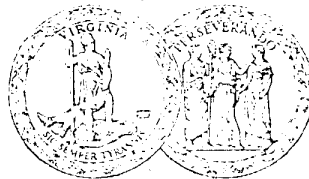


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STATE CORPORATION COMMISSION BUREAU OF INSURANCE

DATE : October 11, 1977 1977-15

TO : ALL COMPANIES LICENSED TO TRANSACT ACCIDENT AND SICKNESS
INSURANCE IN VIRGINIA: and
ALL PREPAID HOSPITAL, MEDICAL AND SURGICAL PLANS LICENSED
IN VIRGINIA PURSUANT TO TITLE 32 OF THE CODE OF VIRGINIA

SUBJECT: AMENDMENT OF SECTION 38.1-348.7 OF THE CODE OF VIRGINIA
RELATING TO COVERAGES FOR MENTAL, EMOTIONAL OR NERVOUS
DISORDERS, ALCOHOLISM AND DRUG ADDICTION.

Attached is a copy of Section 38.1-348.7 of the Code of Virginia as amended and reenacted by the General Assembly of Virginia during its 1977 Session.


The Section now provides that:

- (1) "Mental, emotional or nervous disorders" as used in the Section shall include physiological and psychological dependence upon alcohol and drugs; AND
- (2) On and after November 1, 1977, every insurer which proposes to issue a group hospital policy or a group major medical policy in this State and every nonprofit hospital and medical service plan which proposes to issue hospital, medical or major medical service plan contracts which provide coverage for the insured or the subscriber shall - in the case of outpatient benefits - make available additional benefits for the care and treatment of mental, emotional or nervous disorders as specified in subsection B. of the Section.

IMPLEMENTATION

The following action must be taken by each insurer or prepaid plan concerned:

- (1) Incorporate the broadened definition of "mental, emotional or nervous disorders" in your operating procedures including claim evaluation;
- (2) Prepare a "notice of availability" for use in connection with an application for coverage to establish a record of the additional coverage having been offered;
- (3) Prepare and submit for approval in accordance with form filing instructions a rider or endorsement pursuant to the specifications in subsection B. of Section 38.1-348.7 of the Code of Virginia to be used with policies or service plan contracts in those cases where the additional coverages are included.


John G. Day
Commissioner of Insurance

Encl.

Be it enacted by the General Assembly of Virginia:

1. That § 38.1-348.7 of the Code of Virginia is amended and reenacted as follows:

§ 38.1-348.7. Coverages for mental, emotional or nervous disorders, alcoholism and drug addiction.— A. All individual and group accident and sickness insurance policies providing coverage on an expense incurred basis and individual and group service or indemnity type contracts issued by a nonprofit corporation which provide coverage for a family ; member of the insured or the subscriber shall , in the case of benefits based upon treatment as an inpatient in a mental hospital or a general hospital, provide coverage for mental, emotional or nervous disorders at least equal to the following minimum requirements:

~~In the case of benefits based upon treatment as an inpatient in a mental hospital or a general hospital, there shall be no~~, with limits that are not more restrictive than for any other illness except that such benefits may be limited to thirty days of active treatment in any calendar policy year.

B. Every insurer which proposes to issue a group hospital policy or a group major medical policy in this State and every nonprofit hospital and medical service plan corporation which proposes to issue hospital, medical or major medical service plan contracts which provide coverage for the insured or the subscriber shall, in the case of outpatient benefits, make available additional benefits as specified herein for the care and treatment of mental, emotional or nervous disorders subject to the right of the applicant for such policy or contract to select any alternative level of benefits as may be offered by the insurer or service plan corporation. Outpatient benefits shall consist of durational limits, dollar limits, deductibles and co-insurance factors that are not less favorable than for physical illness generally, except that the co-insurance factor need not exceed fifty per centum or the co-insurance factor applicable for physical illness generally, whichever is greater, and the maximum benefit for mental, emotional or nervous disorders in the aggregate during any applicable benefit period may be limited to not less than one thousand dollars.

This subsection B. shall apply to policies or contracts delivered or issued for delivery in this State on or after November one, nineteen hundred seventy-seven; but shall not apply to blanket, short term travel, accident only, limited or specified disease, individual conversion policies, or contracts, nor to policies or contracts designed for issuance to persons eligible for coverage under Title XVIII of the Social Security Act, known as Medicare, or any other similar coverage under State or Federal governmental plans.

As used in this section, the following terms shall have the meanings indicated below.

(1) "Outpatient benefits" means only those payable for (i) charges made by a hospital for the necessary care and treatment of mental, emotional or nervous disorders furnished to a covered person while not confined as a hospital inpatient, (ii) charges for services rendered or prescribed by a physician or a psychologist duly licensed to practice in Virginia for the necessary care and treatment for mental, emotional or nervous disorders furnished to a covered person while not confined as a hospital inpatient, or (iii) charges made by a mental health treatment center, as defined herein, for the necessary care and treatment of a covered person provided in such treatment center.

(2) "Mental health treatment center" means a treatment facility organized to provide care and treatment for mental illness through multiple modalities or techniques pursuant to a written plan approved and monitored by a physician or a psychologist duly licensed to practice in Virginia and which facility is also: (i) licensed by the State, or (ii) funded or eligible for funding under federal or State law, or (iii) affiliated with a hospital under a contractual agreement with an established system for patient referral.

C. "Mental, emotional or nervous disorders" as used in this section shall include physiological and psychological dependence upon alcohol and drugs.