

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3485-01  
Bill No.: SB 749  
Subject: Children and Minors; Department of Commerce and Insurance; Disabilities;  
Insurance - Health  
Type: Original  
Date: March 2, 2020

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Bill Summary: This proposal requires insurance policies to provide coverage for hearing instruments and related services for enrollees under the age of 18.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue*	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>

\* Reflects the state possibly reimbursing insurance companies if this is considered a newly enacted health care mandate.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Insurance Dedicated Fund (0566)	\$59,550	\$0	\$0
State Road Fund (0320)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
Conservation Commission Fund (0609)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>Less than \$59,550 to (Unknown)</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 9 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</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 FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
<b>Local Government</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### Section 376.1197 - Hearing Aid Coverage

Officials from the **Department of Commerce and Insurance (DCI)** assume this bill requires companies to cover hearing aids by adding Section 376.1197 which requires "an individual or group policy of accident and health insurance or managed care plan that is amended, delivered, issued or renewed after August 28, 2020 shall provide coverage for medically necessary hearing instruments and related services under the age of 18 when prescribed to "augment communication". DCI estimates 397 companies will file one policy amendment each for a total of 397 filings submitted to the DCI for review along with a \$150 filing fee. Additional revenue to the Insurance Dedicated Fund is estimated to be up to \$59,550 (397 X \$150 = \$59,550).

According to studies we found on the impact of similar types of mandates that were considered in California and New Jersey, we found that those states anticipated premiums to increase between .06% and .07%. Those studies anticipated the greatest impact to be on the small and large employer group insurance markets.

<http://chbrp.org/documents/hearingaids174final.pdf>

[https://www.nj.gov/dobi/division\\_insurance/mhbac/060523\\_A289rpt\\_MHBAC.pdf](https://www.nj.gov/dobi/division_insurance/mhbac/060523_A289rpt_MHBAC.pdf)

The department does not collect specific claims data and specifically has no Missouri data relating to the coverage or non-coverage of hearing instruments. However, relying upon the two studies identified, we can provide estimates of potential impact. Actual costs could vary considerably from the estimates because actual utilization rates are rather uncertain.

In looking at the impact to Average Annual Premiums (which were released in the DCI's recent Health Insurance Report):

#### 2017 Average Annual Premiums

##### Individual Market:

Small Employer: \$6,083 (increased to between \$6,265 and \$6,387)

Large Employer: \$4,561 (increased to between \$4,698 and \$4,789)

The small group estimate is based on rate filings and apply to 2019. Rates aren't filed for large group plans, so those estimates are valid for 2017 based upon written premiums, as reported by insurers.

ASSUMPTION (continued)

The proposal refers to "accident and health insurance or managed care plans." These two terms actually include other non-traditional major medical insurance plans, including, but not limited to Medicare Supplement plans, hospital indemnity plans, cancer-only plans, supplemental health products like what are commonly known as sold by the AFLAC companies. It would also include short-term health plans.

The above estimate assumes that the cost of hearing instruments has increased at the same rate as other services since the issuance of the studies from California and New Jersey and that the mandate is utilized at roughly the same proportion rate as other services.

Accordingly, in addition to the impacts above, without clarification, the other types of Accident and Health and any plan with a managed care component will be required to reflect this coverage within its policy forms and rating. Regardless of whether or not the coverage is utilized, as it would likely not be for Medicare Supplement policies.

In addition to impacts to health insurance premiums, there would be potential fiscal impact to the State of Missouri. Please see the excerpt below, from an October 23, 2018 CCIIO FAQ on Defrayal of State Additional Required Benefits:

"We remind states that, although it is the state's responsibility to identify which state required benefits require defrayal, states must make such determinations using the framework finalized at §155.170, which specifies that benefits required by state action taking place on or before December 31, 2011, may be considered EHB, whereas benefits required by state action taking place after December 31, 2011, other than for purposes of compliance with federal requirements, are in addition to EHB and must be defrayed by the state. For example, a law requiring coverage of a benefit passed by a state after December 31, 2011, is still a state mandated benefit requiring defrayal even if the text of the law says otherwise."

45 C.F.R 155.170 requires states to defray the cost of additional required benefits mandated on or after January 1, 2012. In order to comply with this requirement, states must identify these "in addition to" benefits, and make payments directly to enrollees or to QHP issuers on behalf of individuals. Each QHP issuer is required to quantify the cost associated with each additional required benefit. The QHP issuer's calculation of the cost must be based on generally accepted actuarial principles and methodologies, determined by a member of the American Academy of Actuaries, and be reported to the State.

ASSUMPTION (continued)

DCI states federal law requires the State of Missouri to reimburse insurance companies for the cost of any claims resulting from a newly enacted health insurance mandate. This would result in a fiscal impact to General Revenue of an undetermined amount.

The reason the amount of impact is unknown is that the department does not have claims data that would tell us how many claims are incurred for these types of services by Missourians in any given year. Nor does the department have any information on the contractual reimbursement rates that are negotiated between insurance companies, doctors, other health providers and hospitals.

**Oversight** will reflected the DCI estimated revenue of \$59,550 (\$150 policy amendment filling fee x 397 companies) in FY 2021 to the Insurance Dedicated Fund.

Since the number of claims that are incurred for these types of services is unknown, **Oversight** will range the fiscal impact to the General Revenue Fund as \$0 (no claims are incurred ) to a negative unknown cost.

Officials from the **Missouri Consolidated Health Care Plan** assume this bill requires companies to cover hearing aids.

Missouri Consolidated Health Care Plan (MCHCP) currently provides a benefit for hearing aids. For 2019, coverage includes one hearing aid, per ear, every two years, subject to the deductible and coinsurance provisions of the plan. If the cost of the hearing aid exceeds the amount listed below, the member is also responsible for charges over that amount.

- Conventional: \$1,000
- Programmable: \$2,000
- Digital: \$2,500
- Bone Anchored Hearing Aid (BAHA): \$3,500

It is not clear if this legislation would allow for the coverage limits listed above. However, because of the limited number of members that would be utilizing this benefit, MCHCP anticipates any resulting additional costs if the coverage limits would not be allowed could be absorbed within existing funding

**Oversight** notes that the Missouri Consolidated Health Care Plan has stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for this agency.

ASSUMPTION (continued)

Officials from the **Department of Transportation (MoDOT)** state that the MoDOT plan only covers hearing aids for children under age 26 with developmental delays. There is no other coverage under the MoDOT medical plan. The provisions of this bill may result in additional coverage for some members of the plan, however we are unable to determine exactly how many additional members would now be eligible for coverage. It may result in an unknown negative fiscal impact.

Since the coverage of additional members this proposal would result in is unknown, **Oversight** will range the fiscal impact to the State Road Fund as \$0 (no additional members would need coverage) to a negative unknown cost.

**Oversight** assumes this proposal could affect the Missouri Department of Conservation health benefit plan as well as some local political subdivisions; therefore, Oversight will range the fiscal impact to the Conservation Commission fund and local political subdivisions as \$0 (no additional members would need coverage) to a negative unknown cost.

Officials from the **Missouri Department of Conservation**, the **Department of Elementary and Secondary Education**, the **Department of Social Services** and the **Department of Health and Senior Services** each assume the proposal will have no fiscal impact on their respective organizations.

**Oversight** notes that the above mentioned agencies have stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for these agencies.

Officials from the **Office of Administration** defer to the Missouri Consolidated Health Care Plan to estimate the fiscal impact of the proposed legislation on their respective organization.

Officials from the **Department of Public Safety - Missouri Highway Patrol** defer to the Department of Transportation to estimate the fiscal impact of the proposed legislation on their respective organization.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
<b>GENERAL REVENUE FUND</b>			
<u>Cost - DCI</u> Insurance companies reimbursement	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
<b>ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND</b>	<b>\$0 or <u>(Unknown)</u></b>	<b>\$0 or <u>(Unknown)</u></b>	<b>\$0 or <u>(Unknown)</u></b>
<b>INSURANCE DEDICATED FUND (0566)</b>			
<u>Revenue - DCI</u> \$150 Filing Fee	<u>\$59,550</u>	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT TO THE INSURANCE DEDICATED FUND (0566)</b>	<b><u>\$59,550</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<b>STATE ROAD FUND (0320)</b>			
<u>Cost - MoDOT</u> New coverage for eligible members	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
<b>ESTIMATED NET EFFECT TO THE STATE ROAD FUND (0320)</b>	<b>\$0 or <u>(Unknown)</u></b>	<b>\$0 or <u>(Unknown)</u></b>	<b>\$0 or <u>(Unknown)</u></b>
<b>CONSERVATION COMMISSION FUND (0609)</b>			
<u>Cost - MDC</u> New coverage for eligible members	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
<b>ESTIMATED NET EFFECT TO CONSERVATION COMMISSION FUND (0609)</b>	<b>\$0 or <u>(Unknown)</u></b>	<b>\$0 or <u>(Unknown)</u></b>	<b>\$0 or <u>(Unknown)</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Cost - Local Political Subdivisions</u>	\$0 or	\$0 or	\$0 or
New coverage for eligible members	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>\$0 or (Unknown)</u></b>	<b><u>\$0 or (Unknown)</u></b>	<b><u>\$0 or (Unknown)</u></b>

FISCAL IMPACT - Small Business

Small businesses may have to pay more for health insurance as a result of this proposal.

FISCAL DESCRIPTION

This bill requires accident and health insurance carriers to provide coverage for medically necessary hearing aids every 36 months for anyone under the age of 18. This provision is subject to out-of-pocket requirements and additional restrictions as specified in the bill.

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 Commerce and Insurance  
Missouri Consolidated Health Care Plan  
Office of Administration  
Missouri Department of Conservation  
Department of Transportation  
Department of Elementary and Secondary Education  
Department of Social Services  
Department of Health and Senior Services  
Department of Public Safety - Missouri Highway Patrol



Julie Morff  
Director  
March 2, 2020



Ross Strobe  
Assistant Director  
March 2, 2020