RICARDO LARA
INSURANCE COMMISSIONER

California Department of Insurance

FACT SHEET: Health insurance coverage for mental health and substance use disorders

A new state law effective in 2021 requires commercial health insurance to cover benefits for all mental health conditions and substance use disorders equal to coverage provided for any other medical condition

Changes to the California Mental Health Parity Act expand diagnoses eligible for coverage: Under the new law, which was enacted by Senate Bill 855 (Wiener 2020), health insurance must now cover treatment for substance use disorders and cannot exclude any mental health conditions from coverage. The law applies to a health insurance policy when new coverage begins, or existing coverage renews, in 2021.

Health insurance must cover medically necessary mental health and substance use disorder care: All benefits that are medically necessary to prevent, diagnose or treat mental health conditions and substance use disorders must be covered. This includes benefits such as office visits to a mental health care provider, intensive outpatient treatment, residential treatment, hospital stays, and prescription drugs if a policy covers drugs.

Health insurers must follow accepted standards of care: When managing care, insurers must apply the same standards of care that are followed by addiction and mental health care providers. This means that any constraints placed on benefits, such as limits on duration of treatment or the type or setting of care, must be consistent with standards of care which are generally accepted by health care providers practicing in those fields. For example, the length of time a health care service is covered cannot be subject to arbitrary limits and must be determined by a personalized assessment of medical necessity made according to accepted standards of care. Medical necessity also dictates that insurers must cover treatment at the clinically appropriate level of care which is safe and effective. The law also specifically prohibits insurers from limiting coverage to treating only the acute symptoms of a behavioral health condition, as opposed to the underlying condition causing the symptoms.

Networks must include enough providers and facilities: If a network provider or facility within a reasonable distance cannot provide mental health or addiction care in a timely manner, an insurer must arrange for care from an out-of-network provider or facility. Out-of-network mental health or substance use disorder care that is covered due to an insufficient network is subject to the same out-of-pocket costs as in-network care.

Out-of-pocket costs are regulated by federal law: Out-of-pocket costs, including deductibles, copayments and coinsurance, must comply with the federal Mental Health Parity and Addiction Equity Act (MHPAEA). Under MHPAEA, health insurers must use a formula to calculate an upper limit on out-of-pocket costs that may apply to benefits for mental health and substance use disorders. The California Department of Insurance enforces MHPAEA in the health insurance it regulates.

Consumers who believe their insurer may have violated the law may contact the Department of Insurance for assistance: Any consumer covered by health insurance regulated by the California Department of Insurance may contact our hotline at 800-927-4357 or submit a complaint online. The Department of Insurance will fully investigate the issue and ensure the health insurer complies with the law.