

The standards established by the **Mental Health Parity and Addiction Equity Act of 2008** (MHPAEA) extend to the **Children’s Health Insurance Program** (CHIP), which make it easier for beneficiaries with mental health and substance use disorders to access the care they need. With the exception of Alternative Benefit Plans, CMS assesses Medicaid parity compliance through contract review. CHIP parity compliance, however, is assessed through **CHIP state plan amendments** (SPAs),¹ which include a parity analysis. In addition to submitting an initial CHIP parity SPA, a state may need to submit an updated SPA when it changes benefits, delivery systems, and cost sharing financial requirements. This guide summarizes when a parity analysis is triggered and therefore a state must submit an initial or updated CHIP parity SPA.

To improve implementation of MHPAEA requirements in Medicaid and CHIP, CMS has developed a new set of templates and instructional guides for state agencies to document how mental health and substance use disorder benefits are administered in their Medicaid and CHIP programs.² The final templates and instructional guide are forthcoming. CHIP Project Officers will communicate with states once they are ready for use.

Types of CHIP Programs

What types of CHIP programs may require a CHIP parity SPA?

States can design their CHIP program in one of three ways: a separate CHIP, a Title XXI-funded Medicaid expansion CHIP, or a combination of both. Based on the type of program a state elects, they may or may not need to submit a CHIP parity SPA, as described below.

Title XXI-funded Medicaid expansion CHIPs:³

- CHIP parity SPAs are not required. The Title XXI-funded Medicaid expansion program follows all Medicaid rules related to parity and compliance is documented as part of Medicaid’s parity analysis.
- Coverage of Medicaid benefits for beneficiaries that are not enrolled in a managed care organization (MCO) and receive non-alternative benefit plan (ABP) state plan benefits offered under a fee-for-service (FFS) delivery system are not subject to these parity standards. However, states are encouraged to comply with parity requirements for all enrollees, regardless of delivery system.

Separate CHIPs:

- Parity analyses are required and occur through CHIP parity SPA submissions.
- If a separate CHIP provides the full Early and Periodic Screening, Diagnostic, and Treatment (EPSDT) benefit consistent with Medicaid requirements (including non-emergency medical transportation), the state can request that they are deemed compliant with parity requirements.⁴
- If the CHIP benefit package does not include EPSDT consistent with Medicaid requirements, the state cannot request deeming and must submit a parity analysis as part of a CHIP parity SPA.

States Transitioning Between CHIP Program Types

States transitioning from a Title XXI-funded Medicaid expansion to a separate CHIP, or newly creating a separate CHIP, should review the proposed changes against this guide to determine whether a parity analysis is necessary. For example, if it results in a change in delivery system, then a review is needed whereas if the state transitions to a separate CHIP and the benefit package provided to children is identical to their Medicaid population, a review is not needed. States that must submit a parity analysis should complete Section 6.2, MHPAEA, of the Title XXI CHIP State Plan Amendment template.

If a state transitions from a separate CHIP to a Title XXI-funded Medicaid expansion program and delivers care through managed care organizations, the state should contact their Medicaid Division of Managed Care Operations (DMCO) state lead to ensure compliance with Medicaid parity requirements.

Modifications to Benefit Packages⁵

Parity analyses must be conducted for all applicable benefit packages. A benefit package is defined as a unique set of medical/surgical (M/S) and mental health (MH)/substance use disorder (SUD) benefits and/or financial requirements provided to specific state plan populations. Examples of benefit packages include those for children or pregnant women. When a state modifies a benefits package, they may need to submit an updated parity analysis.

What changes to benefits trigger a parity review?⁶

Quantitative Treatment Limits (QTLs):

- Limits to the scope or duration of benefits that are expressed numerically. Examples include limits on the number of visits, days of coverage, days in a waiting period, and frequency of treatment (e.g., a limit on the number of hours of peer support services covered or limiting physical therapy to 10 sessions).

Non-Quantitative Treatment Limits (NQTLs):

- Other limits to the scope or duration of benefits. Examples include medical management standards, prescription drug formularies, network tier design, provider admission standards, methods for determining usual and customary charges, fail first/step therapies, and out-of-network access standards.⁷

Change in Populations

- A state expands eligibility to a new population in its separate CHIP. For example, a separate CHIP adds pregnant women as a covered population and provides a different benefit package than what is provided to children in the separate CHIP.

Delivery System

If a benefit package is provided through multiple delivery systems (e.g., MCO and FFS) or entities (e.g., pharmacy benefit manager (PBM) and behavioral health organizations), a parity analysis may be required for each delivery system.

What changes to delivery systems may trigger a parity review?

- Change in who delivers benefits (e.g., a new MCO enters the market or current MCO contracts with a new PBM)
- Change in how a benefit is delivered (e.g., a state moves pharmacy benefits from individual MCOs to contract with a single PBM)
- MCO merger/acquisition resulting in changes to the MCO's policies, QTLs, & NQTLs (e.g., two MCOs merge and they modify the prescription drug formulary)

Cost Sharing Financial Requirements

Ensuring comparability and stringency in the financial requirements tied to M/S and MH/SUD benefits is critical to determining parity. States must examine financial requirements (copayments, coinsurance, and deductibles) for MH/SUD services to ensure they are no more restrictive than those that apply to M/S benefits in the same classification. All financial requirements submitted as part of a parity analysis must be in compliance with Medicaid and CHIP as well as MHPAEA rules.⁸

What changes to financial requirements are likely to trigger a parity SPA?

- Changes in member cost sharing (e.g., premiums, copayment amounts, or new services to which copays apply)
- Modifications to cumulative financial requirements (e.g., annual maximum out-of-pocket cost sharing)
- Changes to multi-tiered prescription drug benefits⁹ (e.g., charging different copays to generic versus brand name drugs)

Monitoring and Compliance

States must effectively monitor plans' parity compliance and conduct timely follow-up with health plans that identified parity compliance issues to verify the health plans implemented corrective action.¹⁰ When states identify that there have been changes to their CHIP program, benefits, delivery system, or financial requirements that would trigger an updated parity analysis to be completed, they must submit a CHIP parity SPA and make necessary updates to Section 6.2 of their Title XXI CHIP state plan. States will be encouraged to submit the parity templates with their CHIP parity SPA to streamline the parity review process.

For details on completing a parity analysis, please refer to the [Parity Compliance Toolkit](#).

¹ For additional guidance related to when to submit a Medicaid managed care parity review through the contract review process, please refer to the CMCS Informational Bulletin, "[Medicaid and CHIP Managed Care Monitoring and Oversight Tools, including States' Responsibility to Comply with Medicaid Managed Care and Separate CHIP Mental Health and Substance Use Disorder Parity Requirements](#)," dated June 12, 2024.

² On September 9, 2024, CMCS released a [request for comments](#) on the templates for documenting compliance with MHPAEA requirements in Medicaid and CHIP.

³ Parity Compliance Toolkit Applying Mental Health and Substance Use Disorder Parity Requirements to Medicaid and Children's Health Insurance Programs, Jan. 2017, Sec. 8.1 retrieved at <https://www.medicaid.gov/medicaid/benefits/downloads/bhs/parity-toolkit.pdf>

⁴ State plan providing EPSDT benefits, 42 CFR § 457.496(b) (2000).
<https://www.ecfr.gov/current/title-42/chapter-IV/subchapter-D/part-457/subpart-D/section-457.496>

⁵ Parity Compliance Toolkit Applying Mental Health and Substance Use Disorder Parity Requirements to Medicaid and Children's Health Insurance Programs, Jan. 2017, pp. 9-19 retrieved at <https://www.medicaid.gov/medicaid/benefits/downloads/bhs/parity-toolkit.pdf>

⁶ Parity Compliance Toolkit Applying Mental Health and Substance Use Disorder Parity Requirements to Medicaid and Children's Health Insurance Programs, Jan. 2017, Sec. 5 retrieved at <https://www.medicaid.gov/medicaid/benefits/downloads/bhs/parity-toolkit.pdf>

⁷ Non-quantitative treatment limitations, 42 CFR § 438.910(d)(2) (2000).
<https://www.ecfr.gov/current/title-42/chapter-IV/subchapter-C/part-438/subpart-K/section-438.910>

⁸ Medicaid and Children's Health Insurance Programs; Mental Health Parity and Addiction Equity Act of 2008; the Application of Mental Health Parity Requirements to Coverage Offered by Medicaid Managed Care Organizations, the Children's Health Insurance Program (CHIP), and Alternative Benefit Plans, 42 CFR Parts 438, 440, 456, and 457 (2016).
<https://www.federalregister.gov/documents/2016/03/30/2016-06876/medicaid-and-childrens-health-insurance-programs-mental-health-parity-and-addiction-equity-act-of-p-181>

⁹ Parity requirements for financial requirements and treatment limitations, 42 CFR § 457.456(d)(3)(iii) (2000)
[https://www.ecfr.gov/current/title-42/section-457.496#p-457.496\(d\)\(3\)\(iii\)](https://www.ecfr.gov/current/title-42/section-457.496#p-457.496(d)(3)(iii))

¹⁰ Medicaid and CHIP Managed Care Monitoring and Oversight Tools, including States' Responsibility to Comply with Medicaid Managed Care and Separate CHIP Mental Health and Substance Use Disorder Parity Requirements, Jun. 2014, retrieved at <https://www.medicaid.gov/federal-policy-guidance/downloads/cib06122024.pdf>