

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3289-02
Bill No.: SB 838
Subject: Insurance - Medical; Children and Minors
Type: #Updated
Date: January 30, 2002
#Updated to reflect new information from Department of Transportation

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Insurance Dedicated	\$9,850	\$0	\$0
#Highway	(\$106,945)	(\$128,333)	(\$128,333)
Conservation	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
Total Estimated Net Effect on <u>All</u> State Funds	(\$97,095 to \$197,095)	(\$128,333 to \$228,333)	(\$128,333 to \$228,333)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

FISCAL ANALYSIS

ASSUMPTION

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

Officials from the **Department of Insurance (INS)** state that insurers and HMOs would be required to amend their policies to comply with this benefit mandate. Amendments must be filed with INS. INS estimates that 171 insurers and 26 HMOs would be required to file at least one amendment to their policy form with a filing fee of \$50, resulting in revenue of \$9,850 for FY 2003. INS has reached capacity in policy form reviews and the additional workload created by this legislation will cause delays policy form reviews. Additional staff are not being requested with this single proposal, but if multiple proposals pass during the legislative session which require policy form amendments INS will need to request additional staff to handle the increase in workload.

Department of Transportation (DHT) and the Department of Public Safety - Missouri State Highway Patrol (MHP) officials state that because the Highway & Patrol Medical Plan does not currently cover hearing aids, this legislation will have a fiscal impact to the Medical Plan. DHT and MHP state that information obtained from Better Hearing Institute's internet web site indicated that about 10% of the population have hearing impairments, and 95% of those individuals can correct hearing loss with hearing aids. The legislation does not specify the age of children. DHT and MHP assume the legislation will include birth through age 18 years, because the Highway and Patrol Medical Plan currently covers dependent children until they reach age 19. Currently, the Highway & Patrol Medical Plan has 5,599 children enrolled (4,311 for DHT and 1,288 for MHP).

DHT and MHP state 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 \$2,500 per hearing aid for each ear with a hearing loss. The health insurance carrier must provide coverage for replacement hearing aids every three years or as prescribed by an audiologist.

DHT and MHP assume that the Highway and Patrol Medical Plan would cover the hearing aids 100% up to the \$2,500 maximum per hearing aid and that individual's will meet their \$2,500 limit. DHT and MHP state that based on information from an audiologist with the Missouri School for the Deaf, DHT and MHP further assume that each individual will need two hearing aids. Based on the above assumptions the total fiscal impact to the DHT would be approximately \$2,047,725 $((4,311 \times 10\% \times 95\%) \times (\$2,500 \times 2))$. Based on the above assumptions, the total fiscal impact to MHP would be approximately \$611,800 $((1,288 \times 10\% \times 95\%) \times (\$2,500 \times 2))$

ASSUMPTION (continued)

DHT and MHP state historically, the DHT and MHP and the plan members have shared in any premium increase necessary because of increases in benefits. The costs may be shared between three categories: absorbed by the plan, state appropriated funds, and/or costs to individuals covered under the plan. However, the DHT (commission) and MHP must make a decision on what portion DHT and MHP will provide.

The legislation will have no fiscal impact on DHT or MHP. The Highway & Patrol Medical Plan is not expressly in the statute, but under section 104.801 RSMo., the Medical Plan would have to provide similar coverage. As a result, this legislation will have a fiscal impact on the Highway and Patrol Medical Plan.

Oversight assumes a range of \$0 to \$2,047,725 for DHT and a range of \$0 to \$611,800 for MHP to reflect the unknown cost of increased employee contributions, costs being absorbed, or some combination.

#The **Department of Transportation** states that their initial response used statistics of hearing loss that is probably distorted by including the elderly population. In addition, the Highway and Patrol Medical Plan was required to cover initial amplification for children detected in the first 3 months effective January 1, 2002 which was not taken into account.

#The **Department of Transportation (DHT)** and the **Department of Public Safety - Missouri State Highway Patrol (MHP)** assume this legislation requires health insurance carriers to provide coverage for hearing aids for dependent children who are covered under a policy or contract and provide coverage for replacement hearing aids for the child at least once every three years or as prescribed by an audiologist. DHT and MHP state 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 \$2,500 per hearing aid for each ear with a hearing loss.

#DHT and MHP assumes this legislation will have no fiscal impact on DHT and MHP. The Highway & Patrol Medical Plan is not expressly in the statute, but under section 104.801 RSMo., the Medical Plan would have to provide similar coverage. DHT and MHP state effective January 1, 2002, the medical plan is required to cover the initial amplification for a newborn who has hearing loss detected within the first three months of their birth. The medical plan is currently not required to cover replacement amplification devices or hearing aids for children that are not detected with a hearing loss in the first three months of their birth. As a result, DHT and MHP assume this legislation will have a fiscal impact on the Highway & Patrol Medical Plan.

#DHT and MHP assume this legislation states that the Medical Plan would also be responsible for coverage of replacement hearing aids every three years or as prescribed by the audiologist. DHT and MHP spoke with an audiologist at the Missouri School for the Deaf who thought that

ASSUMPTION (continued)

replacement hearing aids every three years for a child was reasonable as long as the hearing aids were behind the ear and not in the ear hearing aids. The only cost that would be required annually is new ear molds, which would be required at least twice a year for a child that is not school age and then at least annually once they are school age. The cost for new ear molds is approximately \$50 per mold. DHT and MHP assume that once an individual reaches their \$2,500 maximum within a three year period that no additional costs would be covered until the third year.

#Because the Highway & Patrol Medical Plan is currently required to cover the initial amplification for newborns who have a hearing loss detected within the first three months of birth only and does not currently cover replacement hearing aids or hearing aids for children who are not detected within the first three months of birth, DHT and MHP assume this legislation will have a fiscal impact to the Medical Plan. Information DHT and MHP obtained on the internet from the Gallaudet University Center for Assessment & Demographic Studies, states that 1.8% of children 3-17 years of age are hearing impaired. DHT and MHP will round up to 2% of Highway and Patrol Medical Plan's child population is hearing impaired due to their percentage not including birth to 3 years of age. Based on other information found in a Today's news article on the internet, 70% with hearing loss would benefit from the use of hearing aids. The legislation does not specify the age of children. DHT and MHP assume Birth through age 18 years, because the Medical Plan currently covers dependent children until they reach age 19.

#DHT and MHP also found in the Gallaudet survey that 4.4% of hearing loss is due to hearing loss at birth. DHT and MHP assume 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 are currently responsible for covering their initial amplification effective January 1, 2002.

#DHT and MHP assume that the Medical Plan would cover the hearing aids 100% up to the \$2,500 maximum per hearing aid and that individual's will meet their \$2,500 limit. Based on information from an audiologist with the Missouri School for the Deaf, DHT and MHP also assume that each individual will need two hearing aids.

#Currently the Highway & Patrol Medical Plan has 5,599 children enrolled and on average have 295 new births added to the plan annually. Based on the above assumptions, we found that approximately 112 children covered under our medical plan would be hearing impaired (5,599 x 2%). Of these 112 children DHT and MHP assume that approximately 78 would benefit from the use of hearing aids (112 x 70%). DHT and MHP also assume that the Medical Plan would have 1 child every 4 years born with hearing loss (295 x 2% x 4.4%). 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 \$2,500 for hearing aids/hearing loss ear and replacement hearing aids every three years, the fiscal impact would be approximately \$385,000 every three years ((78-1) x (\$2,500 x 2) or \$128,333 annually (\$385,000/3). DHT and MHP

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ASSUMPTION (continued)

assume 77% is DHT (\$98,816) and 23% is MHP (\$29,517).

#Historically, MHP, DHT, 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 MHP and DHT must make a decision on what portion they will provide. Until a decision is made, DHT and MHP can only provide the cost to the medical plan.

Department of Conservation (MDC) officials assume the proposed legislation would have a fiscal impact on MDC funds since hearing aids for children are not presently covered by MDC insurance. MDC estimates the impact to be less than \$100,000 annually.

Officials from the **Missouri Consolidated Health Care Plan (HCP)** state that HCP's plans currently allow for hearing aids for HCP members at 20% coinsurance. HCP states hearing aids are available once every two years. HCP assumes this proposal would not fiscally impact their agency.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
INSURANCE DEDICATED FUND			
<u>Revenue - filing fees</u>	<u>\$9,850</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>\$9,850</u>	<u>\$0</u>	<u>\$0</u>
HIGHWAY FUND			
<u>#Costs - Department of Transportation</u>			
Increased state contributions	(\$82,347)	(\$98,816)	(\$98,816)
<u>#Costs - Department of Public Safety - Missouri State Highway Patrol</u>			
Increased state contributions	<u>(\$24,598)</u>	<u>(\$29,517)</u>	<u>(\$29,517)</u>
#ESTIMATED NET EFFECT ON HIGHWAY FUND	<u>\$106,945</u>	<u>\$128,333</u>	<u>\$128,333</u>

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
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CONSERVATION FUND

Cost- Department of Conservation

Increased state contributions	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
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**ESTIMATED NET EFFECT ON
 CONSERVATION FUND**

<u>(LESS THAN \$100,000)</u>	<u>(LESS THAN \$100,000)</u>	<u>(LESS THAN \$100,000)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
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<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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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.

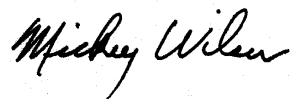
DESCRIPTION

This proposal mandates insurance coverage for children's hearing aids. This mandated coverage will be required in all health policies issued or renewed after January 1, 2003. The required coverage shall not be subject to greater deductibles or copayments that exceeds 20% of the actual covered service costs. Insurers are prohibited from requesting hearing acuity information from the 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 3 years. Hearing aids, prescriptions and consumable supplies must be reimbursed at the usual and customary charges of the licensed professionals. A health insurer or health benefit plan subject to this mandate may limit the benefits payable for hearing aids to \$2,500 per hearing aid for each ear with a hearing loss. An insured may choose a hearing aid higher than the benefit payable and may pay the difference between the price of the hearing aid and the benefit payable.

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
Missouri State Highway Patrol



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