



**SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE**  
**STATEMENT OF ESTIMATED FISCAL IMPACT**  
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<b>Bill Number:</b>	H. 5000
<b>Author:</b>	Duckworth
<b>Subject:</b>	Health Insurance Coverage of Hearing Aids
<b>Requestor:</b>	House Medical, Military, Public, and Municipal Affairs
<b>RFA Analyst(s):</b>	Stein, Dunbar, and Fulmer
<b>Impact Date:</b>	April 19, 2016

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**Estimate of Fiscal Impact**

	<b>FY 2016-17</b>	<b>FY 2017-18</b>
<b>State Expenditure</b>		
General Fund	See Below	\$0
Other and Federal	See Below	\$0
Full-Time Equivalent Position(s)	0.00	0.00
<b>State Revenue</b>		
General Fund	See Below	\$0
Other and Federal	\$0	\$0
<b>Local Expenditure</b>	\$0	\$0
<b>Local Revenue</b>	\$0	\$0

**Fiscal Impact Summary**

This bill is expected to increase Other Fund expenditures of the State Health Plan by \$44,700,000 and increase General Fund expenditures of the Department of Insurance (DOI) by \$10,000 annually beginning in FY 2016-17. DOI would also incur a one-time expenditure of \$10,000 in FY 2016-17 to obtain an actuarial study of the cost of the benefit. This bill would have no expenditure impact on Federal Funds. The expenditure impact also depends upon legal issues involving provisions of the Protection and Affordable Care Act of 2010 (ACA). If it is determined that the State is responsible for defraying the cost of this benefit, expenditures would increase by an estimated \$45,000,000, contingent upon verification by the actuarial study. Legislative direction for the administration of the payments would also be required.

The increased insurance premiums would potentially generate an additional \$562,500 in insurance premium tax revenue to the General Fund in FY 2016-17. There is no revenue impact to Federal Funds or Other Funds from this bill. However, DOI intends to obtain an external actuarial review to verify this estimate. Additionally, the insurance premium revenue impact will depend upon the legal conclusion as to whether the State is required to defray the cost of this mandated benefit. If the State is determined to be liable for the cost of the mandated benefit, then the premiums would not increase and there would be no increase in General Fund revenue.

**Explanation of Fiscal Impact**

**State Expenditure**

This bill adds Section 38-71-48 to require all health insurance and group health benefit plans to cover hearing aids and replacement hearing aids.

**Department of Insurance.** In order to more accurately estimate the annual expenditure impact of this bill, the department would conduct a one-time actuarial analysis. The expenditure for external actuarial services is estimated at \$10,000 in FY 2016-17. The actuarial analysis is needed to determine the potential cost for this benefit. Under the ACA, the State may be required to pay the cost of private insurers for mandated additional benefits. There is no history of a state triggering the reimbursements or precedent for state payments for expanded coverage requirements, and the responsibilities of a state with regard to this component of the ACA have not been established. If litigation is required to resolve this issue, then additional expenses may be incurred above the undetermined actuarial estimates for the insurance benefits.

Additionally, in order to meet the July 1, 2016, deadline for the coverage expansion, the department would need to contract with external consultants to assist in the review and processing of filings that carriers would be required to submit in order to comply with this mandated benefit at an estimated expense of \$10,000 in FY 2016-17. The department expects a recurring annual expenditure of \$10,000 for reviewing and processing annual filings to ensure compliance with the mandate in future years.

**Public Employee Benefit Authority.** An actuarial analysis of the 470,000 member State Health Plan indicates that 67,916 members would use the proposed hearing aid coverage benefit, which would, therefore, have an expenditure impact on Other Funds. We estimate that Other Fund expenditures of the State Health Plan at the \$2,500 maximum coverage for a three-year period will increase by \$44,700,000 annually beginning in FY 2016-17.

#### **State Revenue**

The impact upon State revenue will depend upon the legal conclusion as to whether the State must defray the cost of this mandated benefit. The Department of Insurance estimates that this bill would increase insurance premiums by \$45,000,000 if private insurers are required to cover the increased cost. The increased premiums would potentially generate an additional \$562,500 in insurance premium tax revenue to the General Fund in FY 2016-17. There is no revenue impact to Federal Funds or Other Funds from this bill. However, the department intends to obtain an external actuarial review to verify this estimate. Additionally, the insurance premium revenue impact will depend upon the legal conclusion as to whether the State is required to defray the cost of this mandated benefit. If the State is determined to be liable for the cost of the mandated benefit, then the premiums would not increase and there would be no increase in General Fund revenue.

#### **Local Expenditure**

N/A

#### **Local Revenue**

N/A



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Frank A. Rainwater, Executive Director