

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1107-01
Bill No.: SB 285
Subject: Insurance - Medical; Health Care; Insurance Department
Type: Original
Date: February 26, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	\$0	(Unknown)	(Unknown)
Insurance Dedicated	\$0	\$10,000	\$0
Highway	\$0	\$0 to (\$6,463,377)	\$0 to (\$6,463,377)
Conservation	\$0	(Less than \$100,000)	(Less than \$100,000)
Total Estimated Net Effect on <u>All</u> State Funds	\$0	\$0 TO (\$6,563,377)	\$0 TO (\$6,563,377)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Federal	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds*	\$0	\$0	\$0

*Unknown revenues and expenditures net to \$0.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Social Services** assume this proposal would not fiscally impact their agency.

Department of Conservation (MDC) officials state the proposal would have fiscal impact on MDC funds because of the increase in health insurance claims. MDC assumes the fiscal impact to be less than \$100,000 annually.

Officials from the **Department of Insurance (INS)** state that insurers would be required to amend contracts of coverage in order to comply with the proposal. Amendments to contracts for coverage must be filed with INS. INS states they anticipate that current appropriations and staff would be able to absorb the work for implementation of this single proposal. However, if additional proposals are approved during the legislative session, the department would need to request additional staff to handle the increase in workload. INS estimates 171 insurers and 29 HMOs would be required to file at least one amendment to their policy form to comply with the proposal resulting in revenue of \$10,000. If multiple proposals pass during the legislative session which require policy form amendments to be filed, the insurers would probably file one amendment for all required mandates. This would result in increased revenue of \$10,000 for all proposals.

The **Department of Transportation (DHT)** officials state this proposal would require health care plans to provide coverage for hearing exams, hearing aids, cochlear implants, auditory brainstem implants, vibrotactile devices for persons with hearing loss, and related follow-up rehabilitation services. DHT states that according to the Better Hearing Institute, about 10 percent of the population have hearing impairments and 95 percent of those individuals can correct hearing loss with hearing aids. DHT currently has 18,320 participants and the Patrol currently has 6,109 participants in the Medical Plan. Therefore, 10 percent having hearing impairments equates to 1,832 DHT participants and 611 Patrol participants. The 95 percent whose hearing loss can be corrected with hearing aids equates to 1,740 DHT participants and 580 Patrol participants. DHT states there may be only one provider in the state that performs the cochlear implants and the auditory brainstem implants. DHT states that the other 5 percent (92 MoDOT employees and 31 Patrol employees) of those individuals that cannot correct hearing loss with a hearing aid would benefit from a cochlear or auditory brainstem implant.

IMPLANTS: An individual would either have the cochlear or the auditory brainstem implant. They would never have both and the cost for each is the same. The estimated cost for these procedures including the device is \$35,000 per implant. Therefore, the total costs for implants would be \$4,305,000 (92 MoDOT participants + 31 MSHP participants x \$35,000 per

ASSUMPTION (continued)

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procedure). There would also be follow-up costs for programming and audio and speech testing. These services would be the related follow-up rehabilitation services referred to in the proposal. The services would be necessary at least once immediately following the surgery and then once every year following the implant and as many times as twice a year. The cost would be approximately \$309 per session. The cost estimate for the rehabilitation services (programming the device and audio and speech testing following the implant) immediately after the surgery would be \$38,007 (92 DHT participants + 31 MHP participants x \$309 per session = \$38,007). The rehabilitation costs necessary in the years to follow are as a long range impact.

HEARING AIDS: The Highway and Patrol Medical Plan does not currently cover hearing aids, therefore, this proposal would have a fiscal impact to the Medical Plan. The price range on hearing aids varies dramatically. DHT was quoted prices for hearing devices that United Healthcare participants would be able to receive. The prices that were quoted are as follows: Full shell in the ear device - \$600 max, Canal Style - \$700 max, Behind the ear - \$725 max and Programmable - \$1000 max. The averaged cost of these four different devices would be approximately \$756. Assuming that the participants have met their deductible and maximum out of pocket expenses and the Medical Plan would be covering the hearing aids at 100 percent, 1,740 DHT participants and 580 Patrol participants would be able to correct hearing loss with hearing aids. The total fiscal impact due to DHT participants would be approximately \$1,315,440 (1,740 x \$756). The total fiscal impact due to Patrol participants would be approximately \$438,480 (580 x \$756). The total fiscal impact to the Medical Plan would be \$1,753,920 (\$1,315,440 + \$438,480).

HEARING EXAMS: This proposal would also require covered hearing exams. DHT indicated that a hearing exam is approximately \$150. Therefore, there would be an additional cost of \$366,450 for the hearing exams (1,832 DHT + 611 MHP participants x \$150/exam).

TOTAL: Assuming that these individuals have met their annual deductible and maximum out of pocket expenses, the total current fiscal impact for this proposal to the Highway & Patrol Medical Plan would be approximately \$6,463,377 (\$1,753,920 + \$366,450 + \$4,305,000 + \$38,007 = \$6,463,377). The impact due to DHT participants would be \$4,838,668 and the impact due to MHP participants would be \$1,624,709.

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 department (commission) must make a decision on what portion they would provide. Until the commission makes a decision, DHT can only provide the cost to the medical plan.

Oversight assumes a range of \$0 to (\$6,463,377) to reflect the unknown cost of increased ASSUMPTION (continued)

employee contributions, costs being absorbed, or some combination.

Officials from the **Missouri Consolidated Health Care Plan (HCP)** state their current contracts provide coverage for annual hearing exams, bilateral hearing aids every two years, augmentative hearing devices when medically necessary, and speech therapy. HCP assumes this proposal would not fiscally impact their agency.

Department of Social Services (DOS) officials state the fiscal impact to the Division of Medical Services is unknown. DOS states hearing aids and exams are currently a covered Medicaid service for both fee-for-service and managed care plans. DOS states cochlear implants, auditory brainstem implants, vibrotactile devices, and related follow-up rehabilitation services are not a covered Medicaid service for adults under the fee-for-service and managed care plans.

Department of Public Safety - Missouri State Highway Patrol (MHP) officials did not respond to our fiscal impact request.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
GENERAL REVENUE FUND			
<u>Costs - Department of Social Services</u>			
Medical assistance payments	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
INSURANCE DEDICATED FUND			
<u>Income - Department of Insurance</u>			
Form filing fees	<u>\$0</u>	<u>\$10,000</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>\$0</u>	<u>\$10,000</u>	<u>\$0</u>

HIGHWAY FUND

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
<u>Costs - Department of Transportation</u>			
Increased state contributions	\$0	\$0 to (\$4,838,668)	\$0 to (\$4,838,668)
<u>Costs - Department of Public Safety - Missouri State Highway Patrol</u>			
Increased state contributions	<u>\$0</u>	<u>\$0 to (\$1,624,709)</u>	<u>\$0 to (\$1,624,709)</u>
ESTIMATED NET EFFECT ON HIGHWAY FUND	<u>\$0</u>	<u>\$0 TO (\$6,463,377)</u>	<u>\$0 TO (\$6,463,377)</u>
CONSERVATION FUND			
<u>Costs - Department of Conservation</u>			
Increased state contributions	<u>\$0</u>	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>
ESTIMATED NET EFFECT ON CONSERVATION FUND	<u>\$0</u>	<u>(LESS THAN \$100,000)</u>	<u>(LESS THAN \$100,000)</u>
FEDERAL FUND			
<u>Income - Department of Social Services</u>			
Medicaid reimbursements	\$0	Unknown	Unknown
<u>Costs - Department of Social Services</u>			
Medical assistance payments	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON FEDERAL FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2002 (10 Mo.)	FY 2003	FY 2004

FISCAL IMPACT - Local Government

FY 2002
(10 Mo.)
\$0

FY 2003
\$0

FY 2004
\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal would require insurance companies to provide coverage for hearing exams, hearing aids and other specified hearing devices and services. Insurance companies would not charge higher deductibles or co-payments for this type of coverage compared to similar health care services. This coverage would not apply to supplemental insurance policies, life care contracts, accident-only policies, long-term care policies or short-term medical policies having a term of six months or less. This proposal would apply to insurance policies issued or renewed after July 1, 2002.

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
Missouri Consolidated Health Care Plan
Department of Insurance
Department of Conservation

NOT RESPONDING: Department of Public Safety - Missouri State Highway Patrol



Jeanne Jarrett, CPA
Director

February 26, 2001