

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

ORIGINAL DATE 01/23/07
 LAST UPDATED 03/03/07 HB 85/aHHGAC/aSCORC

SPONSOR Wallace

SHORT TITLE Insurance Coverage for Child Hearing Aids SB _____

ANALYST Hanika Ortiz

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY07	FY08	FY09	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		(\$01)				

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Health Policy Commission (HPC)
 Department of Health (DOH)
 Public Regulation Commission (PRC)

SUMMARY

Synopsis of SCORC

The Senate Corporations and Transportation Committee Amendment strikes language requiring an insurer to make available additional hearing aid coverage that exceeds the proposed coverage as defined in the bill.

Synopsis of HHGAC Amendment

The House Health and Government Affairs Committee Amendment adds language to clarify that a health insurer has the discretion to determine the provider of hearings aids and related services with which it contracts; and, may conduct medical necessity or provide for utilization review.

SIGNIFICANT ISSUES

Insurers use “utilization review” to examine medical records to see if a patient was given an economical level of care consistent with their needs and the past needs of similarly-afflicted patients with regard to care received in a particular facility or from a particular provider. An insurer uses medical necessity as the standard in providing patient care that is reasonable, necessary, and/or appropriate based on evidence-based clinical standards of care.

Synopsis of Original Bill

House Bill 85 enacts several new sections to the Insurance Code requiring hearing aid and related services are provided for children covered by any individual or group health care coverage issued or renewed in New Mexico.

FISCAL IMPLICATIONS

The PRC believes the estimated cost of this benefit for insurers vary from less than \$1 per year to as much as \$1 per month per child.

HPC reports that requirements vary state by state for hearing aid coverage for children and range from \$400 coverage per hearing aid per ear every 3 years in Rhode Island, to once every 48 months without a dollar limit in Oklahoma. DOH reports that costs for a hearing aid, accessories and related professional services are estimated at \$3000 per hearing aid. Infants and young children require more frequent professional services because of the variation of their hearing loss over time.

DOH reports that in 2000, the annual average per student special education expenditure for a child who was deaf or hard of hearing was more than twice the expenditure for their hearing peer, \$15,992 vs. \$6,556. Costs to state agencies for children without early hearing loss related services may be significant in terms of direct medical costs, family discord, lost work productivity and increased dependence on welfare systems.

SIGNIFICANT ISSUES

Insurers in New Mexico, except for Medicaid, typically exclude the purchase of hearing aids from their health care plans. The DOH reports less than forty percent of New Mexico's children are insured through employer-sponsored health insurance plans. The coverage mandated under HB 85 provides coverage for one hearing aid and related services per hearing-impaired ear up to \$2,200 for insured children under 18 years of age or under 21 years of age if still attending high school. Insurers must make available to policyholders the option of purchasing additional hearing aid coverage that exceeds the services provided.

ADMINISTRATIVE IMPLICATIONS

The PRC reports the additional workload to re-file insurers policy forms with the Insurance Division can be accomplished with existing staff and resources.

OTHER SUBSTANTIVE ISSUES

HM 16 in 2006 requested a study on the feasibility of mandating insurance coverage for children's hearing aids and cochlear implant processor replacement as durable medical equipment.

According to DOH, 80 infants are born each year in New Mexico with congenital hearing loss, one of the most common birth defects. Other children are born with normal hearing but experience late onset or progressive hearing loss. Children as young as one month of age can be fitted with hearing aids. There is considerable evidence that early intervention services can

mitigate the effects of hearing loss and language delays, and provide the child and family the opportunity to develop age appropriate communication. The HPC further notes that recent research indicates children identified with hearing loss who begin services before 6 months of age develop language (signed or spoken) on a par with their hearing peers.

DOH further reports that in 2000, the Joint Committee on Infant Hearing stated that without auditory input and the opportunity to learn language, children with hearing loss almost always fall behind their peer in language, cognition, social-emotional development. They also have difficulties attaining the same level of academic achievement as their hearing peers. Several studies show that deaf children by age 8 are already 1.5 years behind their hearing peers in reading comprehension scores, and half of deaf children graduate from high school with a 4th grade reading level or less. Children with unilateral hearing loss also lag behind their peers in math, language and social functioning as well.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Insurers may continue to exclude the costs of hearing aids and related services for children from their health care plans.

AHO/mt:csd