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## FISCAL IMPACT REPORT

ORIGINAL DATE 2/9/2022

SPONSOR Trujillo LAST UPDATED \_\_\_\_\_ HB 174

SHORT TITLE Hearing Aid Health Insurance Coverage SB \_\_\_\_\_

ANALYST Chilton

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

	FY22	FY23	FY24	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Estimate of PSIA costs		\$400.0	\$25.0	\$425.0	Recurring	General Fund
Estimate of RHCA costs for elderly		\$1,750.0	\$1,750.0	\$3,500.0	Recurring	General Fund
Estimate of RHCA costs for children		\$160.0	\$160.0	\$320.0	Recurring	General Fund
Estimate of GSD costs for elderly		\$4,680.0	\$4,680.0	\$9,360.0	Recurring	General Fund
<b>Total</b>		\$6,990.0	\$6,615.0	\$13,650.0	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Office of the Superintendent of Insurance (OSI)  
 Attorney General's Office (NMAG)  
 Aging and Long-Term Services Department (ALTSD)  
 Public School Insurance Authority (PSIA)  
 Retiree Health Care Authority (RHCA)

#### Response Not Received from

General Services Department (GSD)

### SUMMARY

Synopsis of Bill

House Bill 174 alters sections of health insurance statutes to specify health insurance coverage for hearing aids. In each of the sections of the bill, the following provisions are to be enacted:

- Hearing aids that are to be covered are to be prescribed by a physician or other state-licensed person.
- Hearing aids are to be considered durable medical equipment under the terms of the insurance.
- Covered persons are to be allowed one hearing aid per ear every 24 months (this had previously been limited to one per ear every 36 months, at a cost of \$2,200 or less each; any higher cost may be borne by the purchaser).
- The word “child” and the word “children” are removed in each section, making the requirement of insurance coverage of hearing aids applicable to all covered persons regardless of age.

These provisions apply to the following types of insurance:

Section of SB182	Section of Statute	Title of Statute Section
1	13-7-10 NMSA 1978	Group health insurance or self-insurance purchased under Health Care Purchasing Act
2	59A-22-34.5, NMSA 1978	Health Insurance Contracts
3	59A-23-7.8, NMSA 1978	Group and Blanket Health Insurance Contracts
4	59A-46-38.5, NMSA 1978	Health Maintenance Organizations
5	59A-47-37.1, NMSA 1978	Non-Profit Health Care Plans

There is no effective date of this bill. It is assumed that the effective date is 90 days following adjournment of the Legislature.

### FISCAL IMPLICATIONS

There is no appropriation in House Bill 174.

### SIGNIFICANT ISSUES

According to ALTSD,

“One quarter of adults aged 60 have bilateral hearing loss. This increases to nearly 80 percent among those 80 years or older. The hearing loss is associated with reduced quality of life, social isolation, and depression. It also increases the risk of falls, fractures, and cognitive decline. Only one in seven US adults with hearing loss wears a hearing aid. Use increases with age and degree of loss. Ownership is lowest among socioeconomically disadvantaged groups, including minorities and those with the lowest income and education.<sup>1</sup>

“Significant hearing loss is one of the most common birth defects in the United States: three newborns per 1000 are deaf or hard-of-hearing, and approximately twice that many

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<sup>1</sup> Blustein, P. J., & Weinstein, P. B. (2019). Opening the market for low-cost hearing aids: Regulatory change can approve the health of older Americans. *American Journal of Public Health*, 1.

more acquire permanent hearing loss by school age.”<sup>2</sup> Due to the financial barriers to obtaining hearing aids, the authors, encourage the passage of private health insurance legislative mandates to require coverage of appropriate digital hearing aids and related professional services for infants and young children.

“This bill will improve the physical and mental well-being of older adults in New Mexico who are deaf or hard of hearing by providing a minimum of \$2,200 every 24-months in order to obtain hearing devices.”

According to these data, with 60 percent over age 60 having hearing loss and only one seventh of them wear hearing aids and the population over 60 in New Mexico is as indicated below, a total of 283,817 over age sixty, and if the average person needed hearing aids costing \$2,000 for each ear, the total potential cost would be \$964,977,800, to be shared by the insurers of those 283.817 people, and thus by their policy-holders by way of premium increases.

60 to 64 years	71,612
65 to 74 years	117,745
75 to 84 years	71,174
85 years and over	23,306

Data from <https://www.infoplease.com/us/census/new-mexico/demographic-statistics>

Direct expenses to the state would be far lower, in the form of benefits for hearing aids for those covered by the state’s Health Care Purchasing Act, but still significant. OSI indicates that many of these and other New Mexicans are currently covered for hearing evaluations and hearing aids by their policies, and that a revision of the policies, as anticipated under this bill, might lead the federal government to require that New Mexico defray the cost of changes, in that the changes would invoke the requirement that changes that increase costs and made after passage of the Affordable Care Act must be defrayed by the states.

Taking into account information provided by PSIA, an estimate of first-year costs would be \$400 thousand for PSIA-covered people over age 60. RHCA estimates its costs as follows:

The New Mexico Retiree Health Care Authority (“NMRHCA”) currently covers a pair of hearing aids for children once every thirty-six months. NMRHCA estimates that requiring hearing aid coverage for children once every twenty-four months as opposed to once every thirty-six months will cost an additional \$160,000.00.

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<sup>2</sup> Limb, MA, S. J., McManus, MHS, M. A., Fox, MSS, H. B., White, PhD, K. R., & Forsman, MS, RN, I. (2011). Ensuring Financial Access to Hearing Aids for Infants and Young Children. *American Academy of Pediatrics*.

NMRHCA serves 12,523 active members as of its February 2022 membership report. A 2019 CDC study found that 13.0 percent of adults aged 18 and up had some difficulty hearing. Applying the 13 percent to NMRHCA's current active member population results in an increase of \$3,500,000.00 every two years under HB 174. The CDC study also found that the percentage of adults with some hearing loss increases with age from 6.3 percent among adults aged 18-44, 13.6 percent among adults aged 45-64, and 26.8 percent among adults aged 65 and over.

Because most individuals enrolled in a health plan through NMRHCA fall into the 45-64 and over 65 age brackets, NMRHCA will likely incur more costs than the estimated \$3,500,000 projection. Currently, NMRHCA's active member population currently includes 7,113 individuals over aged 60 enrolled in its pre-Medicare plans.

If the same calculation were attempted with those covered through GSD's Group Benefits Program, using the 2021 estimate of 18,000 persons covered, and, as with the RHCA group mentioned in the previous paragraph, 13.0 percent of those individuals had difficulty hearing, 2,340 people would require hearing aids. Assuming that one half of these would be requiring them in any year, the annual cost, at \$2,000 per ear, would be  $1,670 \times \$4000 = \$4.68$  million per year.

#### **TECHNICAL ISSUES**

OSI draws attention to the federal requirement that states defray the costs of additions to coverage requirements made after passage of the ACA.

#### **POSSIBLE QUESTIONS**

Access to hearing aids paid for by insurance will continue to be limited to children, at a reduced frequency, and a lower limit of coverage.

LC/al/rl