

What are the Concerns About Using Health Insurance for Therapy?

Most health insurance companies and/or health insurance benefits now include some form of mental health coverage. Your health insurance policy may include such an option. But before you make use of this benefit, there is some important information you should have in order to be sure you are comfortable with your decision. I hope that the following details will help you make the most informed choice for your treatment and your privacy.

“Medical Necessity”

Most people with health insurance assume they can just use their mental health benefits on the basis of their desire to participate in counseling or psychotherapy, or with only a letter of referral from their doctor. The reality is that insurance companies require that mental health treatment be “medically necessary.” To be medically necessary, treatment must address a mental disorder. Counseling or psychotherapy intended solely for self-improvement or for normal life stress reactions is not considered medically necessary by insurance companies, and therefore, not covered by your insurance.

A Mental Health Diagnosis

Medical necessity can be established when an individual describes certain psychiatric symptoms and/or behavior that affects their ability to function in either their job, school or relationships. For example, someone might begin therapy because they are feeling depressed and are having trouble feeling motivated to complete tasks, visit with friends, and/or are having trouble sleeping. When someone begins therapy, and describes such symptoms, their insurance company requires that the therapist assign them a mental health diagnosis. You should know that all diagnoses have certain actuarial ramifications, as do smoking, age, weight, sex, and other past medical conditions. You should also realize that if you are ever asked whether you have been treated for a psychiatric problem, you will have to answer “Yes” because your permanent medical records will contain this information.

Confidentiality & Privacy

When you submit a claim to your insurance company for reimbursement for treatment, you are required to sign a release form in which you are giving your insurance company the right to ask for whatever documentation and information it deems necessary to determine the legitimacy of the claim. Throughout the course of therapy, the insurance company can and does ask for additional ongoing information it feels is necessary to justify paying the claims. During the past few years the media has contained many reports of what clients assumed would be confidential information divulged in therapy that have made their way to employers, colleagues, supervisors, the public, etc. Once your insurance company receives information about you from your therapist, there is no way to protect your privacy and confidentiality. Although insurance companies claim your information is confidential, their definition of “confidentiality” includes access to your records by anyone they say should have access. In many cases, insurance companies consider the information to be the legal property of your employer, not you. For many people who begin counseling or psychotherapy, the confidence that what they

confide in their therapist stays with the therapist, is the condition that makes it possible for the individual to begin talking about difficult issues. Many believe that it is the foundation of confidentiality and trust that makes therapy work. It is likely that if someone begins counseling or therapy and is continually worrying about whether it is safe to disclose certain information, their therapy process is compromised from the beginning.

*A University of Illinois Study
revealed that 35% of the Fortune 500 corporations
acknowledged using employee medical records
in making employment decisions. One in 10 companies do not
inform employees of this practice.**

Records Audits

In their stepped-up pursuit of cutting health care costs, insurance companies are increasing the numbers and expanding the scope of audits of mental health clinicians. In most cases the audits are not limited to financial information, but include the copying of actual clinical notes of therapists about the private psychotherapy sessions of their clients. What this would mean for you is that should your insurance company decide to audit your clinical psychotherapy or counseling file, the auditors would demand to copy and read all of the chart notes which your therapist has written about your sessions and their content. Complete records of therapy sessions are required by insurance companies and cannot be altered by your therapist. Although some state laws indicate copies made during an audit should be destroyed at the completion of the audit, your therapist cannot guarantee that this is done. In the meantime, the auditors (usually a nurse and/or accountant) have read about all your therapy sessions.

By providing you with this information, it is not my intent to influence you either away from or towards using insurance coverage. I recognize that this is a personal decision based on your finances and general comfort level with the health care system. If you have any questions about this information, please feel free to ask for clarification.

Original Author: Judy C. Roberts, former Ethics Consultant for the Washington Mental Health Counselors Association. Used with permission. Updated and revised by Rebecca Compton, MEd, LPC (March, 2017).

*Linowes, David F. 1996. "A Research Study of Privacy in the Workplace," An unpublished white paper available from the University of Illinois at Urbana-Champaign.