

MINUTES OF THE MEETING
BUSINESS & INDUSTRY COMMITTEE
MONTANA STATE SENATE

February 12, 1987

The nineteenth meeting of the Business and Industry Committee was called to order by Chairman Allen C. Kolstad on Thursday, February 12, 1987 at 10 a.m. in Room 410 of the Capitol

ROLL CALL: All committee members were present.

CONSIDERATION OF SENATE BILL NO. 213: Sen. Joseph Mazurek, Senate District 23, Helena, sponsor of the bill, said the bill regulates the offering and sale of timeshares, i.e., the right to use and occupy one or more timeshare real property units on a periodic basis according to an arrangement allocating the use and occupancy rights among similar users. The bill requires that timeshare offerings be registered with the board of realty regulation and that timeshare brokers and salespersons be licensed with the board. The bill also regulates the advertising of timeshares and requires the disclosure of certain information to the purchaser. In addition the bill regulates the transfer of a timeshare developer's interest. He stated that the bill was introduced at the request of the board of realty regulation.

The major feature is that before any timeshares can be offered they must be registered similar to a security although the requirements aren't nearly as burdensome. In addition, the advertising must be approved by the board of realty regulation. The salespersons would have to be licensed and currently there is no requirement, at all, that these persons must be licensed. There are certain disclosure requirements set forth in the bill, also, that would have to be presented to prospective purchasers, section 14 on page 12 of the bill. The three day right of rescission is also set by statute and that is a provision that can't be waived by a prospective purchaser. He also explained the giving of prizes and promotions which must be delivered on the day the person shows up. The board must be notified 14 days in advance of the offering of these prizes. Enforcement ability is given to the board if people violate the act; they have a cease and desist order to stop someone from selling and that triggers a 20 day process. It also establishes a filing fee and the initial fee is \$500 and for large timeshares it goes up above that. It also grants the board rulemaking authority and the act would not be effective until January 1, 1988.

PROPOSERS: Lyle McKinnon, Board of Realty Regulation, said they supported the bill because at the present time there is no law set up to regulate. Complaints are filed with the Department of Commerce and they then try to work out whatever they can without having any real authority to do so. There have been 220 complaints on the timeshare industry in a relatively short period of time and there were fewer than 100 timeshare salespersons. A total of 84 of them were resolved or settled. He said that from January 1, 1985 to January 1, 1987, the Board

of Realty Regulation received a total of 166 complaints and there are in excess of 5,300 real estate licensees. Of these complaints 27 are still pending leaving an 84% resolution rate. There are 53 times as many real estate salespersons as there are timeshare people yet the complaints on the timeshare are clearly much more prevalent than in the real estate business. The primary problems seem to be the contract area, the non-delivery of prizes, travel packages where they fail to honor vacation certificates, deceptive advertising in the values of the prizes as well as the high pressure sales tactics. He said he believed this legislation addressed the primary problems.

Lon Mitchell, Staff Attorney, Department of Commerce, said he was present at the hearing at the request of the Board of Realty Regulation and Sen. Mazurek. He said he and a number of other representatives of the industry worked together on this legislation and this is the end product. He said it would not solve all the problems of the timeshare industry, however, he felt it was a good step forward and said the timeshare industry must feel that way because they were not in opposition to it. In fact, they do support it. He felt the legislation is necessary.

Robert Holding, representing the Montana Association of Realtors, said they supported the bill and felt it was good for consumer protection. He said they think the timeshare business should be regulated which would lend itself to some professionalism as the salespersons would have to be licensed and work under the board of realty regulation.

Dave Lackman, lobbyist for the Montana Public Health Association, testified as a consumer and a timeshare owner and said he supported the bill very thoroughly. He felt the most important item in the bill is the three-day waiting period - the right of rescission. He stated that after the selling job everyone should have a cooling off period.

OPPONENTS: There were none.

DISCUSSION OF SENATE BILL NO. 213: Chairman Kolstad called for questions from the committee.

Sen. Williams said two years ago when the bill was before them he was in favor of the timeshares because he had had good experience with the people at Fairmont and still does. However, he tried Stoneridge and felt this is a good document after that experience. Stoneridge did not produce any of the promised prizes or promotional items.

Sen. Neuman questioned Mr. Mitchell if the fees were adequate to cover the administrative costs. Mr. Mitchell responded that it was the belief of the Board, the Department and himself that they were adequate.

Sen. Neuman noted that the attorney general is to be the enforcing officer in this bill and wondered if this had been discussed with that office. Mr. Mitchell stated that as the attorney for the board of realty regulation, he is also a special appointed assistant attorney general and he would handle the legal matters for the board of realty regulation.

Chairman Kolstad noted that there would be no additional FTE's that would be added because of this bill.

Sen. Hager asked if the bill passed, would a realtor be able to sell timeshares under a realtor's license. Sen. Mazurek responded that he would assume a realtor would be able to but he was not certain. Mr. Mitchell, however, said the timeshare legislation before the committee would not allow a real estate licensee to sell timeshares because the anticipated examination for the timeshare salespeople would have to do primarily with the timeshare industry, however a real estate person could take that exam also.

There being no further questions from the committee, Sen. Mazurek closed his presentation on SB 213.

DISPOSITION OF SENATE BILL NO. 213: Sen. Williams MOVED SB 213 DO PASS, seconded by Sen. Thayer. Mary McCue stated that there was an amendment that should be taken care of on page 14, line 25. She said the amendment had been given to her by her staff drafter and thought the amendment had come from Mr. Mitchell. The word "violate" on page 14, line 25 should be "voidable". Sen. Walker MOVED ADOPTION OF THE AMENDMENT, seconded by Sen. Hager. The MOTION PASSED UNANIMOUSLY.

Sen. Williams then MOVED SB 213 DO PASS AS AMENDED, seconded by Sen. Thayer. The MOTION CARRIED with Sen. Neuman voting "no".

CONSIDERATION OF SENATE BILL NO. 210: Sen. Thomas Keating, Senate District 44, prime sponsor, stated the bill provides that services provided by licensed professional counselors are included as compensable for the purposes of disability insurance and health service corporation plans. It also includes the services of licensed professional counselors in the definition of medical assistance for the purpose of Medicaid. He also gave some history of the bill request and explained how the professional counselors were left out of the previous statute. This bill would simply allow the professional counselors to provide the same service as the social workers and the clinical psychologists and have the same treatment and coverage from the insurance companies so they can receive third party payments just as their counterparts.

Sen. Keating said this would not raise insurance premiums. The set-up right now is not fair distinguishing between the different services.

PROPONENTS: Ted Doney, representing the Montana Mental Health Counselors Association, wanted to repeat what Sen. Keating had said - this bill is intended to mirror to the statutes exactly the same provisions that now apply for social workers and clinical psychologists. He said he had drafted this legislation and copied it from the codes as it is for social workers. They got their legislation through last session. There is one technical correction in the bill in the title, line 10, the section that is being repealed is not correct - it should read 33-30-1012 and that would be true in the repealing section on the last page. (EXHIBIT 1)

Joan Rebesch, Director of Social Services at the Deaconess Intermountain Home for Children, spoke at the hearing in the capacity of Vice President of the Montana Mental Health Counselors Association and wanted to bring out some of the things that the opponents would speak to. First of all, she said, the insurance people would say this is going to cost more. She referred to a handout that was provided to the committee. (EXHIBIT 2) She urged the committee's support of SB 210, as it would save money in the long run.

Dwight Leonard, Licensed Professional Counselor, said he had been working in private practice about the last five years with two psychiatrists, a clinical psychologist and one psychiatric social worker. He also gave his education and qualifications. He said part of the reason he would like to see this bill passed is it would give freedom of choice. He spoke about the competency requirements of their profession, i.e., a board of ethics, continuing education, etc. He felt there would be more counselors than clinical professionals.

Sally McCarthy, Montana Mental Health Counselors, licensed in the state as a professional counselor stated her educational and qualification backgrounds. She said she does evaluations for the court, for attorneys, for social services and other mental health professionals. She said at the present time, because she is not able to collect third party payments, only those people in the higher economic social level can afford the service. She stated she would like to be able to provide that service to those other people who have insurance and would like the services.

Carl Boedek, Counselor in private practice in Missoula and a licensed professional counselor, commented that they are talking not about professional counselors but licensed professional health services and it is important to remember the difference between the licensed and unlicensed. He said there is always in the public view some kind of an image of different professions

and they believe that psychiatrists are at the top, then clinical psychologists and the social workers and on down. He said that image is incorrect - all professions have different types of people who choose different routes within those professions. Another point he made was that they would not be in private practice if they were incompetent; most of their business is referrals. He said in Missoula, persons going to the established centers for drug or alcohol counseling, wait up to two months on occasion for treatment. If the counselors who specialize in this area were eligible for third party payments they could see them. He said he turns people away because they say their insurance won't pay for treatment. This is unfair that they must wait this long, and sometimes longer, to receive treatment.

Jan Shaw, serving on the Board of the Montana Residential Child Care Association which represents over 38 child care agencies throughout the State, urged the support of SB 210.

OPPONENTS: Joy McGrath, representing the Mental Health Association of Montana, appeared in opposition to the bill.

Steve Waldron, representing Montana's Community Mental Health Centers, stated that some of the proponents to the bill had very impressive credentials and if the bill required those credentials they would not be before the committee to oppose the bill. He felt the current regulations pertaining to counselors is quite loose and said it was only last October that they began licensing their people, however, the law has been on the books since the last legislature. Until they are assured that these people have training in diagnosis and treatment of mental illness, they didn't think the bill should be passed. He urged the committee to not pass the bill until the current requirements for counselors assure that those counselors will, in fact, have the training to treat mental illness.

Pat Callbeck Harper, Montana Psychological Association, brought copies of testimony from Dr. William Bredehopt, a practicing clinical psychologist in Billings. (EXHIBIT 3)

Annie Bartos, Attorney in Helena, represented the Montana Medical Association, who wished to be on record in opposition to the SB 210.

Steve Brown, Blue Cross/Blue Shield, said it had been their experience, as a general rule, if you increase the number of providers who are entitled to third party reimbursement, there would be an increased cost associated with the reimbursement for those services. He believed that was supported in the testimony by the proponents. The fact that psychologists, psychiatrists and social workers being booked up is not going to go away just because the licensed professional counselors will be entitled to third party reimbursement. He said there would be a significant increase in the total payout.

He stated that Blue Shield/Blue Cross believe there is a vagueness in the definition of what a professional counselor does. He asked the committee to refer to section 37-23-102, the definition of a professional counselor, which he read to the committee. He said he did not think this provides any limitation on the kinds of services provided by a professional counselor. He urged the committee to give the bill a Do Not Pass recommendation in its present form.

Tom Hopgood, representing the Health Insurance Association of America, appeared in opposition to the bill. He said he hadn't seen any consumer groups or consumers saying they want the services of a licensed professional counselor but they can't get it because the insurance doesn't pay for it. The law now requires every company in the state of Montana to make this type of coverage available. You compound that increased premium when there is mandatory third party payments. With mandatory coverage the premiums go up and again go up with mandatory third party payments.

DISCUSSION OF SENATE BILL NO. 210: Chairman Kolstad called for questions from the committee.

Sen. Williams questioned Sen. Keating about a statement of intent for the bill as he felt there should be one. Sen. Williams said he understood the intent of the bill is for third party payment. Sen. Keating said the bill puts the licensed professional counselors into the same part of the law as social workers which allows them third party payments for insurance coverage for their services.

Sen. Weeding asked Sen. Keating about the statement that this might open the door to high school counselors or alcohol counselors and wanted to know if there was any substance to that. Sen. Keating replied that the bill is talking about licensed professional counselors - the law already provides that a professional counselor, or any counselor, who wishes to become licensed must go before the Board and pass the test and pass the Board in order to become licensed. In this way it is not just somebody off the street that will hang out their shingle and start collecting third party payments.

Sen. Neuman pointed out that the proponents said there wouldn't be an increase to the State in medicaid costs and the opponents said the opposite was true and asked Sen. Keating to address that. Sen. Keating said under insurance policy payments, benefits are usually limited and specified so certain benefits get a certain amount and the same with medicaid. Social workers are paid a certain value for their services under the medicaid schedule or under the insurance schedule; professional counselors would fall into that same category and be paid probably that same reimbursement which would be equality in payment for services.

Sen. Neuman wanted to know if the price would go up. He said Rep. Winslow had told him there was a \$10 million shortfall in the medicaid program. He said he understood the equality part of the bill but asked if there wouldn't be a significant increase in cost. Sen. Keating said there are 100 licensed social workers and 46 licensed professional counselors and said no one in opposition to the bill had demonstrated that when the social workers were licensed and came under the same law that there was a tremendous impact on medicaid or consumers from the coverage of social workers who are at least double in number.

In response to a question from Sen. Thayer, Mr. Hopgood said it was a demonstrated fact when you have mandated coverages and mandated third party payments that premiums do go up. Sen. Thayer asked the same question of Steve Brown who represented Blue Shield/Blue Cross. He replied that he would get some figures together for the committee. It only stands to reason when you increase the providers the cost will increase also.

Sen. Williams asked if the insurance companies single out providers of services like this; do they zero in on them and adjust their rates? Chuck Buttler, Blue Cross/Blue Shield Vice President, said premiums are established based on utilization of care and if they add another provider group the cost of the coverage will go up as the utilization of the services will be increased. The individual charges are not any higher or lower; it is just that there are more providers of services.

Sen. Weeding asked Mr. Hopgood if most policies don't have a mental health clause in them and would they not cover the area of professional counselors at this time? Mr. Hopgood said mental health coverage is mandated at the present time so whether there is a clause in the contract or not it is covered automatically by the operation of law. The Freedom of Choice Act provides that if the services are provided by certain types of practitioners then third party payments are authorized. The law currently provides if somebody wants to see a licensed professional counselor - if they want that type of insurance it is there - the company doing business in the state of Montana has to offer licensed professional counselor coverage as an option. It would be up to the company if they were going to charge an extra premium for that but he presumed that they would charge extra for that.

There being no further questions, Sen. Keating closed stating that the bill is not a health issue; it is a business issue and that is why it is in this committee. He said he knew from personal experience what it means to not have insurance coverage for counseling. He said the committee must take into consideration the fact mental health counseling early on is a savings

and did not understand the insurance companies objecting to a miniscule addition to premiums for a few licensed professional counselors when some less expensive counseling by these people can actually evoke a savings in physical health and mental health that would be covered under their insurance policy. He said it has been statistically proven that people with mental health problems, or emotional problems, have more medical problems also, and medical problems are expensive; so, for a little bit of inexpensive mental health counseling they could negate a bunch of physical medical expense. He said we have already established that social workers and licensed professional counselors are the same, come under the same board, are licensed through the same process and are supposed to receive equality under the law but they are not and that is the issue - equality under the law.

The hearing was closed on Senate Bill 210.

CONSIDERATION OF SENATE BILL NO. 237: Sen. Paul Boylan, District 39, Bozeman, chief sponsor of SB 237, said the bill amends the minimum wage and overtime compensation laws to provide that radio and television station advertising salesmen are excluded from the overtime compensation requirements. The effect is that an employer would not have to pay these persons at the overtime rate of 1 1/2 times the hourly wage for hours worked over 40 per week. This exclusion applies to "a salesman paid on a commission or contract basis who is primarily engaged in selling advertising for a radio or television station employer."

PROPOSERS: Jerome Loendorf, representing the Montana Broadcasters' Association, said the bill is a simple bill and he did not believe there were any opponents to it. He pointed out the other people that have been exempted from the law for overtime pay such as people who sell automobiles, trailers, boats, aircraft, etc. Federal law exempts from the Federal Fair Labor Standards Act all outside salesmen. These people work away from the employer's place of business so they are not under the supervision of anyone. They are almost in business for themselves as they are paid on a commission basis. Salesmen work at different hours than the rest of us; lunch, coffee, breakfast or after hours. He said there are good reasons to allow them that liberty and asked for a do pass recommendation from the committee.

Dan Schneider, Montana broadcaster and General Manager of KCAP in Helena, said the bill would not restrict their movements and tie their hands or hamper their abilities to make money - it would do the opposite. He said that any person that wishes to work long hours in the day and make more money deserves a pat on the back and encouragement as that would keep the innovation in the state of Montana and asked the

committee to exclude these people.

Chairman Kolstad relinquished the Chair to Vice Chairman Neuman.

OPPONENTS: There were none.

DISCUSSION OF SENATE BILL NO. 237: Chairman Neuman called for questions from the committee.

Sen. Walker asked what the need was for the bill? He understood a salesman is a salesman and thought they were all exempt. Mr. Loendorf said they were not exempt from State law, according to the Department of Labor.

Sen. Thayer said apparently the State of Montana is exempting these salesmen one at a time and asked Mr. Loendorf to address the exemption under federal law. He asked why we don't adopt the Federal law and be done with it. Mr. Loendorf said they felt confident that there would be no opposition to this bill.

Sen. Williams asked how the newspapers handle this. Mr. Loendorf said newspapers are not presently exempt but he said they were starting a bill in the House to deal with newspapers.

Sen. Walker asked Mr. Loendorf what sales people in our state are exempt to which Mr. Loendorf referred to the bill.

In closing, Sen. Boylan said the way the law is written now they can file a suit against the people for whom they work for the hours. He referred to a suit that had been filed and was successful under the present law.

Sen. Williams asked Sen. Walker if he knew of any problem that labor has with this type of bill. Sen. Walker replied that labor was not in attendance at the hearing because of five other committee hearings going on at the same time.

The next meeting of the Business and Industry Committee will be held on Friday, February 13, 1987. There being no further business before the committee, Chairman Neuman adjourned the hearing at 11:47 a.m.



SEN. ALLEN C. KOLSTAD, CHAIRMAN

ROLL CALL

Business & Industry COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date 2/12/87

NAME	PRESENT	ABSENT	EXCUSED
ALLEN C. KOLSTAD, CHAIRMAN	✓		
TED NEUMAN, VICE CHAIRMAN	✓		
PAUL BOYLAN	✓		
TOM HAGER	✓		
HARRY H. McLANE	✓		
DARRYL MEYER	✓		
GENE THAYER	✓		
MIKE WALKER	✓		
CECIL WEEDING	✓		
BOB WILLIAMS	✓		

Each day attach to minutes.

COMMITTEE ON

Business & Industry Thursday
 DATE Febr. 12, 1987

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
BOB HELDING	MT. ASSOC. OF REALTORS	SB 213	X	
Jean Rebeck	Mont Ment Health Couns	SB 210	X	
Jelly McLaughlin	" " " "	" "	X	
Joni Shaw	MT Residential Child Care	210	X	
J. Dan Snyder	MONTANA BROADCASTERS	237	X	
Robert C. Murray	Montan Broadcasters	237	X	
John L. Mosher	Montana Broadcasters	237	X	
Dean Williams	MT. BROADCASTERS	237	X	
Clay McVicker	Mental Health Insight	210		X
Pat Calhoun Stayer	Int Psychological Assoc	210		X
Stone Waldron	Mont. Council Mental Health Ctr	210		X
Don B. ...	MT Broadcasters Assn	237	X	
...	MT Broadcasters	237	X	
...	State Personnel	210		
ANNIE BARTOS	MONTANA MEDICAL ASSO	210		✓
Steve Brown	Blue Cross - Blue SH.	210		X
Ken ...	Health Insurance Assoc	210		X
SARAH HEROLD	Counselors	210	X	
Lois Mitchell	Dept of Commerce / Bd of Health Reg	213	X	
Lynda ...	Board of Quality Prof	213	X	
A. Clark Auburn	Mental Health - Reg			X
David L. ...	MT Public Health Assn	213	X	
Mike ...	Clinical Department Reg	219		
...	Mont. Broadcasters	237	X	
...	SEN. ...			
...	M.B.A.	237	✓	

EXHIBIT NO. 1DATE 2-12-87BILL NO. SB 210

EXPLANATION OF SENATE BILL 210

Prepared by Montana Mental Health Counselors Association

Senate Bill 210 revises existing law to provide for third party payments to professional counselors who are licensed by the Board of Social Work Examiners and Professional Counselors. In other words, it provides that professional counselors can be paid for their services through insurance coverage, including regular health insurance, group health insurance, and medicaid.

Professional counselors are licensed in Montana through the Board. To be licensed under current law, a counselor must have a graduate degree in a counseling field; have completed 2,000 hours of postdegree work experience as a counselor in a hospital, school, agency, or other supervised setting; and have passed an examination administered by the Board. To be licensed after December 31, 1987, a counselor must have completed a planned graduate program of 90 quarter hours, primarily counseling in nature, nine quarter hours of which were earned in an advanced counseling practicum, which resulted in a graduate degree; have completed 2,000 hours of counseling practice supervised by a licensed professional counselor or licensed member of an allied mental health profession; and have passed an examination administered by the Board.

Professional counselors consist primarily of mental health counselors in alcohol and drug counseling, family and marriage counseling, and employee and student counseling. They are very comparable to social workers.

Currently there are 46 professional counselors licensed by the Board; 24 more applications are pending. There are currently 149 licensed social workers, and it is estimated that approximately that same number of professional counselors will eventually be licensed in Montana. Only 39 of the 149 social workers are registered as medicaid providers with SRS, and about the same number of professional counselors will probably register for medicaid coverage.

Senate Bill 210 was drafted to provide exactly the same insurance coverage as is now provided in the statutes for social workers. Because of the close similarity in the two professions, the professional counselors believe that Senate Bill 210 only corrects an inequity that was created when the professional counselors' licensing legislation was enacted in 1985. During that same legislative session, legislation was enacted that provides social workers with third party payments. At that time, however, the professional counselors had no licensing law.

There is ample evidence that enactment of Senate Bill 210 would not increase medical care costs, including costs for insurance coverage. In fact, the opposite is likely to occur, as shown by recent studies that indicate that early and competent mental

health counseling results in considerably reduced medical care needed at a later date. Data on the results of these studies, including one done by Blue Shield of Pennsylvania, is available from the Montana Mental Health Counselors Association.

The Montana Mental Health Counselors Association urges the Legislature to enact Senate Bill 210.

Joan Rebesch

SENATE BUSINESS & INDUSTRY

EXHIBIT NO. 2

DATE 2-12-87

BILL NO. SB 210

Information regarding

Senate Bill 210

provided by the

Montana Mental Health Counselors Association

Montana is a state in which medical service is in short supply, medically underserved, qualifying the state for special programs to attract doctors. A National Institute of Mental Health study reveals that reducing insurance coverage for mental health care may be a short-sighted approach to health care cost containment.

The study compared overall health care costs for Federal Employees Health Benefit Program enrollees who did and did not use mental health services from 1980 to 1983.

The researchers found that the overall health care costs for individuals receiving mental health treatment rose gradually during the three years prior to treatment, and then dropped significantly following treatment entry.

"Although the study population -- federal employees -- is not necessarily representative of other insured groups, the findings indicate that the use of mental health coverage may provide an important vehicle for reduction in general health care use and costs," said Paul Widem, coordinator of the study at NIMH.

The drop in general health care costs for persons eventually receiving mental health treatment was "dramatic" according to Widem. He added that the results "call for a rethinking of any attempt to reduce mental health coverage."

The study found that total monthly health care costs of mental health care recipients increased from about \$103 three years prior to treatment to more than \$493 during the six months before treatment. Costs declined to an average of \$239 per month during the first six months of treatment and three years after treatment initial costs fell to \$137 per month.

Today, most Americans have more health insurance coverage to pay for physical ailments, such as a broken leg or cardiovascular disease, than for mental disorders. Yet the odds of needing mental health treatment are five times higher than needing open heart surgery, the experts say. During any 6-month period, approximately 29.4 million adult Americans suffer from one or more mental disorders (1).

Equitable Group and Health Insurance Co., New York, finds fewer employees go on disability and take long leaves of absence, saving money on health benefits, as the result of its "personal concerns" counseling program. Better benefits can cut overall medical bills, says Towers, Perris, Forster & Crosby, New York, consultant.

In cases where the availability of outpatient Mental Health coverage does increase demand, it is possible that this increase is balanced by a decrease in medical or inpatient Mental Health claims. When outpatient coverage is limited or not offered, patients seeking help may resort to medical or inpatient treatment, at a higher expense to the insurer. Sharfstein (2) reports that in 1973-4, physicians reported 13 million office visits for colds, 18 million for back problems, 12 million for headaches, and 12 million for fatigue. Summaries of studies of offsets in medical utilization show that in general psychotherapy

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permits a reduction in medical utilization of around 20 to 25 percent. As for inpatient usage, one cost utilization study calculated that the cost of a neighborhood Mental Health unit could be met through the cost of only six chronic patients who would otherwise be institutionalized. So although demand for outpatient services may increase as a result of expanded coverage, this increase may actually be representing a transfer of costs from medical and inpatient sources, resulting in overall savings for the insurer. (2).

A 1984 study by National Institute of Mental Health (3) states that 20% of the population of the U.S. over age 18 suffers from a mental disorder. 12% of these under 18 -- 32% in all. At risk groups include those in rural areas and low socio-economic groups.

A study of Federal employees insured by Blue Cross/Blue Shield (4) supports the contention that mental health treatment can cut medical costs. Research was conducted by tracking patients who suffered from heart disease, respiratory problems and diabetes. Total health care costs were reduced by 57% by the end of the second year and 66% by the end of the third year after diagnosis for those who had received counseling than for those who did not. Mental health treatment was cost effective for those who had a minimum of seven visits. The research concluded that those who receive mental health treatment were more likely to improve health related behaviors.

From data collected over a period of 18 years at the Kaiser Permanente HMO in California, N.A. Cummings reported that mental health treatment does reduce medical costs. Some of his conclusions were: (1) 60% of all medical patient care was due to mental rather than organic illness. (2) Even one visit to the mental health provider can reduce medical care by 60% over the next 5 years. (3) Six visits can reduce medical care utilization by 75% over the same time period (5 years). (4) A 12% reduction in the total medical care costs and a 68% reduction in hospital days were calculated by the 5th year after mental health treatment. Brief intervention, an average of 8 visits, seemed to be most cost effective. Cummings concluded that mental health treatment more than pays for its way by reducing medical costs. He also reported the 29 additional studies previously funded by the federal government replicate his findings.

At the University of Colorado, School of Medicine and the Denver VA Medical Center, Mumford, Schlesinger, and Glass (5) found that surgical or coronary patients who received mental health treatment left the hospital an average of two days earlier than those who did not. Mental health treatment can be cost effective, the study concludes.

Schlesinger, Mumford, Glass, Patrick, and Sharfstein (6) compared chronically ill federal employees covered with Blue Cross and Blue Shield from 1974 through 1978 who were first diagnosed and within one year began mental health treatment to persons who were also diagnosed but had no subsequent mental health treatment. In the third year following diagnosis, those having seven to twenty mental health treatment visits had medical charges \$309 lower and

those having over 21 visits had medical charges \$284 lower than the comparison group. The savings in medical charges over the three years of the group having 7 to 20 mental health visits were a function of lower use of inpatient services and roughly equalled the cost of 20 mental health visits. The researchers concluded that outpatient mental health treatment can be included in a fee-for-service medical care system to improve the quality and appropriateness of care and, if not extensive, may also serve to lower medical care costs.

Schlesinger, Mumford, and Glass (7) analyzed 510 outcome indicators from mental health treatment experiments that had economic implications, such as days lost from work, days of hospitalization, etc. and found that the average mental health treated person exceeded the average control subject by .51 to .78 standard deviation units. They reported that the effects of mental health treatment upon use of other medical services showed an average reduction of up to 20 percent. Jones and Vischi (8) review the studies of the effects of alcohol, drug abuse, and mental health treatment yielded similar findings.

Jameson, Shuman, and Young (9) conducted a study of a fee-for-service system which covered up to 50 visits per year of outpatient mental health treatment and considered only the effects of hospitalization and certain hospital -- based outpatient services. They found a reduction of about 30% in medical costs.

Lieberman (10) conducted a study funded by the National Cancer Institute at the Jefferson Medical College in Philadelphia. Lieberman reported that mental health treatment was effective in controlling cancer pain and reduced admissions to the hospital. The findings of this study add support to the fact that mental health treatment can be cost effective.

Margollis (11) reported first hand experience in the ability of mental health treatment to lower medical costs. As a consultant to the Hemophilia Foundation, she found that not only was the number of problem patients substantially decreased with mental health treatment, but it also prevented a significant number of patients from developing chronic mental health problems.

Sharfstein (12), who is Assistant Medical Director of the American Psychiatric Association, reported definite evidence that mental health treatment does cut medical costs.

Blue Shield of Pennsylvania (13) found medical-surgical expenditures reduction of 57% among patients when a two year period after mental health treatment was compared to a similar period before.

Twelve of 13 mental health studies (14) conducted over a period (1962-1978) showed a reduction of medical care utilization following mental health treatment from 5% for outpatient services to 85% for hospital stays. The median reduction was 20%.

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Psychiatrists' Fees

The median fee charged by psychiatrists for individual therapy is \$70.00, the modal or more popular fee is \$60.00, while 6% charges \$100.00 or more per hour (15). The same report found that they charged a median fee of \$100.00 for family therapy with 15% charging \$150 or more. GLS Associates (16) reported the average fee charged by psychiatrists to be \$65.00. Covin (17) reported median and modal fees of \$40.00 for both family and individual therapy charged by doctoral level Licensed Professional Counselors in Alabama. Weikel, et.al., (18) reported an average fee of \$35.00 for individual therapy charged by counselors throughout the United States. Seligman and Whitley (19) reported an average fee of \$41.95 for individual therapy charged by counselors in Virginia.

Psychologists' Fees

The average fee charged by a psychologist is \$53.00 according to GLS Associates (20). Covin (21) found the average fees charged by those counselors below the doctoral level to be \$43.97, for counselors at the Ph. D. level to be \$43.75 and for counselors at other doctoral levels (Ed. D., S.T.D., and D.D.) to be \$48.32. Weikel, et. al., (22) reported an average fee of \$35.00 for individual therapy charged by counselors throughout the United States. Seligman and Whitley (23) reported an average fee of \$41.95 for individual therapy charged by counselors in Virginia.

Increased availability of mental health treatment services does not mean drastically higher medical care costs according to a study by researchers at the Rand Corporation (24). They found that only 9% of those with full mental health care coverage for up to 52 visits per year received any mental health treatment and only 5% underwent counseling. Only a small percentage of those with liberal mental health benefits actually used it. The same study also found that there were about the same number of people utilizing medical doctors, the general practitioner and internist for informal counseling as there were those using psychiatrists and other mental health providers for "formal" counseling.

The availability of mental health services in a health contract does not increase the use. Rand Corporation (25) researchers found that the pattern for the use of mental health services in contracts was not significantly different from the pattern of use of the other health services under similar contracts.

Increased availability of mental health services through third party payments does not equal increased use, according to a Department of Defense study of its CHAMPUS program (26). The researchers found that CHAMPUS, which offers some of the most liberal benefits of all insurance contracts, yielded the second lowest counseling utility charges of any five Federal Employee Programs. Among the 8 million people eligible for CHAMPUS, the per capita dollar utilization rate was \$24.13 per covered person.

A comparison of this rate with the utilization charges of the other programs reveals the stresses of diplomacy produce a \$89.46 rate for Foreign Service employees, those covered by Blue Cross/Blue Shield have a \$46.35 rate, and those insured by Aetna

have a \$29.09 rate. Letter carriers have the lowest rate, a \$19.22 per capita charge (27).

Researchers at the Rand Corp, a Santa Monica based think tank, reported in 1983 that employers or insurance companies would face only a small increase in costs if they offered full mental health coverage to participants in health care plans.

The federally funded study of 7,706 randomly selected people found that a full coverage health care plan paid out an average of only \$24 a year per insured family for mental health treatment -- about 5% of the amount paid for all health services. Only 5% of those with full coverage underwent psychotherapy.

In Virginia, Blue Cross and Blue Shield recognized in 1984 that Professional Counselors' services were covered under their standard policies.

A 1983 ruling by Florida's Insurance Commission made state counselors eligible recipients of third-party payments. The action, keeping with the state's freedom of choice legislation, required group insurance policies covering mental or nervous conditions to include counselors as service providers.

In 1980, licensed professional counselors were included by the U.S. Office of Personnel Management as health care providers whose services were reimbursable under federal employee insurance contracts. To qualify, counselors must serve consumers in areas designated by the OPM as having shortages in primary medical care manpower.

The Los Angeles Times, February 23, 1986, wrote the Legislature in California is preparing to consider a proposal that would require all health insurance sold in the state to contain minimum coverage for mental health treatment. This bill would require all mental health insurance co-payments and deductible charges to be the same as for other health insurance. The bill would place a lifetime maximum benefit per individual at 20% of the total major medical insurance coverage or \$100,000 whichever is less. Similar measures have been enacted in 14 other states.

The United States Office of Personnel Management (OPM) no longer supports the view that mandating coverage of additional categories of mental health providers will lead to the inevitable increase in and utilization of and consequently in costs paid for the delivery of psychotherapy. In the March 1986 report, the OPM recommended the separate evaluation of each category of health care practitioners in order to determine the quality of care issues. Criteria for the evaluation include the existence of a clearly defined body of knowledge, a body of professional standard practices to be adhered to, and some form of accreditation or certification process.

This opens the door for mental health counselors who have met National Academy of Clinical Mental Health Counselor certification to be approved by health care providers by the OPM. Thus their services can be recognized and reimbursed under the

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more than 300 Federal Employees Health Benefit plans.

In 1985, Blue Shield of California agreed to include licensed marriage, family and child counselors as "participating health care professionals" in its medical coverage plans.

Colorado Insurance Commissioner J. Richard Barnes required in February 1984 that counselors' services be recognized and paid for by health insurance companies operating in that state.

On June 3, 1985, the United States Supreme Court upheld the constitutionality of a Massachusetts law which mandated minimum mental health benefits be provided state residents insured under health insurance policies. Thus, mandated mental health coverage is a function which can be controlled by state government.

Fees charged by counselors range on average between \$35.00 and \$50.00 per 50 minute session compared with \$60.00 to \$70.00 for a psychologist and \$100.00 and more by a psychiatrist. Some cases should be seen by a psychiatrist and knowledge of referral is expected of a counselor, but well over 50% of the counseling that is done is presently being done by counselors.

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26. Persons eligible for CHAMPUS are modest users of psychotherapy services. PSYCHOTHERAPY FINANCES, 10 (8), 1983, p. 8.

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EXHIBIT NO. 2

DATE 2-12-87

BILL NO. S.B. 210

27. A Perspective on Third Party Reimbursement and the Licensed Professional Counselor in Alabama. Theron Michael Covin, Ed. D., LPC, NCC, CCMHC, Center for Counseling and Human Development, Ozark, AL, 1985.

NAME: Pat Calbeck Harper for Br. Wm. Bredeloft DATE: 2-12-87

ADDRESS: 3112 Farnam, Billings SENATE BUSINESS & INDUSTRY

PHONE: 0: 256-2560 EXHIBIT NO 3
DATE 2-12-87
BILL NO. SB-210

REPRESENTING WHOM? MT Psychological Assoc.

APPEARING ON WHICH PROPOSAL: SB 210

DO YOU: SUPPORT? _____ AMEND? _____ OPPOSE? X

COMMENTS: Attached.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

SENATE BUSINESS & INDUSTRY

EXHIBIT NO. 3

DATE 2-12-87

BILL NO. SB-210



MONTANA
PSYCHOLOGICAL
ASSOCIATION

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WILLIAM BREDEHOFT Secretary	256-2560
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MONTANA
PSYCHOLOGICAL
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WHO ARE WE?
WHAT DO WE DO?
HOW CAN WE HELP YOU?

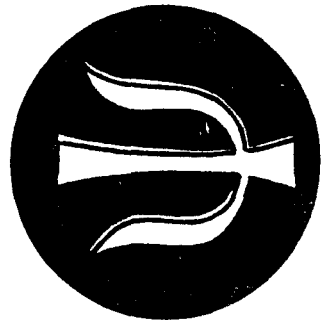
WHO ARE WE?

The **MONTANA PSYCHOLOGICAL ASSOCIATION** is a professional organization of approximately one hundred persons trained in psychology. Our members live and work in all parts of Montana.

The purposes of the Association are:

- To advance psychology as a science and as a means of promoting human welfare.
- To foster and maintain high standards of research, teaching and practice in the field of psychology.
- To make available to the public, information regarding psychology as a science and profession.

MPA is affiliated with the **AMERICAN PSYCHOLOGICAL ASSOCIATION**



WHAT DO WE DO?

You'll find us in all areas of the state in many different work settings. As psychologists, we:

- Conduct basic **RESEARCH** to better understand the complexities of human behavior. Most **MPA** members are trained researchers; the advancement of knowledge is central to our profession.
- **TEACH** in secondary schools, universities, and graduate schools.
- Work in **MENTAL HEALTH FACILITIES** and **HOSPITALS** as therapists, researchers, planners, and administrators.
- Work within the **JUDICIAL SYSTEM** helping to find better answers to complex human problems.
- Practice in **CLINICAL SETTINGS** offering assessment and therapy.

- **CONSULT** with business, industry, schools, and government, showing how use of psychological principles can improve performance, satisfaction and health.
- **WRITE** articles and books on a multitude of issues.
- **PROVIDE INFORMATION** to the media, government, organizations, and the public.

HOW CAN WE HELP YOU?

--CONSUMER PROTECTION--

- **MPA** assists the community by reviewing and insuring that acceptable standards of mental health care are being applied to psychologists.
- **MPA** works to reduce the cost of health care by monitoring insurance coverage for mental health services.

--PUBLIC INFORMATION & EDUCATION--

- **MPA** keeps the community informed about psychology and psychologists. We help community members know who psychologists are, what we do, and how we can be of help.
- **MPA** provides educational opportunities for our members and other professionals to advance their knowledge and skills.

- **MPA** helps educate the community about social issues involving psychology as well as advances in psychology that help promote community welfare.

--LEGISLATIVE SUPPORT--

- **MPA** provides information and testimony to the legislature in order to enhance public well-being.

Testimony of Dr. William Bredehoft on behalf of the ~~Montana~~ Psychological Association on SB 210, February 12, 1987
DATE 2-12-87
BILL NO. SB-210

Many of us in the mental health community are concerned about the effect SB 210 will have. Providing third party payments for counselors carries with it the assumption and implication that licensed counselors have adequate training and experience to diagnose and treat mental illness. Unfortunately, this is not the case under the current licensure law for counselors. The law is so weak that there is no assurance that a licensed counselor will be capable of diagnosing or treating mental illness.

A comparison of the licensing laws for psychologists, social workers, and counselors makes the weakness of the counselors' law apparent. To be licensed, a psychologist must have a doctorate degree in psychology and two years of experience supervised by a licensed psychologist, that is, someone with extensive experience in the diagnosis and treatment of mental illness.

Social workers need a doctorate or masters degree in social work and one and one-half years of post-degree work experience providing psychotherapy.

In contrast, counselors need only have a graduate degree from a planned graduate program which was "primarily counseling in nature" and one-half year of post-degree practice, which can be supervised by another counselor.

The problem with the counselors' licensure law is that someone could complete a program in rehabilitation counseling or school counseling and have very minimal exposure to diagnosing and treating mental illness; then work for only one-half year supervised by a counselor who also has inadequate training in diagnosing and treating mental illness; and then be licensed as a counselor.

Thus the public has no assurance at all under the current law that a licensed counselor will be able to diagnose or treat mental illness. Until the law is strengthened to adequately protect the consumer, it would be folly to further legitimize counselors in the public's eye by authorizing third party payers to cover therapy with them.

To safeguard the public's interests, the counselor's licensure law should be amended and strengthened to guarantee that any licensed counselor will have adequate training and experience to diagnose and treat mental illness. Until this is accomplished, it is the position of the Montana Psychological Association that counselors should not be granted credibility in this area or encouraged to open private practices when they may lack the fundamental skills necessary to diagnose and treat mental illness.

Dr. William Bredehoft, practicing clinical
psychologist, 3112 Farnam, Billings
Office: 256-2560

STANDING COMMITTEE REPORT

FEBRUARY 12, 19 87

MR. PRESIDENT

We, your committee on.....**BUSINESS AND INDUSTRY**.....

having had under consideration.....**SENATE BILL**..... No. **213**.....

FIRST reading copy (WHITE)
color

REGULATING THE OFFERING AND SALE OF TIMESHARES

Respectfully report as follows: That.....**SENATE BILL**..... No. **213**.....

be amended as follows:

1. Page 14, line 25.
Strike: "violated"
Insert: "voidable"

AND AS AMENDED

DO PASS

~~XXXXXXXXXX~~

.....
SENATOR KOLSTAD

Chairman.