



## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

---

June 4, 2001

Joint Committee on Finance

Paper #477

### **Reimbursement for Hearing Aid Services (DHFS -- Medical Assistance)**

[LFB 2001-03 Budget Summary: Page 366, #19]

---

#### **CURRENT LAW**

Under the state's medical assistance (MA) program, the Department of Health and Family Services (DHFS) pays hearing aid providers the lesser of the maximum reimbursement rate established by DHFS or the provider's net cash outlay cost. The net cash outlay cost is defined as the actual cost to the provider to purchase the hearing aid package, or the wholesale cost. However, the net cash outlay cost does not include any mailing or handling charges. The current maximum reimbursement rate for hearing aids is \$246 for one ear and \$492 for two ears. Additionally, DHFS pays a dispensing fee to providers for the cost of dispensing the hearing aid. The current dispensing fee is the lesser of the provider's usual and customary charges or \$211 for one ear or \$316 for two ears. Additionally, MA covers hearing aid batteries and the cost of repairing hearing aids.

In 1999-00, MA expenditures for hearing aids and supplies totaled \$627,700. In calendar year 2000, 2,631 hearing aids were purchased under MA.

#### **GOVERNOR**

Provide \$250,100 (\$146,500 FED and \$103,600 SEG) in 2002-03 to fund a 15% increase in the maximum reimbursement rate for hearing aid packages and repair services, effective July 1, 2002. The segregated funding provided for this increase would be available from the MA trust fund that would be created in the bill.

## DISCUSSION POINTS

1. The Governor's budget bill would provide funding to support a 15% increase in the reimbursement rates paid for hearing aids and related services, including the dispensing fees, repair costs and supplies, beginning in 2002-03. The Governor recommends the increase to respond to difficulties MA recipients have finding suppliers willing to accept MA reimbursement for the purchase or repair of hearing aids. It is currently estimated that the cost to provide a 15% rate increase for hearing aid related services totals \$362,600 (\$212,100 FED and \$150,500 SEG) in 2002-03. Therefore, if the Committee adopts the Governor's recommendations, the funding in the bill should be increased by \$112,500 (\$65,600 FED and \$46,900 SEG) in 2002-03 to fully fund the projected cost of the Governor's proposal.

2. A review of wholesale catalogs for hearing aids and supplies suggests that the current maximum MA reimbursement rate for hearing aids (\$246 for one ear and \$492 for both ears) is inadequate to cover the wholesale costs of most hearing aids. Of the over 100 hearing aid prices reviewed, approximately 16% were available for less than \$300 for one ear in 1999. Many low-technology hearing aids appear to be available in the \$300-\$400 range, while the cost of hearing aids with more modern technology, including programmable and digital aids, range from \$500 to \$1,500.

3. As a result of low MA reimbursement rates, MA recipients that require hearing aids find it difficult to find providers willing to accept MA reimbursement for hearing aids. Since 1997, the number of hearing aids dispensed under MA has decreased by approximately 10%, from 2,619 in 1997 to 2,361 in 2001. This decrease has come at the same time that the number of MA recipients most likely to require hearing aids, (MA recipients over the age of 65) has remained relatively stable. Additionally, since MA reimbursement rates only allow for the purchase of hearing aids with the oldest technology, MA recipients find it difficult to find suppliers able to repair older technology hearing aids.

4. A comparison of Wisconsin's reimbursement rates for hearing aids compared with surrounding states indicates that Wisconsin's MA reimbursement rates for hearing aids are low. Illinois reimburses providers up to \$400 for aids for one ear and \$800 for aids for both ears. Iowa reimburses providers for the invoice cost of the hearing aids. Minnesota has no maximum reimbursement rates, but instead purchases hearing aids at volume discounts and permits providers to select hearing aids among the hearing aids available from the state.

5. With the Governor's recommendations, the reimbursement rate for hearing aids would increase from \$246 for one ear to \$283 and from \$492 for both ears to \$566. These reimbursement rates would still be lower than surrounding states and most hearing aids would continue to be unavailable for MA recipients.

6. The Committee could increase the reimbursement rate for hearing aid instruments beyond the increase recommended by the Governor. The following table identifies rates that would be paid for hearing aids for one ear and both ears if rates were increased by 15%, 30%, 50% or 100%.

**Comparison of Reimbursements Rates for Hearing Aids  
Under Proposed Alternatives**

<u>Proposed Increase</u>	<u>Current</u>	<u>15%</u>	<u>30%</u>	<u>50%</u>	<u>100%</u>
Reimbursement Rate					
One Ear	\$246	\$283	\$320	\$369	\$492
Both Ears	492	566	640	738	984

7. The segregated funding provided in each of the alternatives would be provided from the MA trust fund that would be created in the bill. Revenues from the trust fund are MA matching funds the state receives under the nursing home intergovernmental transfer (IGT) program and replaces GPR that would otherwise be budgeted as the state match for these services.

**ALTERNATIVES TO BASE**

1. Adopt the Governor’s recommendations to provide a 15% increase in the reimbursement rates for hearing aids and related services, as reestimated, by increasing funding in the bill by \$112,500 (\$65,600 FED and \$46,900 SEG) in 2002-03.

<u>Alternative 1</u>	<u>FED</u>	<u>SEG</u>	<u>TOTAL</u>
<b>2001-03 FUNDING</b> (Change to Base) <i>[Change to Bill]</i>	\$212,100 \$65,600	\$150,500 \$46,900	\$362,600 \$112,500]

2. Provide funds for a 30% increase in the reimbursement rates for hearing aids and a 15% increase in reimbursement rates for hearing aid-related services, by increasing funding in the bill by \$308,500 (\$180,300 FED and \$128,200 SEG) in 2002-03.

<u>Alternative 2</u>	<u>FED</u>	<u>SEG</u>	<u>TOTAL</u>
<b>2001-03 FUNDING</b> (Change to Base) <i>[Change to Bill]</i>	\$326,800 \$180,300	\$231,800 \$128,200	\$558,600 \$308,500]

3. Provide funds for a 50% increase in the reimbursement rates for hearing aids and a 15% increase in reimbursement rates for hearing aid-related services, by increasing funding in the bill by \$557,700 (\$326,100 FED and \$231,600 SEG) in 2002-03.

<b>Alternative 3</b>	<b>FED</b>	<b>SEG</b>	<b>TOTAL</b>
<b>2001-03 FUNDING</b> (Change to Base)	\$472,600	\$335,200	\$807,800
<i>[Change to Bill]</i>	<i>\$326,100</i>	<i>\$231,600</i>	<i>\$557,700]</i>

4. Provide funds for a 100% increase in the reimbursement rates for hearing aids and a 15% increase in reimbursement rates for hearing aid-related services, by increasing funding in the bill by \$1,086,700 (\$635,600 FED and \$451,100 SEG) in 2002-03.

<b>Alternative 4</b>	<b>FED</b>	<b>SEG</b>	<b>TOTAL</b>
<b>2001-03 FUNDING</b> (Change to Base)	\$782,100	\$554,700	\$1,336,800
<i>[Change to Bill]</i>	<i>\$635,600</i>	<i>\$451,100</i>	<i>\$1,086,700]</i>

5. Delete provision.

<b>Alternative 5</b>	<b>FED</b>	<b>SEG</b>	<b>TOTAL</b>
<b>2001-03 FUNDING</b> (Change to Base)	\$0	\$0	\$0
<i>[Change to Bill]</i>	<i>-\$146,500</i>	<i>-\$103,600</i>	<i>-\$250,100]</i>

Prepared by: Rachel Carabell