

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1109-01  
Bill No.: SB 274  
Subject: Insurance - Medical; Children and Minors  
Type: Original  
Date: February 3, 2003

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Insurance Dedicated	\$8,000	\$0	\$0
Conservation Fund	(Unknown less than \$100,000)	(Unknown less than \$100,000)	(Unknown less than \$100,000)
<b>Total Estimated Net Effect on Other State Funds</b>	<b>(Unknown less than \$100,000)</b>	<b>(Unknown less than \$100,000)</b>	<b>(Unknown less than \$100,000)</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 6 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

### **FISCAL ANALYSIS**

#### **ASSUMPTION**

Officials from the **Missouri Consolidated Health Care Plan (HCP)** state HCP's plans currently allow for hearing aids for members at a 20% to 30% coinsurance. Hearing aids are available once every two years. Therefore, this proposal will not fiscally impact the HCP.

Officials from the **Department of Social Services - Division of Medical Services (DMS)** assume that any changes made to Section 376, RSMo, applies to Medicaid. Hearing aids, examinations and consumable supplies are currently covered Medicaid services for both fee-for-service and managed care plans for children. Section 13 in the provider manual specifically references coverage for hearing aids, medical ear examinations, audiological testing, and supplies for the fee-for-service program. These services are also included in the comprehensive benefit package as referenced in paragraph 2.7 of the MC+ managed care contracts. Therefore, there is no fiscal impact to DMS.

Officials from the **Department of Public Safety - Missouri Highway Patrol (MHP)** defer to the Department of Transportation for a statement of fiscal impact to the MHP regarding this proposal.

Officials from the **Department of Transportation (DOT)** state because the Highway & Patrol Medical Plan is currently required to cover the initial amplification for newborns who have a

hearing ASSUMPTION (continued)

loss detected within the first 3 months of birth only and does not currently cover replacement hearing aids or hearing aids for children who are not detected within the first 3 months of birth, this legislation will have a fiscal impact to the Medical Plan.

Statistics obtained from the Department of Elementary and Secondary Education 's Special Education-Students with Disabilities Child Count as of 12/3/01 show that .14% of children 3-21 years of age are hearing impaired. This percentage is much less than what DOT assumed for prior proposed legislation. After speaking to Sue Hotto with Gallaudet Research Institute, DOT determined that statistics used in the past included the elderly population as well. Based on Gallaudet Research Institute's Regional and National Summary Report of Data from the 2001-2002 Annual Survey of Deaf and Hard of Hearing Children and Youth, 62.8% of children with hearing loss in the nation use hearing aids for instruction. Currently the Highway & Patrol Medical Plan has 5,985 children enrolled from birth through age 19 and on average have 315 new births added to our plan annually (5,985/19 years).

DOT also found in the Gallaudet Research Institute's Region and National Summary Report of Data from the 2001-2002 Annual Survey for the Deaf and Hard of Hearing Children and Youth that 42% of the children in the nation who are deaf and hard of hearing had an onset of hearing loss at birth. DOT is assuming that this is the percentage that would be identified with hearing loss by way of the newborn screenings and the children that the Medical Plan is currently responsible for covering their initial amplification effective January 1, 2002. According to this legislation, the deductible or co-payment cannot exceed 20% of the actual covered service cost, but the benefit payable for hearing aids may be limited to \$1,250 per hearing aid for each ear with a hearing loss and the health insurance carrier must provide coverage for replacement hearing aids every three years.

DOT is assuming that the Medical Plan would cover the hearing aids 100% up to the \$1,250 maximum per hearing aid and that individuals will meet their \$1,250 limit. Based on information from Judy Basteen, DOT is also assuming that each individual will need two hearing aids.

Based on the above assumptions, DOT found that approximately 9 children covered under its medical plan would be hearing impaired ( $5,985 \times 0.14\%$ ). Of these 9 children, DOT is assuming that approximately 6 would use hearing aids ( $9 \times 62.8\%$ ). DOT is also assuming that the Medical Plan would have 1 child every 5 to 6 years born with hearing loss ( $315 \times .14\% \times 42\%$ ). This 1 child is what the Medical Plan is currently responsible for coverage of their initial amplification. If the Medical Plan would have to provide coverage up to \$1,250 for hearing aids/hearing loss ear and replacement hearing aids every three years, the fiscal impact would be approximately \$12,500 every three years ( $(6-1) \times (\$1,250 \times 2)$  or \$4,167 annually ( $\$12,500/3$ ).

ASSUMPTION (continued)

Seventy seven percent (77%) of the total participants in the Medical Plan are DOT participants and twenty three percent (23%) are Missouri State Highway Patrol (MHP) participants. (DOT = 10,078/13, 118 and MHP = 3,040/13, 118) As a result, \$3,209 of the annual fiscal impact is due to DOT participation (\$4,167 x 77%) and \$958 of the annual fiscal impact is due to MHP participation (\$4,167 x 23%).

Historically, the department and the plan members have shared in any premium increases necessary because of increases in benefits. The costs may be shared in the long run (meaning shared between three categories: absorbed by the plan, state appropriated funds, and/or costs to individuals covered under the plan). However, the Medical Plan, Missouri Highway Transportation Commission, DOT, and MHP must make a decision on how to fund the increase resulting from the proposal.

**Oversight** assumes, based on the anticipated fiscal impact provided by DOT, that DOT funds would not be affected by the proposal.

Officials from the **Missouri Department of Conservation (MDC)** state this proposal appears to have a fiscal impact on MDC funds since hearing aids for children are not presently covered by the MDC's insurance plan. MDC officials estimate the impact to be less than \$100,000 annually.

Officials from the **Department of Insurance (INS)** state the department estimates 160 insurers and HMOs would be required to submit amendments to their policies to comply with the legislation. Policy amendments must be submitted to the INS for review along with a \$50 filing fee. One-time additional revenues to the Insurance Dedicated Fund are estimated to be \$8,000.

Additional staff and expenses are not being requested with this single proposal, but if multiple proposals pass during the legislative session which require policy form amendments and review, the INS will need to request additional staff to handle the increase in workload.

**This proposal will result in an increase in Total State Revenue.**

FISCAL IMPACT - State Government

FY 2004  
(10 Mo.)

FY 2005

FY 2006

**INSURANCE DEDICATED FUND**

HW-C:LR:OD (12/02)

Income - Department of Insurance

Form filing fees	<u>\$8,000</u>	<u>\$0</u>	<u>\$0</u>
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**ESTIMATED NET EFFECT ON  
 INSURANCE DEDICATED FUND  
 FISCAL IMPACT - State Government**

<u><b>\$8,000</b></u>	<u><b>\$0</b></u>	<u><b>\$0</b></u>
FY 2004 (10 Mo.)	FY 2005	FY 2006

**CONSERVATION FUND**

Costs - Missouri Department of  
 Conservation

Increase in contributions	<u>(Unknown less than \$100,000)</u>	<u>(Unknown less than \$100,000)</u>	<u>(Unknown less than \$100,000)</u>
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**ESTIMATED NET EFFECT ON  
 CONSERVATION FUND**

<u><b>(Unknown less than \$100,000)</b></u>	<u><b>(Unknown less than \$100,000)</b></u>	<u><b>(Unknown less than \$100,000)</b></u>
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FISCAL IMPACT - Local Government

FY 2004 (10 Mo.)	FY 2005	FY 2006
<u><b>\$0</b></u>	<u><b>\$0</b></u>	<u><b>\$0</b></u>

FISCAL IMPACT - Small Business

Small businesses with health plans would be expected to be fiscally impacted to the extent that they may incur changes in insurance premiums.

DESCRIPTION

This proposal mandates insurance coverage for children's hearing aids to the age of 19. This mandated coverage will be required in all health policies issued or renewed after January 1, 2004. Coverage provided by this proposal shall not be subject to a deductible or co-payment that exceeds 20% of the actual covered service costs. Insurers are prohibited from requesting hearing acuity information from the

DESCRIPTION (continued)

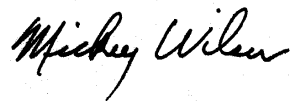
insureds. The mandated coverage does not apply to certain types of policies such as supplemental insurance policies or specified disease policies. The proposal describes what type of hearing aids

are covered. Policies subject to this proposal must provide replacement hearing aids for the child at least every three years.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Transportation  
Department of Social Services  
Department of Public Safety -  
    Missouri Highway Patrol  
Missouri Consolidated Health Care Plan  
Department of Insurance  
Missouri Department of Conservation



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February 3, 2003