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## FISCAL IMPACT REPORT

SPONSOR Thomson ORIGINAL DATE 1/24/19  
 LAST UPDATED 2/14/19 HB 70/aHCED

SHORT TITLE Insurance Coverage for Prosthetics SB \_\_\_\_\_

ANALYST Chilton

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY19	FY20	FY21	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>		NFI	NFI	NFI		

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Public Schools Insurance Authority (PSIA)

Human Services Department (HSD)

Office of the Superintendent of Insurance (OSI)

University of New Mexico Health Sciences Center (UNM HSC)

### SUMMARY

#### Synopsis of Amendment

The House Commerce and Economic Development Committee amendment makes two changes in each section of the bill

- 1) It specifies that rehabilitative or habilitative equipment is intended to bring *that person's* functionality back to *her/his* optimal level, and
- 2) Coverage of prosthetics and custom orthotic devices are defined as lying within the essential health benefits guaranteed through state and federal requirements.

#### Synopsis of Bill

House Bill 70 enacts new provisions in the Health Care Purchasing Act (Section 13-7 NMSA 1978) and the portion of the New Mexico Insurance Code dealing with health insurance (Section 59A-22 NMSA 1978) requiring that plans for health insurance plan members covered by those statutes cover prosthetics and orthotics.

Further, it requires that the coverage be at least equivalent to that provided under Medicare and the coverage must be equivalent to what the plan offers for medical and surgical benefits, including cost-sharing for orthotic or prosthetic devices. The coverage for orthotics and

prosthetics would have to include evaluation of the patient's requirements for the device, its formulation, materials for its construction and manufacture, and instruction for the enrollee in use of the device, as well as for repair or replacement deemed necessary for optimal function. A plan would not be permitted to impose lifetime limits on coverage for these devices. Managed care plans covered by the Health Care Purchasing Act would have to have at least two in-state providers of the devices for the patient to choose from. The requirements are virtually identical for policies covered in the Health Care Purchasing Act and the Insurance Code.

Policies exempted from these requirements would be those providing supplementary coverage to another form of insurance, such as Medicare supplemental policies, long-term care, disability income and other limited-benefit health insurance policies.

## **FISCAL IMPLICATIONS**

PSIA indicates regarding its group plans

The benefit for prosthetics and custom orthotics under NMPSIA's High and EPO plans would not need to be modified. Currently NMPSIA members pay 20 percent of the cost after the deductible for prosthetics and custom orthotics. This matches the coverage under those plans for medical and surgical benefits and is equivalent to Medicare which requires members to pay the same coinsurance percent after the Part B deductible has been satisfied.

For the Low option, the coinsurance for prosthetics and custom orthotics would need to be reduced from 25 percent to 20 percent paid by members after deductible. Based on approximately \$62,000 in allowed charges paid for Durable Medical Equipment (which includes prosthetics and custom orthotics) for Low option participants during Fiscal Year 2018, we would expect the 5% shift to result in an expected increase to NMPSIA's costs of less than \$3,000 annually.

UNM HSC doubts a major impact: "The UNM Team Health Plan and the University's other health plans might see a financial impact. Given the small number of people who use orthotics and prosthetics, however, this should not be a huge cost."

OSI indicates that the amended language of the bill, defining orthotics and prosthetics as falling within the essential health benefit, "habilitative or rehabilitative benefits," makes the cost to the state of providing prosthetics and orthotics essentially zero.

## **SIGNIFICANT ISSUES**

Regarding Medicaid, HSD states that "The New Mexico Medicaid benefit package already includes coverage for expenses related to prosthetics and custom orthotic devices that is at least equivalent to coverage currently provided by the federal Medicare program and no less favorable than the terms and conditions that the group health plan offers for medical and surgical benefits". Thus there is no section in House Bill 70 applicable to Medicaid.

The Health Care Purchasing Act currently specifies coverage for the following:

- Hearing aid coverage for children required.
- Required coverage of patient costs incurred in cancer clinical trials.
- Coverage for orally administered anticancer medications; limits on patient costs.
- Coverage of prescription eye drop refills.
- Coverage for telemedicine services.
- Coverage for autism spectrum disorder diagnosis and treatment

The Health Insurance code section on health insurance currently specifies coverage for the following:

- Childhood immunization coverage.
- Coverage of circumcision for newborn males.
- Hearing aid coverage for children.
- Maternity transport required.
- Home health care service option
- Mammograms.
- Mastectomies and lymph node dissection
- Coverage for cytologic and human papillomavirus screening.
- Coverage for the human papillomavirus vaccine.
- Coverage for individuals with diabetes.
- Coverage for medical diets for genetic inborn errors of metabolism.
- Coverage for prescription contraceptive drugs or devices.
- Costs incurred in cancer clinical trials.
- Coverage for smoking cessation treatment.
- Coverage of alpha-fetoprotein IV screening test.
- Coverage of colorectal cancer screening.
- General anesthesia and hospitalization for dental surgery.
- Coverage for autism spectrum disorder diagnosis and treatment.
- Coverage for orally administered anticancer medications; limits on patient costs.
- Coverage of prescription eye drop refills.

#### **ALTERNATIVES**

Because of the very high total cost of custom foot orthotics for a very large population who some experts would say require them, it might be reasonable to consider limiting the benefit for these specific devices.

#### **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

Patients may continue to have difficulty affording the custom prosthetics and orthotics covered in this bill.

LAC/gb