

# Insurance Reimbursement, Mental Illness and Psychotherapy

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If your health insurance plan provides full or partial reimbursement of your fees for psychotherapy, you would probably like to take advantage of this benefit. However, it's important (before you sign anything) to know what you're getting as well as what you're giving up in exchange for the privilege of being reimbursed. You may decide that it's not worth it.

You may want to look closely at the terms of your insurance coverage: Maybe your insurance plan pays most of the bill, but it's more likely that they don't pay much at all. Now look a little closer: Perhaps your insurance plan will only cover visits to a therapist on their preferred provider list. Or maybe you can choose any therapist you like, without restriction, but perhaps your insurance plan will reimburse only a small percentage of the fees charged by a therapist who is not on their preferred list, and/or limit you to a small number of sessions.

In this essay, I'll explain a little about the evolution of insurance reimbursement for psychotherapy. I'll then make a case for refusing that reimbursement. The bottom line is this: you might want to consider the option of paying for your own psychotherapy and/or consider options other than psychotherapy, and by the time you finish reading this, hopefully you'll understand why.

Psychotherapy is one type of psychological work, and is defined by federal and state law as the treatment of mental and emotional disease and disorder. In California, laws and regulations governing the practice of psychotherapy are issued through the state Psychology Board, part of the Board of Medical Quality Assurance. Each time an invoice for psychotherapy services is submitted to an insurance company for reimbursement, a diagnostic code from psychiatry's manual of mental disorders, the **Diagnostic and Statistical Manual**, is therefore included to describe the general category of problem and symptoms presented by the client. This diagnostic code defines the client's difficulties within the medical (disease) model, and ultimately this is what makes psychotherapy reimbursable by health insurance carriers.

Once upon a time, most insurance plans covered psychological work as psychotherapy...and gave policyholders more or less complete freedom of choice. Different plans had different levels of coverage, but most plans allowed policyholders freely to choose their own therapists, provided the chosen therapist was licensed to provide medically-necessary psychotherapy services. Policyholders and licensed therapists alike could be relatively certain that they would be reimbursed for covered services, and that there would be relatively few questions and little interference in the process of therapy by the insurance company. Insurance reimbursement made psychotherapy more affordable for people who had health insurance.

Even though many non-psychiatrists were reluctant to use disease classifications for many of their clients, most felt compelled to do so by the economic realities associated with third-party (insurance) payments. Fortunately, some of those "disease" categorizations were relatively benign, not really describing diseases at all, and these diagnoses were commonly given for routine psychotherapy services.

Things have changed considerably. In an effort by insurers to contain costs, starting in the mid-1980s, most insurance companies began to hire intermediary companies to oversee (manage) the reimbursement of psychotherapy services. These "managed care" companies were typically separate from the insurance companies, and they took on the entire process of authorization of and reimbursement for the work of psychotherapists. Case managers working for the managed care companies carefully reviewed diagnoses and treatment plans submitted for authorization by the treating psychotherapists, and on that basis made decisions concerning authorization for treatment. "Utilization Review" was the name given to their strategy of overseeing the process of therapy, and work between psychotherapists and their clients now depended on the outcome of utilization review. Diagnoses and treatment plans were sometimes rejected, and treatment denied.

Presently, a strategy revolving around managed utilization of services still dominates the delivery of psychotherapy services to people covered by medical insurance. Many models and forms of business arrangements among the various parties have arisen, and complex bureaucracies of various kinds support these structures, but the basic system is still the same: A health care corporation is formed, either separate from or as part of an existing insurance provider, to manage the costs of the psychotherapy portion of the insurance contract, and this corporation works directly with therapists to manage costs.

One way to manage costs is to manage the therapists, which can be accomplished in a number of ways. In some instances, therapists act as salaried employees of a provider organization (typically an HMO) that manages psychotherapy and other health-care services for its subscribers. In others, individual therapists continue to be self-employed, but are also under contract with one or more provider organizations and are thus listed as one of the organizations' preferred (i.e. contracted) providers. Therapists who work in coordination with these intermediary companies (providers) are under contract to provide medically necessary treatment for mental and nervous disorders for enrollees, and for their work to be overseen by case managers. The diagnoses and the related treatment plans are carefully scrutinized and monitored by the case managers; providers, too, are themselves carefully scrutinized and monitored. And the relatively benign diagnoses (called "Adjustment Disorders"), once commonly cited as the justification for work with clients who are not suffering from any real mental disease or condition, are now only rarely sufficient in the eyes of case managers to justify reimbursement for psychotherapy.

The conduct of psychotherapy is, under this system, determined by the terms of the contracts binding the providers and the company that manages utilization. Typically, these contracts set providers' fees and make a number requirements of providers, including the following: (1) Providers are generally required to submit detailed confidential information about the client's problems, history, current functioning and the course of treatment to these case managers and other employees of these intermediary companies for evaluation and review. (2) They are generally required to abide by the intermediary company's final decision concerning whether treatment is in fact necessary. (3) They are generally required to refrain from informing clients about alternative treatment options that may contradict the decisions of the intermediary company. (4) They are generally required to absolve the intermediary company of any legal or ethical responsibility in the event that the client believes that he or she has been harmed by failure to obtain adequate treatment. Therapists are at risk for firing, cancellation of their contracts, or even legal action if they fail to deliver contracted psychotherapy services in a consistent and cost-effective way.

### **What this means to you**

In summary, it's important to understand that, by agreeing to work in any of a variety of capacities with one of these intermediary companies, a psychotherapist is under contract with one or more of those companies. In essence, the contract requires psychotherapy providers (1) to treat the subscriber's mental or nervous disease or condition in a manner consistent with the terms of the contract, and (2) to provide any and all information about the subscriber's disease or condition and its treatment to case managers at the intermediary company.

It's important to understand that all psychotherapy clients are, under the law and under this system of insurance reimbursement, considered sick – that is, suffering from a diagnosable mental or nervous disease or condition.

It's also important to understand that the confidentiality of the client-therapist relationship is not fully protected under these contracts: In signing the documents to commence treatment required by their insurance companies, clients must sign away certain rights to confidentiality in order to be reimbursed. Therefore, the most intimate details of a client's inner life – the fears, worries and secrets that are the raw material of the therapeutic process – must, if requested, be revealed to case managers and placed within the context of the client's psychological illness. Neither clients nor therapists have any control over the ultimate fate of this sensitive information: Who does, and who does not, get access to this information depends (within the limits of the law) on the policies and procedures of the intermediary company.

It's also important to understand that, in most cases, **this information (including but not limited to your diagnosis) becomes part of your permanent medical record**, and that a verified history of mental or nervous disease or illness can affect you for the rest of your life.

### **There are alternatives...**

Many psychologists have never been comfortable with the medical model and disagree with the notion that, in order to benefit from psychological work, their clients must be afflicted with some diagnosable mental illnesses. Many psychologists work with clients as psychotherapists but in many instances don't think of themselves as treating a mental disease: They think of themselves as consultants working collaboratively with clients who are essentially healthy but whose lives are in a transient state of crisis and who are therefore

experiencing temporary emotional turbulence. They think of themselves as facilitators for their clients' ongoing growth and development.

Likewise, many psychologists think of their work as an opportunity for their clients to work on themselves in a completely safe, accepting milieu. They think of their work as a protected time in which clients may confront the normal discomforts associated with change and growth. Many psychologists think of their client's distress and symptoms as growing pains "not signs of mental and nervous disease, not signs of weakness, illness, or pathology."

These psychologists are faced with a difficult choice: They must either (a) put aside all these beliefs and adjust their thinking and their work to the needs of the new healthcare marketplace, or (b) find a way to work entirely independently, outside the third-party reimbursement system. Thus, many psychologists have chosen option "b" and have elected no longer to accept insurance reimbursement for their services. A few have stopped doing psychotherapy entirely and frame their work in a positive-psychology, wellness framework.

You have your own (possibly difficult) choice. If you are experiencing emotional distress and feel that you may need treatment, it is advisable to meet with a licensed mental health professional for evaluation. If you decide to go to therapy with a preferred provider covered by your insurance plan for that evaluation, it is important that you understand the nature of the relationship between that provider and the intermediary company associated with your insurance carrier, and how this relationship may impact your therapy. There are many things to keep in mind.

Remember: When you choose to work with a "preferred" psychotherapy provider who is under contract with one of these intermediary companies, your psychotherapy provider is required by the terms of the contract to limit your psychotherapy to the necessary treatment of mental and nervous disease. Remember that your psychotherapy provider must diagnose you with some mental or nervous disease and persuade the intermediary company that you are being given treatment that is directed at that disease. Remember that your diagnosis of mental or nervous disease in most instances becomes part of your permanent medical record. Remember that your discussions with your psychotherapy provider are not totally confidential, that the intermediary company has access to your private records. Finally, remember that your psychotherapy provider's continuing employment or contractual relationship with the intermediary company depends on his or her fully cooperative relationship with that company.

Because of these or other considerations, you may decide to look outside the current healthcare system for a psychotherapist. You may decide that you don't want the course of your psychological work directed by case managers and employees of these intermediary companies. And you may decide that you don't want the intimate details of your inner life to be revealed by your therapist and on file in computer data banks or in one of these companies' offices.

Further, if you are clear that you're not suffering from a mental disorder but still feel you need some psychological help, you may decide to seek a professional with whom you can do psychological work completely outside the framework of mental health treatment, never raising the specter of mental illness. You may decide that you don't want to be mislabeled as afflicted with a mental or nervous disease whether or not an insurance company is involved in that mislabeling.

Most professionals (like lawyers, accountants and architects) are paid directly by their clients for professional services; there are no contracts with third-party payers, no one interferes with the client-professional relationship. You may similarly decide to pay your psychologist directly for professional services. By doing so, you can be assured that your psychologist, whether or not s/he is acting as a psychotherapist, is working not for a health-care corporation, but for you. More and more people are making this choice.

In my opinion, the medicalization of psychological problems rarely facilitates psychological work, and can be disempowering, de-motivating and can actually inhibit people taking responsibility for their difficulties and their lives. Very few of the hundreds of clients with whom I've worked over the past 25-odd years (with the exception of those with mood disorders) were at any time diagnosably mentally ill. Most have benefited substantially from my non-disease-oriented approach, and as a consequence I've decided to make this way of thinking about psychological work explicit by no longer calling my work "psychotherapy", thereby removing it from the heavily regulated legal realm of medical treatment.