

## RAND RESEARCH AREAS

THE ARTS  
 CHILD POLICY  
 CIVIL JUSTICE  
 EDUCATION  
 ENERGY AND ENVIRONMENT  
 HEALTH AND HEALTH CARE  
 INTERNATIONAL AFFAIRS  
 NATIONAL SECURITY  
 POPULATION AND AGING  
 PUBLIC SAFETY  
 SCIENCE AND TECHNOLOGY  
 SUBSTANCE ABUSE  
 TERRORISM AND  
 HOMELAND SECURITY  
 TRANSPORTATION AND  
 INFRASTRUCTURE  
 WORKFORCE AND WORKPLACE

This fact sheet is part of the  
 RAND Corporation research  
 brief series. RAND fact sheets  
 summarize published, peer-  
 reviewed documents.

Corporate Headquarters  
 1776 Main Street  
 P.O. Box 2138  
 Santa Monica, California  
 90407-2138  
 TEL 310.393.0411  
 FAX 310.393.4818

© RAND 2007

# Behavioral Health Parity

## Consequences for Federal Employee Health Plans

In recent years, the push for behavioral health parity—health coverage for mental health and substance abuse care that equals coverage for general health care—has gained momentum. Concerns persist, however, that parity could invite overuse of services and drive up costs. To date, there has been no national assessment of how parity affects utilization and costs, and little is known about how insurers implement parity rules.

In 2001, the U.S. government required the Federal Employees Health Benefits (FEHB) Program to provide behavioral health benefits equal to its general health benefits. The FEHB Program insures 8.5 million federal workers, retirees, spouses, and dependents. Because it affects such a large group nationwide, the FEHB experience provides an important test case for understanding the effects of parity. A team led by researchers from RAND and Harvard Medical School assessed the effects of FEHB's parity requirement on insurers and evaluated consumers' use of services and spending.

### How Did Insurers Respond?

The study analyzed the experience of 156 health plans, as well as the governmentwide BlueCross and BlueShield Service Benefit Plan:

- Nearly all insurers complied with parity requirements by dropping cost-constraining benefit limits on behavioral health services.
- Parity did not dramatically change most health plan operations, because the majority of health maintenance organizations (HMOs) and preferred provider organizations (PPOs) were already using “carve-outs” to manage behavioral care. (The term *carve-out* refers to an arrangement in which behavioral health benefits are managed separately from the general medical benefit.)
- However, the move to carve-outs affected more than half of all beneficiaries, because they belonged to the BlueCross and BlueShield service plans, which switched to carve-outs in higher numbers.
- A smaller number of plans also increased the use of specific managed-care mechanisms, such as utilization review. The parity effect in this area was smaller than expected because many plans were already using these mechanisms.

### Effects on Service Use and Spending

The research team examined utilization and spending patterns in seven of the largest FEHB plans and compared them with patterns under a matched set of health plans serving large, privately insured populations but without parity benefits. Results showed that

- use of mental health and substance abuse services increased at rates similar to those observed in comparison plans
- total spending for services for beneficiaries decreased significantly for three plans and did not change significantly for four of the seven plans relative to the nonparity plans
- out-of-pocket spending by beneficiaries also decreased under five of the seven plans, again relative to the nonparity plans.

### Conclusion

These studies suggest that parity and managed care in combination can work to improve behavioral health care protection without increasing total costs.

---

This fact sheet is based on:

M. Susan Ridgely, M. Audrey Burnam, Colleen L. Barry, Howard H. Goldman, and Kevin D. Hennessy, "Health Plans Respond to Parity: Managing Behavioral Health Care in the Federal Employees Health Benefits Program," *The Milbank Quarterly*, Vol. 84, No. 1, 2006, pp. 201–218; and Howard H. Goldman, Richard G. Frank, M. Audrey Burnam, Haiden A. Huskamp, M. Susan Ridgely, Sharon-Lise T. Normand, Alexander S. Young, Colleen L. Barry, Vanessa Azzone, Alisa B. Busch, Susan T. Azrin, Garrett Moran, Carolyn Lichtenstein, and Margaret Blasinsky, "Behavioral Health Insurance Parity for Federal Employees," *New England Journal of Medicine*, Vol. 354, No. 13, 2006, pp. 1378–1386.

The RAND Corporation is a nonprofit research organization providing objective analysis and effective solutions that address the challenges facing the public and private sectors around the world. RAND's publications do not necessarily reflect the opinions of its research clients and sponsors. RAND® is a registered trademark.

**RAND Offices**

Santa Monica, CA • Washington, DC • Pittsburgh, PA • Jackson, MS • Cambridge, UK • Doha, QA



# HEALTH

THE ARTS  
CHILD POLICY  
CIVIL JUSTICE  
EDUCATION  
ENERGY AND ENVIRONMENT  
HEALTH AND HEALTH CARE  
INTERNATIONAL AFFAIRS  
NATIONAL SECURITY  
POPULATION AND AGING  
PUBLIC SAFETY  
SCIENCE AND TECHNOLOGY  
SUBSTANCE ABUSE  
TERRORISM AND  
HOMELAND SECURITY  
TRANSPORTATION AND  
INFRASTRUCTURE  
WORKFORCE AND WORKPLACE

This PDF document was made available from [www.rand.org](http://www.rand.org) as a public service of the RAND Corporation.

This product is part of the RAND Corporation research brief series. RAND research briefs present policy-oriented summaries of individual published, peer-reviewed documents or of a body of published work.

The RAND Corporation is a nonprofit research organization providing objective analysis and effective solutions that address the challenges facing the public and private sectors around the world.

---

## Support RAND

[Browse Books & Publications](#)

[Make a charitable contribution](#)

## For More Information

Visit RAND at [www.rand.org](http://www.rand.org)

Explore [RAND Health](#)

View [document details](#)

## Limited Electronic Distribution Rights

This document and trademark(s) contained herein are protected by law as indicated in a notice appearing later in this work. This electronic representation of RAND intellectual property is provided for non-commercial use only. Permission is required from RAND to reproduce, or reuse in another form, any of our research documents for commercial use.