



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2023 Biennium

**Bill #** HB0291

**Title:** Requiring coverage of amplification devices, services for kids with hearing loss

**Primary Sponsor:** Funk, Moffie

**Status:** As Introduced

- Significant Local Gov Impact     
  Needs to be included in HB 2     
  Technical Concerns  
 Included in the Executive Budget     
  Significant Long-Term Impacts     
  Dedicated Revenue Form Attached

### FISCAL SUMMARY

	<u>FY 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>
<b>Expenditures:</b>				
General Fund	\$0	\$0	\$0	\$0
Other	\$40,756*	\$85,585*	\$89,864*	\$94,358*
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0
<b>Net Impact-General Fund Balance:</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

**Description of fiscal impact:** HB 291 requires coverage of amplification devices and related services for children 18 years and younger with hearing loss. Since the State Employee Group Benefits Plan does not currently provide coverage for hearing aid and amplification devices, there is a fiscal impact to the state.

\* HB 291 is also a new state mandate, requiring insurance carriers to provide a benefit not currently required in the Essential Health Benefit benchmark plan. As a result, the state will have to defray the entire cost of the additional benefit as described in assumptions 10-13.

### FISCAL ANALYSIS

#### Assumptions:

#### **Department of Administration**

1. The State Employee Group Benefits Plan (Plan) does not currently provide coverage for hearing aids and amplification devices.
2. Per the Plan actuary, the estimated annual cost of providing this additional benefit would be \$52,628 in fiscal year 2021, as outlined below:

**State of Montana**  
**Cost Estimate for 2021 HB 291**  
**Adding Hearing Aid Coverage for Children**

Members Impacted	2019	2020	Notes
Members <19 with New Hearing Loss Diagnosis	47	44	Based on SOM detailed claims data for 2019 and 2020. Excludes members diagnosed in 2020 who were already diagnosed in 2019.

2021 Projected Cost of Hearing Aids	2021	Notes
A Average # children diagnosed with Hearing Loss	45.5	Average of 2019 and 2020 actual results
B % Requiring Hearing Aids	25%	ANW assumption, based on similar study in North Carolina with conservative adjustment from 16% to 25% <sup>1</sup>
C Average # of Ears Requiring Hearing Aid	1.19	Based on distribution of unilateral vs. bilateral hearing loss diagnoses for members impacted
D <u>Average Cost per Hearing Aid</u>	<u>\$5,000</u>	Hearing aid cost range is \$2,000 to \$6,000 based on similar studies in CA/OH/NC/OR; assumed 75th percentile since there is no maximum coverage amount in legislation
E Annual Allowed Charges	\$67,822	= A x B x C x D
F <u>Estimated Member Cost Sharing %</u>	<u>22.4%</u>	Based on average SOM member cost sharing for medical services in 2020; assumes deductible and coinsurance will apply
G Estimated Member Cost Share	\$15,194	= E x F
H Estimated 2021 SOM Plan Cost	\$52,628	= E - G
I Average SOM Covered Members (2020)	28,568	From SOM Q4 2020 Financial Report, Eligible Part Summary tab
J Estimated Additional 2021 Plan Cost PMPM	\$0.15	= H / I / 12

Notes:  
 1. [Insurance Coverage for Children’s Hearing Aids: Making it a Reality \(infanthearing.org\)](http://infanthearing.org)

3. The actuary utilizes an assumption of a 5% annual cost trend for this benefit. With this trend rate, the annual cost is projected as follows:

Fiscal Year	Cost Trend	Annual Cost
2021		52,628.00
2022	5%	55,259.40
2023	5%	58,022.37
2024	5%	60,923.49
2025	5%	63,969.66

4. HB 291 contains an effective date of January 1, 2022. Therefore, the estimated cost for fiscal year 2022 is \$27,630 (\$55,260 / 2).

**Montana University System**

5. The University System Employee Group Benefits Plan does not currently provide coverage for hearing aids and amplification devices.

6. The MUS plan estimates annual cost of providing this additional benefit would be \$25,000 in fiscal year 2021.

7. Assuming an annual cost trend of 5% for this benefit, the estimated cost for fiscal years 2022 through 2025 would be \$26,250, \$27,563, \$28,941, and \$30,388 respectively.

8. HB 291 contains an effective date of January 1, 2022. Therefore, the estimated cost for fiscal year 2022 is \$13,125 (\$26,250 / 2).

**State Auditor’s Office**

9. There is no financial impact to the State Auditor’s Office from HB 291; there is likely to be a rate increase that will affect consumers, but that increase is not estimable.
10. This would be a new state mandate, which is above the current Essential Health Benefit (EHB) benchmark plan.
11. The Affordable Care Act requires non-grandfathered health plans in the individual and small group markets to cover essential health benefits (EHB), which include items and services in the following ten benefit categories: (1) ambulatory patient services; (2) emergency services; (3) hospitalization; (4) maternity and newborn care; (5) mental health and substance use disorder services including behavioral health treatment; (6) prescription drugs; (7) rehabilitative and habilitative services and devices; (8) laboratory services; (9) preventive and wellness services and chronic disease management; and (10) pediatric services, including oral and vision care.
12. Per 45 CFR § 155.170, the state will have to defray the entire cost of the additional benefit. Additionally, since a cochlear implant is already covered under the state’s current EHB, the change in this benefit may trigger the federal requirement wherein the cochlear implant in the EHB would no longer be a part of the benchmark plan, and states would have to defray the entire cost of the benefit, not just the new benefits. *This cost to the state is unknown and insurance carriers will have to provide an estimate on the annual fiscal impact.*
13. To prevent federal dollars going to state benefit mandates, the referenced statute requires states to defray the cost of benefits required by state law in excess of essential health benefits for individuals enrolled in any plan offered through an Exchange.

**Department of Administration**

	<u>FY 2022 Difference</u>	<u>FY 2023 Difference</u>	<u>FY 2024 Difference</u>	<u>FY 2025 Difference</u>
<b><u>Fiscal Impact:</u></b>				
<b><u>Expenditures:</u></b>				
Benefits	\$27,630	\$58,022	\$60,923	\$63,970
<b>TOTAL Expenditures</b>	<b>\$27,630</b>	<b>\$58,022</b>	<b>\$60,923</b>	<b>\$63,970</b>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
Other	\$27,630	\$58,022	\$60,923	\$63,970
<b>TOTAL Funding of Exp.</b>	<b>\$27,630</b>	<b>\$58,022</b>	<b>\$60,923</b>	<b>\$63,970</b>
<b><u>Revenues:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0
<b>TOTAL Revenues</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0

Montana University System

	<u>FY 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>
<b><u>Fiscal Impact:</u></b>				
<b><u>Expenditures:</u></b>				
Benefits	\$13,125	\$27,563	\$28,941	\$30,388
<b>TOTAL Expenditures</b>	<u>\$13,125</u>	<u>\$27,563</u>	<u>\$28,941</u>	<u>\$30,388</u>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
Other	\$13,125	\$27,563	\$28,941	\$30,388
<b>TOTAL Funding of Exp.</b>	<u>\$13,125</u>	<u>\$27,563</u>	<u>\$28,941</u>	<u>\$30,388</u>
<b><u>Revenues:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0
<b>TOTAL Revenues</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0

D. Hoff  
Sponsor's Initials

13 Feb 2021  
Date

KA  
Budget Director's Initials

2/11/21  
Date