



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Jim Doyle, Governor
Sean Dillweg, Commissioner

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2009 Senate Bill 27 (LRB-0932/4)

April 24, 2009

Senator Russ Decker
Senate Majority Leader
Room 211 South, State Capitol
P.O. Box 7882
Madison, WI 53707-7882

Representative Michael Sheridan
Speaker of the Assembly
Room 211 West, State Capitol
P.O. Box 8952
Madison, WI 53708

Dear Senator Decker and Speaker Sheridan,

Pursuant to s. 601.423 Wis. Stats., I am submitting a social and financial report on Senate Bill 27, relating to requiring health insurance coverage of hearing aids and cochlear implants for persons under 18 years of age.

Current Wisconsin Law

Current law does not require disability insurance policies or municipal/governmental self-insured health plans to cover hearing aids or cochlear implants.

Senate Bill 27

Definitions:

“Hearing aid” means any externally wearable instrument or device designed for or offered for the purpose of aiding or compensating for impaired human hearing and any parts, attachments, or accessories of such an instrument or device, except batteries and cords.

“Cochlear implant” includes any implantable instrument or device that is designed to enhance hearing.

“Treatment” means services, diagnoses, procedures, surgery, and therapy provided by a health care professional.

Senate Bill 27 requires individual and group health insurance policies and plans to:

- Cover the cost of hearing aids and cochlear implants that are prescribed by a physician or by an audiologist for a child covered under the policy or plan who is under 18 years of age and who is certified as deaf or hearing impaired.

- Cover the cost of treatment related to hearing aids and cochlear implants, including procedures for the implantation of cochlear devices.

Coverage of the cost of hearing aids is not required to exceed the cost of one hearing aid per ear per child more often than once every 3 years.

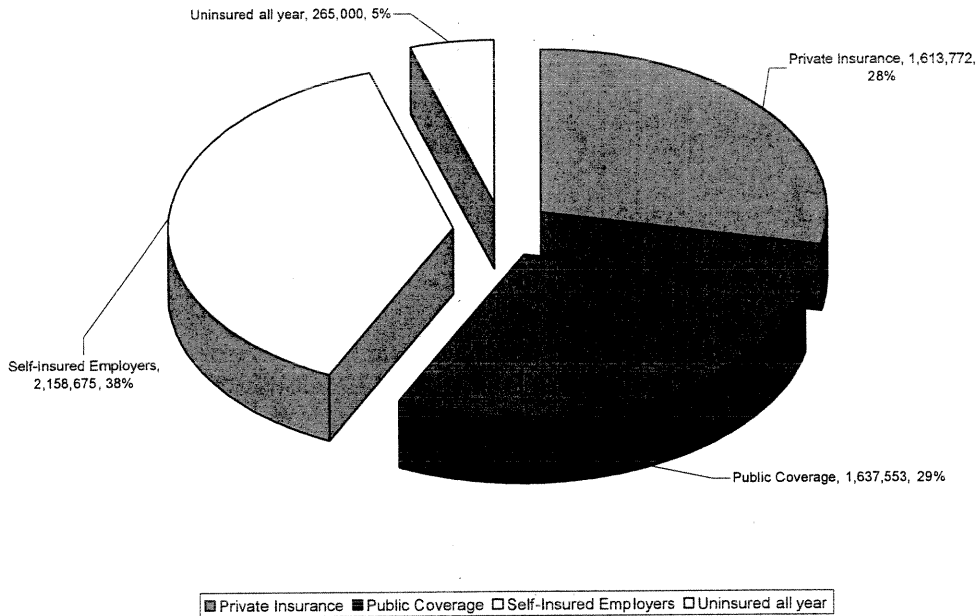
Coverage may be subject to any cost-sharing provisions, limitations or exclusions, other than a preexisting condition exclusion, that apply generally under the policy or plan. However, an individual policy may impose a preexisting condition exclusion that does not exceed one year with respect to the coverage required for cochlear implants and related treatment. An individual health insurance policy imposing such a preexisting condition exclusion must cover the cost of cochlear implants and related treatment for a child during the preexisting condition exclusion period if time is of the essence as a result of the occurrence during that period of any of the following conditions:

- a. Vestibular aqueduct syndrome.
- b. Viral infection.
- c. Ototoxicity.
- d. Autoimmune inner ear disease.
- e. Any other condition with respect to which a failure to intervene would likely negatively impact the child's outcome.

Private Insurance

Private insured health insurance products cover approximately 1.61 million state residents¹, representing approximately 28% of the population. This mandate expands coverage for those individuals.

Wisconsin Health Coverage 2007



Individuals who are members of groups whose benefit plans are self-funded are exempt from state regulation by the Employee Retirement and Income Security Act of 1974 (ERISA) and will not be affected by SB 27. Self-funded plans provide health coverage to approximately 38% of Wisconsin's population. It is unknown whether there would be any indirect impact with unregulated self-funded plans if SB 27 were to become law. For example, market pressures may result in a company choosing to provide coverage mandated under the bill as a way to attract new employees.

Prevalence

The Department of Health Services indicates that approximately 200 babies are born each year with hearing problems severe enough to require a hearing aid or cochlear implant.

The Department of Public Instruction reports, using December 2007 child count data, that 2,137 students age 3 to 17 in Wisconsin Public Schools are identified as deaf or hard of hearing. Of these students, it is estimated that 713 are deaf and may have a

¹ Office of the Commissioner of Insurance (June 2008). *Health Insurance Coverage in Wisconsin* (PI-094 R 06/2008) p. 17. Madison WI.

cochlear implant. DPI also indicates that most children who have a cochlear implant will have the surgery by age 3.

The table below organizes this data geographically by Cooperative Educational Service Areas (CESA). Data for the Wisconsin School of the Deaf is captured in CESA 2. Attachment I is a map of the twelve CESA districts.

CESA Area	Number of students identified as Deaf or Hard of Hearing ages 3 to 17 years. (likely to use hearing aids)	Estimated number of these students who are considered Deaf (1/3 of student count). May have a cochlear implant.
1	612	204
2	389	130
3	65	22
4	71	24
5	107	36
6	192	64
7	321	107
8	73	24
9	67	22
10	74	25
11	116	39
12	50	16
Totals statewide	2,137 students ages 3 to 17 in Wisconsin public schools	713 students ages 3 to 17 estimated to be Deaf.

Information regarding the number of deaf or heard of hearing children attending private schools is not available.

Early Access to Services

According to the National Center for Hearing Assessment and Management:

“Left undetected, hearing impairments in infants can negatively impact speech and language acquisition, academic achievement, and social and emotional development. If detected, however, these negative impacts can be diminished and even eliminated through early intervention. Because of this, the National Institutes of Health’s (NIH) Consensus Development Conference on Early Identification of Hearing Loss (1993) concluded that all infants should be screened for hearing impairment, preferably prior to hospital discharge.”²

² National Center for Hearing Assessment and Management (August 2006). *Newborn Hearing Screening*. <http://www.infanthearing.org/screening/index.html>

Wisconsin adopted newborn hearing screening legislation in 1999 (s. 253.115 Wis. Stats.). Advocates and professionals serving children with hearing loss point to hospital newborn hearing screening programs as critical to early identification, but also emphasize access to hearing instruments and cochlear implant devices as a key factor in helping identified children avoid delayed communication, learning and social skills.

The Coordinator of the Koss Cochlear Implant Program at the Medical College of Wisconsin indicates a goal of newborn screening is to identify hearing loss by 3 months with detailed testing by an audiologist and amplification fitting done by 6 months. If a child is a cochlear implant candidate, the sooner the device is implanted the better the outcome is likely to be. The National Institute on Deafness and Other Communication Disorders also indicates if hearing loss is confirmed within the first 3 months of birth, it is important to consider the use of hearing devices and other communication options by 6 months of age³.

Current Access to Services

Several large group health insurers provide no coverage for hearing aids. Despite this lack in coverage, children are receiving these devices, to varying degrees. Some families are able to pay for hearing aids using their own resources, resulting in timely access to quality hearing aids. For many families, it is very difficult to cover the expense, which can lead to delayed access and ultimately the purchase of hearing aids designed to meet a child's most basic hearing needs. The most significant social impact of SB 27, as it relates to hearing aids, appears to be timely access to quality hearing aids suited to meet each child's needs for optimal speech and language skill development.

It should be noted that hospital discounts and charitable organizations such as the Lions Club, the HIKE fund and the Alexander Graham Bell Association offer assistance in helping families access hearing aids for their children.

Various group health insurers providing services in Wisconsin, to some extent, cover cochlear implants. Families with private health insurance, therefore, have varying degrees of coverage for these devices, including no coverage. SB 27 mandates full coverage of cochlear implants and related treatment for children under the age of 18.

To the extent families forgo or delay cochlear implant surgery for a child due to cost, SB 27 will, at a minimum, provide financial relief for the cost of cochlear implant devices, possibly allowing families to move forward with implantation sooner than they would have without this coverage. Early access increases a child's ability to develop normal speech and language skills. According to the Coordinator of the Koss Cochlear Implant Program at the Medical College of Wisconsin, receipt of cochlear implants soon after the age of one often results in children developing speech and language skills like children born with the ability to hear.

³ National Institute on Deafness and Other Communication Disorders: National Institutes of Health (May 2001). *Has your Baby Been Screened?* (NIH Publication No. 01-4968). Bethesda, MD.
www.nidcd.nih.gov/healthhearing/screened.asp

A 2004 study entitled, "Cochlear Implantation Between 5 and 20 Months of Age: The Onset of Babbling and the Audiologic Outcome," concluded that the earlier implantation took place, the smaller the delay was in comparison with normally hearing children with regard to the onset of prelexical babbling and with regard to auditory performance as measured by CAP (Categories of Auditory Performance).⁴

Financial Impact

Wisconsin has long benefited from a healthy and competitive insurance market. The state currently has one of the lowest uninsured rates in the country, with 5% of residents having no health insurance coverage in 2006⁵. Insurers and business groups argue that mandated coverage of specific benefits can lead to expensive health insurance products, making it difficult for businesses to afford coverage for their employees. Wisconsin mandates coverage for 24 health related benefits.⁶

Financial Impact: Hearing Aids

According to the American Academy of Otolaryngology, hearing aids range in price from a few hundred dollars to \$2,500 for a programmable, digitalized hearing aid⁷. Price often varies according to style and electronic features⁸. An audiologist at the Children's Hospital of Wisconsin indicates they fit children with digital hearing aids that average closer to \$1,400 to \$2,200 per unit and are replaced in children approximately every five years. Hearing testing can range from \$250-\$750 per child. Yearly ear molds was cited as a treatment associated with hearing aids, however, a cost estimate was not available for this report.

Using the DPI report mentioned earlier, it can be determined there are approximately 1,424 hard of hearing students in Wisconsin Public Schools age 3 to 17. Assuming 28% of these children have access to private health insurance, it is estimated 399 children, as a result of SB 27, would receive coverage for their hearing aids and the cost of related treatment, subject to limitations such as deductibles and co-pays currently required under their policies. Using a cost of \$1,800 (average of the Children's Hospital estimate) per hearing aid and \$500 for additional hearing tests (average of Children's Hospital estimate) and assuming each child is fit with two hearing aids, the annual cost impact to the health insurance industry for children age 3 to 17 for hearing aids is estimated at \$1,835,400.

Assuming 28% of the 200 hard of hearing or deaf infants (captures children through age 2) born each year in Wisconsin have access to private health insurance coverage,

⁴ Schauwers, Karen *; Gillis, Steven *; Daemers, Kristin +; De Beukelaer, Carina +; Govaerts, Paul J. Cochlear Implantation Between 5 and 20 Months of Age: *The Onset of Babbling and Audiologic Outcome*. *Otology & Neurotology*. 25(3):263-270, May 2004.

⁵ Office of the Commissioner of Insurance (July 2006). *Health Insurance Coverage in Wisconsin* (PI-094 R 07/2006) p. 15. Madison, WI

⁶ Office of the Commissioner of Insurance (January 2007). Fact Sheet on Mandated Benefits in Health Insurance Policies (PI-019 R 01/2007). Madison, WI.

⁷ American Academy of Otolaryngology-Head and Neck Surgery (2008). *Buying a Hearing Aid; Answers to Common Questions* Alexandria, VA. www.entnet.org/healthinfo/hearing/hearing_aid.cfm

⁸ Ibid.

56 would have full health insurance coverage of hearing aids at a cost of \$257,600 annually to the health insurance industry. This estimate uses the figures as used above in determining the cost impact to insurers for children age 3 to 17. All 56 babies would initially be fitted with at least one hearing aid. For those babies where no benefit is shown, it may be determined the child has profound hearing loss or is deaf and may benefit from a cochlear implant. As mentioned earlier, a hearing aid is the initial step and therefore when estimating the cost for hearing aids, there is no need to reduce the number of children based on the fact some are deaf.

Adding the financial impact to the health insurance industry resulting from coverage of hearing aids for children age 3-17 and the cost to provide hearing aids to infants (0-2), the total impact of SB 27 on the health insurance industry as it relates to hearing aids is estimated to be \$2,093,000 annually.

Financial Impact: Cochlear Implants

The Medical College of Wisconsin (MCW) indicates cochlear implant devices, on average, cost between \$33,000 and \$45,000. MCW estimates the following additional expenses:

- Surgery to implant the device (including physician and hospital fees) costing between \$20,000 and \$28,000 (avg. \$24,000);
- Post operative programming costs ranging from \$7,500 - \$10,000 (avg. \$8,750); and
- Speech therapy, specifically related to cochlear implant devices and provided by highly specialized speech therapists, costing approximately \$15,000.

The Wisconsin Hospital Association Information Center, LLC, found 15 records with cochlear implant related procedure codes for patients under the age of 18 in the period fourth quarter 2007 through third quarter 2008. Given the Information Center does not get explicit patient identifiers, the 15 records may not represent 15 separate patients. The average charge on those records was \$60,585. Thirteen of those records had charges in the \$55,000 - \$65,000 range. Ten of the records indicated an "expected" payer of some type of private insurance. This represents the type of coverage the facility believed to be in place and is not an indicator that payment was ultimately received by an insurer. The WHA figures include the cost of the operating room, nursing, room charges as well as pre and post-operative care but does not include professional charges such as those of the surgeon, anesthesiologist, etc. The additional costs identified by MCW that are listed above are not included in the WHA figures.

In estimating the annual cost to the insurance industry for cochlear implant devices, the surgery to implant the devices and associated treatment services as detailed by MCW; \$60,585 must be added to \$47,750 (total of average costs MCW raised) and then multiplied by the ten cochlear implant procedures performed over the past year linked to private insurance coverage. Therefore, the estimated annual cost impact to the insurance industry for such coverage is \$1,083,350. If there are children forgoing cochlear implants due to insufficient insurance coverage the actual cost impact may be higher.

It is important to note that insurers currently providing some level of coverage for cochlear implants will realize less of a fiscal impact than those providing no coverage.

Financial Impact: Total for Hearing Aids, Related Treatment and Cochlear Implants (including the device, surgery and post operative programming).

Age	Hearing Aids	Cochlear Implants	Total Cost
0-17	\$2,093,000	\$1,083,350	\$3,176,350

The total estimated annual cost to the private insurance industry for mandated coverage of hearing aids, cochlear implant devices, related treatment and surgery for children under age 18, based on information available for this report and keeping in mind its limitations, is \$3.2 million. There are very likely services captured under the bill's requirement that "treatment" be covered that are not reflected in this report and would thus increase the impact to the insurance industry.

The estimated \$3.2 million is in relation to the approximately \$8 billion in health insurance premium collected by insurers annually in this state. Using the established figure of 1.6 million privately insured Wisconsin residents, we can estimate the mandate will cost approximately \$0.17 per privately insured person, per month.

Other States

Attachment II is a table summarizing state laws and proposed legislation relating to coverage of hearing aids.

Economic Impact Associated with Hearing Loss

Research shows that early intervention can provide a savings of between \$5,000 - \$10,000 per child per year in reduced or eliminated special education services.⁹ Over a lifetime, early intervention can reach a savings of about one million dollars per person.¹⁰ It is estimated that the lifetime costs for all people with hearing loss who were born in 2000 will total \$2.1 billion (in 2003 dollars)¹¹. These estimates include direct medical costs (6%) such as doctor visits and direct non medical expenses (30%) such as special education and indirect costs (63%) which include lost wages when a person cannot work.¹²

In preparing this report, the following organizations and state agencies were contacted:

- Department of Health Services;
- The Department of Public Instruction;

⁹ Yoshinaga-Itano, Christie, and Gravel, Judith. The Evidence for Universal Newborn Hearing Screening. American Journal of Audiology, December 2001: 10: 62-64.

¹⁰ These figures are based on 1993 numbers as reported by Johnson, J.L., Mauk, G.W., Takekawa, K.M., Simon, P.R., Sia, C.C.J. and Blackwell, P.M. Implementing a statewide system of services for infants and toddlers with hearing disabilities. *Seminars in Hearing*. 1993; 14:105-119.

¹¹ Centers for Disease Control and Prevention. Economic costs associated with mental retardation, cerebral palsy, hearing loss, and vision impairment--United States, 2003. *MMWR* 2004; 53:57-9

¹² Ibid.

- Insurers providing health insurance coverage to WI. residents;
- Medical College of Wisconsin;
- Children's Hospital of Wisconsin; and
- The Wisconsin Hospital Association Information Center, LLC.

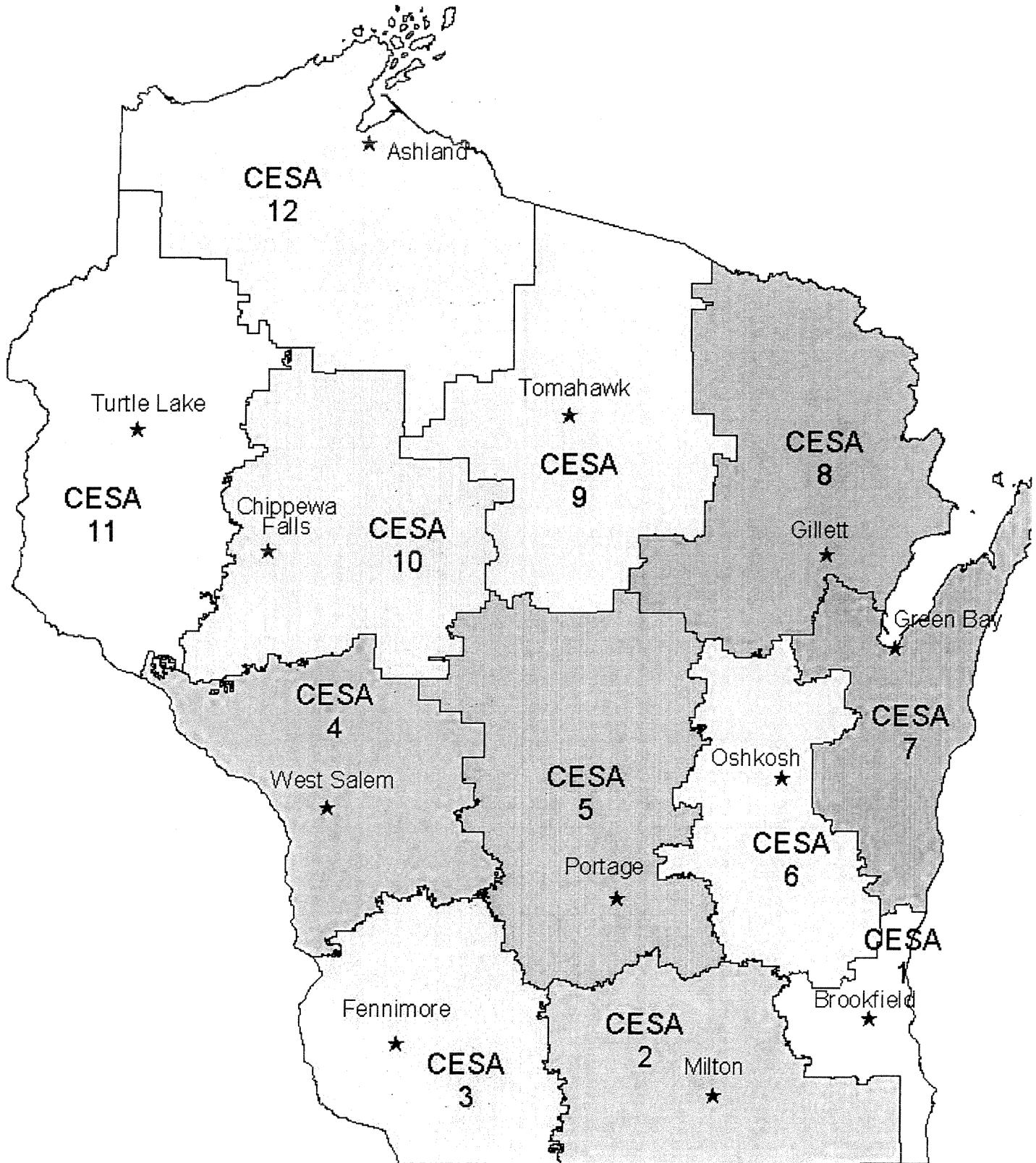
Please contact **Eileen Mallow at 266-7843** or **Jennifer Stegall at 267-7911** if you have any questions regarding this report.

Sincerely,



Sean Dilweg
Commissioner

Wisconsin CESA Districts



Attachment II

STATE	STATUTE	AGES COVERED	AMOUNT OF COVERAGE	BENEFIT PERIOD	PROVIDER QUALIFICATIONS	TYPE OF HEARING LOSS	EFFECTIVE DATE
State Mandates for Hearing Aid Insurance: Legislation signed into law							
Colorado	CO SB 057 Revised Statute 10-16-104	Under 18	Hearing Aids, Replacement Aids, Fittings, Adjustments, and Auditory Training.	Every 5 Years	Licensed Physician and Audiologist		January 1, 2009
Connecticut	SB 136 38-490b & 38a- 516b	Children under 12 years	\$1,000	Every 24 months			October 1, 2001
Delaware	Volume/Chapter 76:244; HB 255	Children under the age of 18	Up to \$1,000 per ear	Every 3 years			January 1, 2009
Kentucky	KRS 304.17A- 132	Children under the age of 18	\$1,400 per aid, and all related services prescribed by an audiologist	Every 36 months	An audiologist licensed under KRS Chapter 334A and dispensed by an audiologist or hearing instrument specialist licensed under KRS Chapter 334.		July 2002
Louisiana	La R.S. 22:215.25	Children under the age of 18	\$1,400 per aid	Every 36 months	Licensed audiologist or hearing aid specialist		January 1, 2004

Maine	LD 1514 (SP 537)	Up to age 18	Companies to provide coverage				January 1, 2008 (Ages birth to 5) January 2009 (ages 6-13) January 2010 (ages 14-18)
Maryland	HB-160 15-838	Children under the age of 18	\$1,400 per aid	Every 36 months	Licensed audiologist		
Minnesota	Minn. Stat. 62Q.675	Under age 18	1 hearing aid per ear, no dollar cap.	Every 36 months		Functional congenital malformation of the ears and not correctable by other procedures covered in the policy.	Policies issued on or after August 1, 2003
Missouri	376.1220 R.S. Mo	Newborns or infants eligible for medical assistance	Hearing screening, re-screening (if necessary), audiological assessment, follow-up, and initial amplification including hearing aids				

New Jersey	S-467/A-1571, known as "Grace's Law"	Children 15 years and younger	Up to \$1,000 per hearing aid; insured may opt for more expensive aids and pay the difference	Every 24 months			March 2009
New Mexico	SB 529	Birth to 18 years, 18-21 years if attending high school	Hearing aids and related services	Every 3 years			July 1, 2007
Oklahoma	36 Okl. St. 6060.7	Children under 18 years	Cap-less hearing aid benefit	Every 48 months			November 2002
Rhode Island	R.I. Gen. Stat. 27-19-51	All insured	Optional coverage: Carrier determines coverage/ limits				January 2002
State Mandates for Hearing Aid Insurance: Proposed Legislation							
California	VETOED	Under 18	Up to \$1,000 Hearing Aids as well as audiological screening, diagnosis, and treatment				
Michigan	SB 1447 & 1448	Insured member				Licensed Physician or Licensed Audiologist	

New York	A04731		\$1,000 for up to 2 hearing aids	Every 36 months			
South Carolina	Section 38-71-820	Up to age 18	May limit the hearing aid benefit payable for each ear, may provide for up to 4 additional ear molds yearly for children up to age 2	Every 48 months	Licensed Audiologist		
Virginia	SB 401		One hearing aid per ear, up to a cost of \$1,200	Every 48 months		Hearing loss of 30dB or greater for at least one frequency between 500Hz and 4,000 Hz	
Washington	HB 1336		Provide coverage				
Wisconsin	SB 27 AB 16	Under age 18	Hearing Aids, Cochlear Implants, and treatment	One hearing aid per ear every 3 years	Physician or Audiologist		