

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2798-02
Bill No.: SB 705
Subject: Insurance - Medical; Children and Minors
Type: Original
Date: January 5, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue	(Unknown less than \$38,850)	(Unknown less than \$38,850)	(Unknown less than \$38,850)
Total Estimated Net Effect on General Revenue Fund	(Unknown less than \$38,850)	(Unknown less than \$38,850)	(Unknown less than \$38,850)

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Insurance Dedicated	\$8,000	\$0	\$0
Conservation Fund	(Less than \$17,000)	(Less than \$17,000)	(Less than \$17,000)
Total Estimated Net Effect on <u>All</u> State Funds	(Unknown less than \$9,000)	(Unknown less than \$17,000)	(Unknown less than \$17,000)

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> Federal Funds*	\$0	\$0	\$0

* Revenues and expenses approximately \$61,000 annually and net to \$0.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Missouri Consolidated Health Care Plan (HCP)** state the HCP plans currently allow for hearing aids for members at a 20% and 30% coinsurance. Hearing aids are available once every two years. HCP plans currently have maximum amounts for hearing aids ranging from \$500 to \$2,500, which includes related charges for battery, dispensing fees, accessories, and supplies. This benefit could add some additional cost to the plans. However, it is expected that this amount would be insignificant.

The HCP public entity PPO does not cover hearing aids. Therefore, this may result in a minimal increase in premiums.

Oversight assumes minimal increases would be absorbable and have presented a zero impact for fiscal note purposes.

Officials from the **Department of Public Safety - Missouri State Highway Patrol** defer to the Missouri Department of Transportation for response regarding the fiscal impact of this proposal on their organization.

HWC:LR:OD (12/02)

ASSUMPTION (continued)

Officials from the **Missouri Department of Transportation (DOT)** state because the Highway and 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, associated hearing evaluations, consumable supplies or hearing aids for children who are not detected within the first three months of birth, this proposal will have a fiscal impact to the Medical Plan.

Statistics were obtained from Department of Elementary and Secondary Education's (DES) Special Education-Students with Disabilities Child Count Report as of 12/02/02 and show that approximately 0.15% of children 3-21 years of age are hearing impaired.

DOT found statistics from 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. According to this report, 62.8% of children with hearing loss in the nation use hearing aids for instruction. In addition, this report states that 42% of the children in the nation who are deaf and hard 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 as of January 1, 2005.

Based on this proposal, DOT is assuming the Medical Plan would be responsible for covering the initial amplification for each ear with hearing loss, replacement hearing aids every three years, associated hearing evaluations and consumable supplies. The hearing aids may be capped at \$1,250 per ear with hearing loss. The individual may purchase more expensive hearing aids if wanted, but would be responsible for the difference.

After speaking to Judy Basteau, an audiologist with the MO School for the Deaf, DOT has determined that in addition to the hearing aids, a child will need an annual hearing evaluation that normally Medicare allows \$45, annual ear molds for those that are school age and twice a year for those that are not school age, costing \$50 per mold, and batteries which cost approximately \$4.50/pack. On average, an individual would need to replace the batteries monthly. For purposes of this fiscal note, DOT is averaging the molds to 3 per year, or \$150 (3 x \$50).

For purposes of this legislation DOT will assume that every child with hearing loss will have hearing loss in both ears. As a result, each child with hearing loss will have costs of about \$2,500 (\$1,250 x 2) every three years for the hearing aids and then additional associated annual costs of approximately \$249 ($\$45 + (\$50 \times 3) + (\$4.5 \times 12)$) depending on the child's age.

ASSUMPTION (continued)

Currently, the Highway and Patrol Medical Plan has 6,053 dependent children enrolled from birth through age 19 and on average have 319 new births added to the plan annually (6,053/19 years). Based on the above statistics, DOT is assuming it would have approximately 9 children covered under the Medical Plan with hearing loss ($6,053 \times .15\%$). 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 ($319 \times .15\% \times 42\%$).

For purposes of this legislation, DOT will assume that the Medical Plan will have 1 child per year born with hearing loss at birth. This 1 child is what the Medical Plan is currently responsible for coverage of their initial amplification. As a result, the Medical Plan would have an impact of approximately \$16,235 $((6-1) \times ((\$1,250 \times 2) + (\$249 \times 3)))$ every three years, depending on the age of the child or approximately \$5,412 ($\$16,235/3$) annually, depending on the age of the child. Although deductibles, co-pays and coinsurance would be applied to these costs, DOT is assuming that the individuals would have already met their deductible and maximum out-of-pocket costs and the plan would be paying 100% of the costs.

77% of the total participants in the Medical Plan are DOT participants and 23% are Missouri State Highway Patrol (MHP) participants. As a result, \$4,167 ($\$5,412 \times 77\%$) of the annual fiscal impact is due to DOT participation and \$1,245 ($\$5,412 \times 23\%$) of the annual fiscal impact is due to MHP participation.

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 (MHTC), DOT, and Patrol must make a decision on how to fund the increase.

Oversight assumes, based on the anticipated fiscal impact provided by DOT, that DOT funds would not be significantly 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 its insurance plan. MDC estimates the impact of this proposal to be less than \$17,000 annually. This amount is based on information provided by the Missouri Assistive Technology (2003) and MDC dependent coverage.

ASSUMPTION (continued)

Officials from the **Department of Social Services - Division of Medical Services (DMS)** assume any changes made to Section 376, RSMo, apply to Medicaid.

Hearing aids, examinations and consumable supplies are currently covered Medicaid services for both fee-for-service and managed care plans for children. The proposal requires replacement hearing aids at least once every three years. The Missouri Medicaid/MC+ policy is once every four years. It is estimated the accelerated rate of replacement would have a fiscal impact on the DMS. The additional cost is unknown but less than \$100,000 annually.

Officials from the **Department of Insurance (INS)** estimate 160 insurers and HMOs would be required to submit amendments to their policies to comply with the proposal. 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.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
GENERAL REVENUE FUND			
<u>Costs - Department of Social Services</u>			
Increase in program costs	<u>(Unknown less than \$38,850)</u>	<u>(Unknown less than \$38,850)</u>	<u>(Unknown less than \$38,850)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(Unknown less than \$38,850)</u>	<u>(Unknown less than \$38,850)</u>	<u>(Unknown less than \$38,850)</u>
INSURANCE DEDICATED FUND			
<u>Income - Department of Insurance</u>			
Policy form filing fees	<u>\$8,000</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>\$8,000</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
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CONSERVATION FUND

Costs - Missouri Department of
 Conservation

Increase in contributions	(Less than \$17,000)	(Less than \$17,000)	(Less than \$17,000)
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ESTIMATED NET EFFECT ON CONSERVATION FUND	<u>(Less than \$17,000)</u>	<u>(Less than \$17,000)</u>	<u>(Less than \$17,000)</u>
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FEDERAL FUNDS

Income - Department of Social Services

Medicaid reimbursements	Unknown less than \$61,150	Unknown less than \$61,150	Unknown less than \$61,150
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Costs - Department of Social Services

Medicaid reimbursements	(Unknown less than \$61,150)	(Unknown less than \$61,150)	(Unknown less than \$61,150)
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ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
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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 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, 2005.

HWC:LR:OD (12/02)

DESCRIPTION (continued)

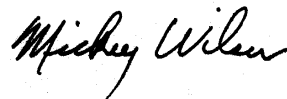
Insurers are prohibited from requesting hearing acuity information from the insureds. The mandated coverage does not apply to certain types of policies such as supplemental insurance policies or specified disease policies. The proposal describes what type of hearing aids are covered. Policies subject to this proposal must provide replacement hearing aids for the child at least every three years.

A health insurer or health benefit plan subject to this mandate may not limit the benefits payable for hearing aids to less than \$1,250 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 Social Services
Missouri Department of Transportation
Department of Public Safety -
 Missouri State Highway Patrol
Missouri Consolidated Health Care Plan
Department of Insurance
Missouri Department of Conservation



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Director
January 5, 2004