using the 30 days inpatient and 20 visits outpatient limits for the treatment of mental or nervous conditions and substance abuse, consistent with the amended policy forms.

**Assumption:** 32 employee group with 22 employees covered under a collective bargaining arrangement. The group is a 10 “eligible employees” small employer group. The plan is Plan B, C, D, E or HMO-POS. The group is **not subject** to the MHP Act.

**Example 1:**

January 1, 1998 effective date

Apply \$5,000 and \$25,000 internal limits; apply deductible, copayments, if any, and coinsurance to charges for mental or nervous conditions and substance abuse. Amend the plan as of January 1, 1999 to include the 30 days inpatient and 20 visits outpatient limits.

**Example 2:**

August 1, 1998 effective date

Except as stated below, apply \$5,000 and \$25,000 internal limits; apply deductible, copayments, if any, and coinsurance to charges for mental or nervous conditions and substance abuse. Amend the plan as of August 1, 1999 to include the 30 days inpatient and 20 visits outpatient limits.

Exception: If the carrier has implemented the amendments that were adopted May 20, 1998 as of August 1, 1998, which is prior to the September 1, 1998 date, the plan would be issued using the 30 days inpatient and 20 visits outpatient limits.

**Example 3:**

October 1, 1998 effective date

The plan would be issued using the 30 days inpatient and 20 visits outpatient limits for the treatment of mental or nervous conditions and substance abuse, consistent with the amended policy forms.