

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 1795 - HB 2078

February 19, 2020

**SUMMARY OF BILL:** Enacts the *Hearing Enhancement Aid Reimbursement (HEAR) Act*. States it is the purpose and intent of the General Assembly by this section to provide coverage for hearing aids at annually determined minimum coverage rates per hearing aid to all individuals with documented hearing loss. The proposed legislation will be effective January 1, 2021.

**ESTIMATED FISCAL IMPACT:**

**Increase State Expenditures - \$8,280,800/FY20-21  
\$16,561,700/FY21-22 and Subsequent Years**

**Increase Federal Expenditures - \$4,992,200/FY20-21  
\$9,984,500/FY21-22 and Subsequent Years**

**Increase Local Expenditures – Exceeds \$167,500/FY20-21\*  
Exceeds \$335,000/FY21-22 and Subsequent Years\***

**Potential Impact on Health Insurance Premiums (required by Tennessee Code Annotated § 3-2-111):** Such legislation will result in an increase in the cost of health insurance premiums for hearing aids being provided by plans that do not currently offer these benefits at the proposed mandated levels. It is estimated that the increase to each individual's total premium will be less than one percent. A one percent increase in premium rates could range between \$50 (single coverage) and \$140 (family coverage) depending on the type of plan.

Assumptions:

*Division of TennCare:*

- The Division of TennCare (Division) currently covers hearing aids for enrollees under the age of 21. Nebraska currently covers hearing aids for Medicaid recipients at a cost of \$1,057 for unilateral hearing aids and dispensing fees and \$2,115 for bilateral hearing aids and dispensing fees. It is assumed Tennessee will cover hearing aids at a similar rate.
- The number of enrollees who will require a unilateral hearing aid is estimated to be 16,093 and the number of enrollees who will require a bilateral hearing aid is estimated to be 15,521.

- Assuming 90 percent of the individuals will choose to have a hearing aid provided to them, the increase in expenditures is estimated to be \$44,853,495 [(16,093 x 90.0% x \$1,057) + (15,521 x 90.0% x \$2,115)].
- It is assumed hearing aids will be replaced every three years; therefore, the annualized cost is \$14,951,165 (\$44,853,495 / 3).
- Medicaid expenditures receive matching funds at a rate of 65.878 percent federal funds to 34.122 percent state funds. Of this amount, \$5,101,637 (\$14,951,165 x 34.122%) will be in state funds in FY21-22 and subsequent years and \$9,849,528 (\$14,951,165 x 65.878%) will be in federal funds in FY21-22 and subsequent years.
- The proposed legislation has an effective date of January 1, 2021 resulting in an increase in state funds in FY20-21 estimated to be \$2,550,818 (\$5,101,637 x 50.0%) and an increase in federal funds estimated to be \$4,924,764 (\$9,849,528 x 50.0%) in FY20-21.

#### *Benefits Administration*

- Pursuant to Tenn. Code Ann. § 56-7-2368, The State Group Insurance Program (SGIP) covers hearing aids up to \$1,000 per individual hearing aid per ear, every three years for enrollees 18 years of age or under.
- It is estimated 6,444 State Plan enrollees, 3,944 Local Education Plan enrollees, and 1,139 Local Government Plan enrollees have hearing loss.
- Assuming the SGIP will set coverage limits of \$1,500 per ear every three years, the increase in expenditures is estimated to be \$5,686,729 to the State Plan, \$3,480,227 to the Local Education Plan, and \$1,004,850 to the Local Government Plan.
- It is assumed hearing aids will be replaced every three years; therefore, the annualized cost is estimated to be \$1,895,576 (\$5,686,729 / 3) to the State Plan, \$1,160,076 (\$3,480,227 / 3) to the Local Education Plan, and \$334,950 (\$1,004,850 / 3) to the Local Government Plan.
- According to Benefits Administration, the state contributes 80 percent of member premiums on the State Plan resulting in a recurring increase in state expenditures of \$1,516,461 (\$1,895,576 x 80.0%) in FY21-22 and subsequent years. Due to the January 1, 2021 effective date, the increase in state expenditures for the State Plan is estimated to be \$758,231 (\$1,516,461 x 50.0%) in FY20-21.
- According to Benefits Administration, some state plan members' insurance premiums are funded through federal dollars. It is estimated 8.9 percent of the state share of the state plan is funded with federal dollars, resulting in an increase in federal expenditures estimated to be \$134,965 (\$1,516,461 x 8.9%) in FY21-22 and subsequent years. Due to the January 1, 2021 effective date, the increase in federal funds is estimated to be \$67,483 (\$134,965 x 50.0%) in FY20-21.
- The state contributes 45 percent of instructional member premiums (75 percent of Local Education Plan members) and 30 percent of support staff member premiums (25 percent of Local Education Plan members) resulting in state expenditures of at least \$478,532 [(\$1,160,076 x 75.0% x 45.0%) + (\$1,160,076 x 25.0% x 30.0%)] in FY21-22 and subsequent years. Due to the January 1, 2021 effective date, the increase in state expenditures for the Local Education Plan is estimated to be \$239,266 (\$478,532 x 50.0%) in FY20-21.
- The state does not contribute to the Local Government Plan; any increase in premiums will be entirely absorbed by the participating agencies and their members.

- It is estimated the Local Government Plan would be responsible for a mandatory increase in local expenditures estimated to be \$334,950 in FY21-22 and subsequent years. Due to the January 1, 2021 effective date, the increase in local funds is estimated to be \$167,475 ( $\$334,950 \times 50.0\%$ ) in FY20-21.
- It is unknown the impact on local governments that do not opt into the Local Government Plan; therefore, the total increase in local expenditures is estimated to exceed \$334,950 in FY21-22 and subsequent years. Due to the January 1, 2021 effective date, the increase in local expenditures is estimated to exceed \$167,475 in FY20-21.

*Commerce and Insurance*

- The Affordable Care Act requires states to defray the costs of state-mandated benefits in qualified health plans (QHPs) that are in excess of the essential health benefits (EHB).
- The state will be required to defray the cost of benefits required in the proposed legislation because the benefits exceed those provided under Tennessee's EHB benchmark plan.
- Based on information provided by the Department of Commerce and Insurance (DCI), it is estimated there will be a total QHP population of approximately 200,000 for calendar year 2020, consisting of approximately 190,000 individuals covered on the exchange and approximately 10,000 individuals covered off the exchange.
- The state would be responsible for the amount of premium attributed to the new benefit or the insurance carrier's actual costs. The estimate in this note assumes the state will reimburse the health insurance carrier for the amount of premium attributed to the new benefit.
- Based on information provided by carriers who currently offer QHPs in Tennessee, the average per member per month cost is \$4, or \$48 per year ( $\$4 \times 12$  months).
- The recurring increase in state expenditures in FY21-22 and subsequent years is estimated to be \$9,600,000 (200,000 individuals  $\times$  \$48 due to the increase for which the state would be required to defray the cost. Due to the January 1, 2021 effective date, the increase in state expenditures in FY20-21 is estimated to be \$4,800,000 ( $\$9,600,000 \times 50.0\%$ ).

*Total Fiscal Impacts:*

- The total increase in state expenditures in FY20-21 is estimated to be \$8,280,832 ( $\$2,550,818 + \$758,231 + \$239,266 + \$4,800,000 - \$67,483$ ).
- The total increase in federal expenditure in FY20-21 is estimated to be \$4,992,247 ( $\$4,924,764 + \$67,483$ ).
- The total increase in state expenditures in FY21-22 is estimated to be \$16,561,665 ( $\$5,101,637 + \$1,516,461 + \$478,532 + \$9,600,000 - \$134,965$ ).
- The total increase in federal expenditures in FY21-22 is estimated to be \$9,984,493 ( $\$9,849,528 + \$134,965$ ).
- The total increase in local expenditures is estimated to exceed \$167,475 in FY20-21 and exceed \$334,950 in FY21-22 and subsequent years.

**IMPACT TO COMMERCE:**

**Increase Business Revenue –**

**Exceeds \$13,508,000/FY20-21**

**Exceeds \$26,881,100/FY21-22 and Subsequent Years**

**Increase Business Expenditures –**

**Exceeds \$13,508,000/FY20-21**

**Exceeds \$26,881,100/FY21-22 and Subsequent Years**

Assumptions:

- Healthcare providers will experience an increase in business revenue for providing services estimated to exceed \$13,440,554 (\$8,280,832 + \$4,992,247 + \$167,475) in FY20-21 and exceed \$26,881,108 (\$16,561,665 + \$9,984,493 + \$334,950) in FY21-22 and subsequent years.
- For companies to retain solvency, any increased expenditures will be less than the amount of increased revenues collected. Therefore, the increase in business expenditures is estimated to exceed \$13,508,037 in FY20-21 and exceed \$26,881,108 in FY21-22 and subsequent years.
- Insurance companies will realize an increase in premium revenue to cover the increased coverage.
- An exact impact to commerce relating to health insurance providers cannot be determined due to a number of unknown factors, but the increase in business revenue is reasonably estimated to exceed the amount of increased state and federal expenditures resulting from the proposed legislation.
- For companies to retain solvency, any increased business expenditures are assumed to be less than the amount of revenue collected.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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