STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE
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DOUGLAS M. SIZEMORE
COMMISSIONER

BULLETIN

TO: **All Health Maintenance Organizations Doing Business in Tennessee**

FROM: **Douglas M. Sizemore, Commissioner**

RE: **Filing Requirements**

DATE: **October 28, 1996**

Since the issuance of the Department's February 15, 1996 Bulletin regarding filing requirements for HMO's, the Department has received a number of inquiries, especially in regard to the section concerning lifetime limits on benefits and percentage co-insurance. Specifically, commercial HMO's have asked about limitations on rehabilitative services, psychological care services and/or alcohol/substance abuse services in commercial plans. As a clarification to the previous bulletin, Tennessee Code Annotated Section 56-7-2602 provides that all insurers and health maintenance organizations must offer benefits under group policies or contracts for care and treatment of alcohol and other drug dependency that are no less favorable than for physical illness generally. If the policyholder rejects the offer of coverage, then alternative levels of benefits may be negotiated. Consequently, under Tennessee law an HMO may offer reduced benefits for alcohol/substance abuse if an offer of full coverage has been rejected by the policyholder.

However, there is no such statute applicable to HMO's in regard to rehabilitative services or psychological care. (There is a provision, Tennessee Code Annotated Section 56-7-2601, providing for an offer of coverage for mental illness similar to the previously mentioned offer for alcohol and/or substance abuse; however, that statute is not applicable to HMO's.) Based on a review of Tennessee statutes, including the definition of basic health care services in Tennessee Code Annotated Section 56-32-202 (1), the department considers rehabilitative services and psychological care services to be within the definition of basic health care services and to be covered as any other illness.

The Insurance Division, which reviews commercial HMO filings, will not approve new contracts (policies) unless rehabilitative services and psychological care services are covered as any other illness. There are, however, a number of previously approved filings with limitations on those services. Renewals of those existing contracts will not be required to comply with this bulletin until the first renewal after July 1, 1997.

NOTE: This memorandum has no application to any TennCare line of business conducted by HMO's. The TennCare program is administered by the State of Tennessee through a waiver granted by the federal government and is designed to provide certain basic health benefits to Tennessee's Medicaid and uninsured/uninsurable population. The TennCare program is therefore subject to specific constraints not applicable in the commercial market.

cc: Bill Young, Deputy Commissioner for TennCare
John Lyle, Assistant Commissioner for TennCare
Sharon Roberson, Assistant Commissioner for Insurance