



February 6, 2014

George Teekell, Senior Staff Counsel
California Department of Insurance
45 Fremont Street
San Francisco, CA 94105

Re: Mental Health Parity Regulations Standardized Regulatory Impact Assessment

Dear Mr. Teekell:

Government Code section 11346.3 and California Code of Regulations, title 1, sections 2002 and 2003 require an agency promulgating major regulations to prepare and submit a Standardized Regulatory Impact Assessment (SRIA) to the Department of Finance (Finance) for comments. Finance must provide its comments on the SRIA regarding whether that SRIA adheres to Finance's regulations. The agency must summarize and respond to Finance's comments, and include them with the notice of proposed action it files with the Office of Administrative Law.

California Code of Regulations, title 1, section 2002(a)(1) requires that a SRIA be submitted to Finance not less than 60 days prior to the filing of a notice of proposed action with the Office of Administrative Law. We recognize that it was not possible to comply with that particular requirement given that Finance's regulations did not take effect until November 1, 2013 and the notice of proposed action in this matter was filed with the Office of Administrative Law on November 8, 2013. We appreciate you sending the Addendum to the Economic Impact Assessment to cover the additional components required for the Mental Health Parity SRIA and the Major Regulation SRIA Summary (DF-131) after we notified you during the public comment that the regulations met the criteria for a major regulation, as defined in Government Code Section 11342.548 and California Code of Regulations, title 1, section 2000(g). We concur that direct savings of at least \$36 million in 2014 will accrue to government, physicians, and hospitals. Together with indirect and induced economic benefits, the estimated economic impact will total well over \$50 million. While we do not disagree with any of the main conclusions of the SRIA, we have some suggestions that may make the effects of the regulation clearer.

The discussion of the economic impacts of the alternatives could be expanded. Alternative 1 suggests that not implementing the regulations would leave some individuals with access and some individuals without, or identical to the baseline. Alternative 2 seems to also simultaneously imply that there are other treatments that may be desirable to cover (imposing higher costs), but that there is no demand (which means no additional costs). Applying the same modeling techniques from the analysis to the alternatives would give a more concrete sense of the magnitudes of the economic impacts.

It may be useful to discuss, at least qualitatively, the impact of increased coverage and the evolution of costs for the autistic population after a greater proportion are covered. For the overall costs, the calculations of overall direct cost of treatment are particularly transparent and easy to follow. However, it would be instructive to have some sensitivity analyses regarding how the numbers may evolve in the future. After a few years of intensive treatment, will the

costs decline markedly once the initial pent-up demand tapers off? While these are not required elements of a SRIA, they are natural questions that Insurance may find useful to have with the rest of the analysis.

Additional technical comments on the alternatives, costs to businesses, increases in health insurance enrollment and the methodology for using economic multipliers are attached to this letter (Attachment 1). We hope that our comments provide sufficient guidance for you to revise your analysis if necessary and for future analyses. Please let us know if you have any questions regarding how our comments should be summarized when submitting your regulatory package to OAL as required. Again, we appreciate your willingness to work with Finance to ensure that the SRIA provides information regarding the economic impact of the proposed regulations for the public and policymakers.

Sincerely,



Irena Asmundson
Chief Economist

cc: Ms. Panorea Avdis, Governor's Office of Business and Economic Development
Ms. Debra Cornez, Director, Office of Administrative Law
Ms. Crista Hill, Budget Officer, Department of Insurance
Ms. Rani Isaac, Economist, Department of Insurance
Mr. Joseph Lee, Economist Department of Insurance

Attachment