



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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This fiscal impact statement is produced in compliance with the South Carolina Code of Laws and House and Senate rules. The focus of the analysis is on governmental expenditure and revenue impacts and may not provide a comprehensive summary of the legislation.

Bill Number: S. 0119 Introduced on January 10, 2023
Author: Hembree
Subject: Hearing Aids
Requestor: Senate Banking and Insurance
RFA Analyst(s): Tipton
Impact Date: April 5, 2023 - Updated for Additional Agency Response

Fiscal Impact Summary

This bill mandates the coverage of hearing aids for all individuals ages 26 or younger with documented hearing loss insured by a group health insurance policy or group health benefit plan, including the State Health Plan (SHP). The applicable plan must provide coverage for one hearing aid per impaired ear, not to exceed \$2,500 per hearing aid per covered individual. The bill is effective July 1, 2023, and applies to health insurance plans issued, renewed, delivered, or entered into on or after the effective date.

This bill will have no impact on the Department of Insurance (DOI), as any requirement of the agency will be managed within existing appropriations.

According to the actuarial analysis performed by L&E Actuaries & Consultants obtained by DOI, the cost of the coverage mandated by the bill would fall below the materiality increase threshold of 0.05 percent and will, therefore, have no material impact on group health insurance plans in the state. L&E Actuaries & Consultants further indicate that hearing aids are not currently considered an essential health benefit, and therefore, by mandating coverage, this bill may result in the defrayal of the aggregate cost to the state under the Affordable Care Act (ACA) of 2010. To date, the State has not enacted provisions requiring it to defray costs of an insurance mandate. Legislative direction for the administration of these payments and appropriations would be required.

If the cost of the mandated coverage is an obligation of the State, the Revenue and Fiscal Affairs Office (RFA) estimates that this may be up to \$5,235,000 in FY 2023-24, if the maximum benefit limit of \$2,500 per hearing aid is utilized in the first year. The cost of coverage would decrease in the years following to up to \$1,309,000 on average, as the bill allows for covered hearing aid replacement every 48 months.

The cost of the coverage mandated by the bill for the SHP under the Public Employee Benefit Authority (PEBA) is estimated to be up to \$1,020,000 in FY 2023-24 if the maximum benefit limit of \$2,500 per hearing aid is utilized in the first year. The cost of coverage would decrease in the following years to approximately \$255,000 on average, as the bill allows for covered hearing aid replacement every 48 months. PEBA indicates that this will increase costs for current and retired state employees under the SHP to offset this expense.

This bill will have no impact on insurance premiums taxes due to increased premiums for the additional benefit, as the cost of the benefit is expected to be a responsibility of the State.

This impact statement has been updated to include the actuarial report obtained by DOI.

Explanation of Fiscal Impact

Introduced on January 10, 2023

State Expenditure

This bill mandates the coverage of hearing aids for all individuals aged 26 or younger with documented hearing loss insured by a group health insurance policy or group health benefit plan, including the SHP. The applicable plan must provide coverage for one hearing aid per impaired ear, not to exceed \$2,500 per hearing aid per covered individual. A health insurance plan may not deny or refuse coverage or otherwise restrict coverage for a covered individual solely because of a previous hearing loss diagnosis. The coverage under the bill includes the fitting, dispensing, servicing, and repairing of hearing aids by a licensed audiologist, the replacement of one hearing aid per hearing impaired ear every 48 months, the option for a covered individual to purchase hearing aids above the \$2,500 limit, so long as the individual pays the difference over that amount, and the option for the insured to purchase hearing aids through a licensed audiologist or hearing aid dealer or dispenser in the state.

Further, a health insurance plan must replace a hearing aid if it does not adequately meet the needs of the covered individual and the hearing aids cannot be repaired or adjusted. Coverage for replacement hearing aids must be provided within two months from the date that a licensed audiologist determined they cannot be repaired or adjusted. Additionally, a health insurance plan may not impose a financial penalty to a covered individual or an audiologist providing the hearing aid if a covered individual elects to purchase a hearing aid priced higher than the benefit amount by paying the difference between the benefit amount and the price of the hearing aid. The bill further states that the provisions of the section do not apply to any accident and sickness contract, policy, or benefit plan offered by any employer with ten or fewer employees. The bill is effective July 1, 2023, and applies to health insurance plans issued, renewed, delivered, or entered into on or after the effective date.

Department of Insurance. This bill mandates coverage of hearing aids for all individuals aged 26 or younger with documented hearing loss insured by a group health insurance policy or group health benefit plan. DOI indicated that the implementation of this bill will be managed within existing appropriations and will have no impact on the agency.

DOI tasked a consulting firm, L&E Actuaries & Consultants, to evaluate the potential cost of expanding this coverage. According to the actuarial report, the cost increase to group health insurance plans for the coverage mandated by the bill would fall below the materiality threshold of 0.05 percent and will, therefore, have no material impact on qualifying plans in the state. According to the actuarial analysis, hearing aids are not currently considered an essential health benefit, and therefore, by mandating coverage, this bill may result in the defrayal of coverage

costs by the state under the ACA. Legislative direction would be needed to provide DOI with instruction on the method of reimbursement that is to be used and the appropriations for the reimbursements.

RFA has further estimated the aggregate cost to group health insurance plans in the State, given the indication that the cost of the mandated coverage may be an obligation of the state. Based on an estimated 43.9¹ percent of the population insured under group health insurance plans, an estimated 753,000 members are 26 years of age or younger. From the analysis provided by PEBA, up to 0.28 percent, or approximately 2,094 individuals in this age range, have diagnosed hearing loss requiring at least one hearing aid. The bill limits the coverage per hearing aid to \$2,500, and allows for covered hearing aid replacement every 48 months, or four years. Based on the annualized benefit amount of \$625, RFA anticipates that this mandate may increase the cost of coverage for group health insurance plans in the state by up to \$1,309,000 beginning in FY 2023-24. If the maximum benefit limit of \$2,500 established by the bill is utilized in the first year, the cost of coverage could be up to \$5,235,000 in FY 2023-24.

This impact statement has been updated to include the actuarial report obtained by DOI.

Public Employee Benefit Authority – State Health Plan. This bill mandates coverage of hearing aids for all individuals aged 26 or younger with documented hearing loss insured by the SHP. PEBA reported that 147,016 members of the SHP are 26 years of age or younger, which represents approximately 9 percent of the total estimated 26 or younger population in the state in 2022 of 1,716,253. Of the SHP members under the age of 26, PEBA estimates approximately 0.28 percent, or 408 individuals, have diagnosed hearing loss requiring at least one hearing aid. The bill limits the coverage per hearing aid to \$2,500, and allows for covered hearing aid replacement every 48 months or four years. Based on the annualized benefit amount of \$625, this requirement will increase the cost of coverage for the SHP by approximately \$255,000 beginning in FY 2023-24. However, PEBA indicated that if the maximum benefit limit of \$2,500 established by the bill is utilized in the first year, the cost of coverage could be up to \$1,020,000 in FY 2023-24. PEBA indicates that this will increase costs for current and retired state employees under the SHP to offset this expense.

State Revenue

This bill will have no impact on insurance premiums taxes due to increased premiums for the additional benefit, as the cost of the benefit is expected to be an obligation of the State.

This section of the impact statement has been updated to include a response from DOI.

Local Expenditure

N/A

Local Revenue

N/A

¹ Health Insurance Coverage of the Total Population, Kaiser Family Foundation, 2021. Retrieved March - 2023

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State Expenditure

This bill mandates the coverage of hearing aids for all individuals aged 26 or younger with documented hearing loss insured by a group health insurance policy or group health benefit plan, including the SHP. The applicable plan must provide coverage for one hearing aid per impaired ear, not to exceed \$2,500 per hearing aid per covered individual. A health insurance plan may not deny or refuse coverage or otherwise restrict coverage for a covered individual solely because of a previous hearing loss diagnosis. The coverage under the bill includes the fitting, dispensing, servicing, and repairing of hearing aids by a licensed audiologist, the replacement of one hearing aid per hearing impaired ear every 48 months, the option for a covered individual to purchase hearing aids above the \$2,500 limit, so long as the individual pays the difference over that amount, and the option for the insured to purchase hearing aids through a licensed audiologist or hearing aid dealer or dispenser in the state.

Further, a health insurance plan must replace a hearing aid if it does not adequately meet the needs of the covered individual and the hearing aids cannot be repaired or adjusted. Coverage for replacement hearing aids must be provided within two months from the date that a licensed audiologist determined they cannot be repaired or adjusted. Additionally, a health insurance plan may not impose a financial penalty to a covered individual or an audiologist providing the hearing aid if a covered individual elects to purchase a hearing aid priced higher than the benefit amount by paying the difference between the benefit amount and the price of the hearing aid. The bill further states that the provisions of the section do not apply to any accident and sickness contract, policy, or benefit plan offered by any employer with ten or fewer employees. The bill is effective July 1, 2023, and applies to health insurance plans issued, renewed, delivered, or entered into on or after the effective date.

Public Employee Benefit Authority – State Health Plan. This bill mandates coverage of hearing aids for all individuals aged 26 or younger with documented hearing loss insured by the SHP. PEBA estimates that of the 147,016 members and dependents of the SHP ages 26 or younger, approximately 0.28 percent, or 408 individuals, have diagnosed hearing loss requiring hearing aids. Under the assumption that each individual will only require one hearing aid at the benefit limit of \$2,500, PEBA estimates this requirement will result in additional cost to the SHP of approximately \$1,020,000 in FY 2023-24. The cost of providing the required coverage may decrease in the following years, as the bill allows for covered hearing aid replacement every 48 months. Further, PEBA indicates that this will increase costs for current and retired state employees under the SHP to offset this expense.

Department of Insurance. This bill mandates coverage of hearing aids for all individuals aged 26 or younger with documented hearing loss insured by a group health insurance policy or group health benefit plan. This mandate may trigger the defrayment of coverage costs for private insurers to the state, under the Affordable Care Act (ACA) of 2010. The fiscal impact of this bill is pending, contingent upon a DOI actuarial analysis of health insurance policies in the state pursuant to §2-7-73. We will update this impact statement when more information is available.

State Revenue

The bill may impact state insurance premiums taxes due to increased premiums for the additional benefit if the cost is not defrayed by the state. The potential premium tax impact is pending, contingent upon an actuarial analysis from DOI.

Local Expenditure

N/A

Local Revenue

N/A



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