



Mental Health Parity in 2025: What Employers and Advisors Need to Know

The conversation around mental health in the workplace has never been louder. With new federal regulations reinforcing mental health parity, employers and advisors are under increasing pressure to ensure that health plans provide the same level of coverage for mental health services as they do for medical and surgical care. So, what's changing, and how can advisors help employers stay compliant while supporting employee well-being? Let's break it down.

UNDERSTANDING MENTAL HEALTH PARITY AND COMPLIANCE CHALLENGES

Mental Health Parity laws are not new, but the recent updates to the Mental Health Parity and Addiction Equity Act (MHPAEA) have placed renewed scrutiny on employer-sponsored health plans. In September 2024, the Department of Labor (DOL), alongside the Centers for Medicare & Medicaid Services (CMS) and the Department of the Treasury, issued final rules strengthening MHPAEA enforcement. These rules took effect for plan years beginning on or after January 1, 2025, reinforcing federal oversight of employer-sponsored mental health benefits¹. With these new regulations taking effect, employers must now actively demonstrate compliance rather than simply claim it.

Under these finalized rules, health plans must:

- ◉ **Proactively demonstrate compliance** by submitting comparative analyses of how mental health benefits are designed relative to medical and surgical benefits. These analyses must be readily available upon request by regulators to avoid penalties.
- ◉ **Provide detailed documentation** on the application of Nonquantitative Treatment Limitations (NQTs), such as prior authorization, step therapy, and network adequacy, and ensure they are no more restrictive for mental health services than for medical/surgical benefits².
- ◉ **Review cost-sharing structures**, including co-pays and deductibles, to confirm parity between mental health and medical benefits.
- ◉ **Enhance access to mental health providers**, addressing network adequacy concerns that could lead to noncompliance.

MENTAL HEALTH PARITY JUST GOT REAL

Starting in 2025, employer-sponsored health plans must prove compliance, not just claim it. Failure to do so could mean penalties, audits, and lawsuits.



Why This Matters: Employers who fail to meet these standards could face regulatory penalties, required corrective action plans, and potential lawsuits from employees or advocacy groups³. While regulators have increased parity audits under prior regulations, some anticipate a shift toward reduced enforcement. However, until formal changes occur, audits remain a significant compliance risk, making it crucial for employers to take proactive steps.

KEY CHALLENGES FOR EMPLOYERS AND PLAN SPONSORS

Employers offering fully insured plans may assume their carriers handle compliance, but they must still confirm that their policies align with MHPAEA standards. Meanwhile, self-funded employers carry a greater burden, as they are directly responsible for ensuring mental health benefits meet federal requirements³.

Common compliance challenges include:

- ◉ **Limited Provider Networks** – Many health plans have significantly fewer in-network mental health providers compared to medical/surgical providers. This can result in longer wait times for mental health services, leading to potential parity violations if the disparity is too great⁴.
- ◉ **Stricter Prior Authorization and Step Therapy Requirements** – Mental health services often require more approvals, referrals, or step therapy hurdles than comparable medical care, which violates MHPAEA. Employers must ensure that any utilization management protocols are applied equally to both mental health and medical benefits⁵.
- ◉ **Reimbursement Disparities** – If insurers pay lower reimbursement rates for mental health services compared to similar medical services, fewer providers may be willing to accept insurance, further reducing access and potentially creating a compliance risk⁶.
- ◉ **Inconsistent Application of Treatment Limitations** – Employers and insurers must examine whether visit limits, formulary exclusions, and step therapy policies disproportionately affect mental health services compared to medical/surgical services⁷.



For every 10 primary care doctors, there are only 4 mental health providers in-network.



Prior Authorization remains a hidden barrier as mental health services still face more approvals and restrictions than medical care. This is a clear violation of federal parity rules.

HOW ADVISORS CAN SUPPORT EMPLOYERS

With increasing scrutiny on mental health parity, advisors play a key role in helping employers stay compliant while ensuring employees have meaningful access to mental health care. To help employers navigate mental health parity compliance, advisors should focus on four key actions: reviewing plans, improving network access, educating employers, and exploring creative plan designs.

- **Review Plans for Mental Health Parity Compliance** – The first step is to make sure health plans meet the latest MHPAEA requirements. Advisors should work with carriers or third-party administrators (TPAs) to conduct parity analyses, essentially, a side-by-side review of mental health and medical benefits. This means looking at cost-sharing, treatment limitations, and network access to confirm that mental health care isn't being treated differently or more restrictively than other medical services.
- **Push for Better Provider Networks** – One of the biggest hurdles in mental health care is finding an in-network provider. Many plans still have far fewer mental health professionals available than primary care doctors or specialists, leading to long wait times. Advisors can help by encouraging employers to work with carriers that have stronger mental health networks, or by exploring telehealth options to fill those gaps. Since regulators are watching network adequacy closely, this step can help reduce compliance risks.
- **Educate Employers on What's Changing** – Many employers may not realize just how much mental health parity rules have evolved or that they need to keep documentation on how their plans measure up. Advisors can play a big role here by helping employers understand their responsibilities, providing simple compliance checklists, and ensuring that carriers or TPAs supply the necessary paperwork to avoid penalties.
- **Think Outside the Box with Plan Design** – For self-funded employers, there's some flexibility in how benefits are structured. That means they can explore creative solutions, like expanding Employee Assistance Programs (EAPs), offering more generous out-of-network reimbursements for mental health services, or even directly contracting with mental health providers. These kinds of strategies can go a long way in improving access while staying within compliance guidelines.

MHPAEA sets the federal baseline, but some states impose even stricter mental health parity laws. Advisors and employers must stay informed to avoid compliance gaps and potential penalties.



- **Keep an Eye on State-Level Rules** – While MHPAEA sets the federal standard, some states go even further with their own mental health parity laws. Advisors should stay informed about both federal and state regulations to ensure their clients remain compliant across the board.

While state-level rules add another layer of complexity, federal oversight and enforcement trends under the new administration will ultimately shape how mental health parity is implemented nationwide. With President Trump back in office, several regulatory shifts could impact compliance requirements moving forward.

REGULATORY WATCH: KEY CHANGES TO MONITOR UNDER THE TRUMP ADMINISTRATION

Although no official changes have been made yet, there is growing speculation about how mental health parity laws will be enforced under the new administration. Employers and advisors should keep these potential shifts on their radar, as evolving policies could introduce new compliance challenges in the months ahead.

WILL EMPLOYERS SEE RELIEF FROM STRICTER REPORTING RULES?

Some large employer coalitions are pushing for a rollback of certain reporting requirements introduced under the Biden administration. Their argument? The latest parity compliance reports are too complex and time-consuming. On the other side, supporters of the stricter rules say they're essential to making sure employees actually receive the mental health coverage they're entitled to. For now, the debate continues⁸.

LEGAL CHALLENGE TO MHPAEA ENFORCEMENT

In late 2024, a group of major employers and industry associations filed a lawsuit against the Department of Labor (DOL), challenging the tighter mental health parity enforcement measures. They claim the new rules go beyond the federal government's authority and place an undue burden on employers. If the courts side with them, we could see some changes, or even a rollback, of certain enforcement measures.

WILL DOL AUDITS SLOW DOWN?

Under the previous Trump administration, there was less emphasis on strict parity audits and more of a focus on voluntary compliance. While it's unclear whether that approach will return, some experts predict a decrease in the number of audits going forward. However, until there's an official policy shift, employers should assume that compliance remains a priority.



While there's speculation that the new administration may ease parity enforcement, no formal changes have been made. Until then, employers should assume audits will continue and prepare accordingly.

THE GROWTH OF ALTERNATIVE HEALTH COVERAGE MODELS

Trump-era policies supported the expansion of Association Health Plans (AHPs) and short-term limited-duration insurance (STLDI). These plans don't always have to comply with MHPAEA's parity requirements, which could create gaps in mental health coverage for employees who enroll in them. Employers considering these models will need to weigh the potential cost savings against the risks of reduced mental health benefits⁹.

WHAT THIS MEANS FOR EMPLOYERS AND ADVISORS

While regulatory priorities may shift, ensuring employees have access to mental health care should remain a top concern for employers. Until any official changes are announced, staying compliant with MHPAEA is still the safest path forward. Advisors can help by monitoring legal and policy developments, guiding employers through potential risks, and adjusting benefits strategies as needed.

BOTTOM LINE

Mental health parity enforcement remains a top compliance priority in 2025, and employers cannot afford to overlook these requirements. Advisors who proactively help clients review plans, improve access, and meet new compliance expectations will position themselves as indispensable partners.

At CRC Benefits, we're committed to supporting advisors with the latest compliance insights and strategic solutions to help clients navigate mental health parity laws effectively, as well as finding innovative ways to expand mental health access. Connect with your local CRC Benefits team today to explore how we can help you bring clarity, compliance, and better mental health benefits to the employers you serve.

CONTRIBUTOR

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END NOTES

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