

Multiple Agency Fiscal Note Summary

Bill Number: 1222 E S HB	Title: Hearing instruments coverage
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Estimated Cash Receipts

Agency Name	2023-25			2025-27			2027-29		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Washington State Health Care Authority	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Total \$	0	0	0	0	0	0	0	0	0

Estimated Operating Expenditures

Agency Name	2023-25				2025-27				2027-29			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Washington State Health Care Authority	Non-zero but indeterminate cost and/or savings. Please see discussion.											
Office of Insurance Commissioner	.2	0	0	65,322	.1	0	0	19,146	.1	0	0	19,146
Total \$	0.2	0	0	65,322	0.1	0	0	19,146	0.1	0	0	19,146

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Washington State Health Care Authority	.0	0	0	.0	0	0	.0	0	0
Office of Insurance Commissioner	.0	0	0	.0	0	0	.0	0	0
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

Estimated Capital Budget Breakout

Prepared by: Jason Brown, OFM	Phone: (360) 742-7277	Date Published: Final 3/15/2023
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Individual State Agency Fiscal Note

Bill Number: 1222 E S HB	Title: Hearing instruments coverage	Agency: 107-Washington State Health Care Authority
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.

Estimated Operating Expenditures from:

Non-zero but indeterminate cost and/or savings. Please see discussion.

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Greg Attanasio	Phone: 360-786-7410	Date: 03/10/2023
Agency Preparation: Sara Whitley	Phone: 360-725-0944	Date: 03/15/2023
Agency Approval: Tanya Deuel	Phone: 360-725-0908	Date: 03/15/2023
OFM Review: Marcus Ehrlander	Phone: (360) 489-4327	Date: 03/15/2023

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

See attached narrative.

HCA: Indeterminate fiscal impact

HBE: No fiscal impact, indeterminate cash receipts impact.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

See attached narrative.

HCA: No cash receipts impact

HBE: Indeterminate cash receipts impact

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

See attached narrative.

HCA: Indeterminate impact

HBE: No impact

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Non-zero but indeterminate cost and/or savings. Please see discussion.

III. B - Expenditures by Object Or Purpose

Non-zero but indeterminate cost and/or savings. Please see discussion.

III. C - Operating FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.*

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

See attached narrative.

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

HCA Fiscal Note

Bill Number: ESHB 1222

HCA Request #: 23-205

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

This bill differs from the previous version of SHB 1222 in the following ways:

- RCW 41.05 (Health Care Authority) is now subject to the provisions of this legislation, which apply to the State's self-insured Uniform Medical Plan (UMP) beginning January 1, 2024 for both the PEBB and SEBB Programs.
- The bill modifies the current statutory hearing instrument benefit, to include coverage every five year for public employees and their dependents, by setting an expiration date of December 31, 2023.
- The bill now clarifies that a health carrier can establish a benefit limit that is no less than \$3,000 per ear, every 36 months; the previous version of the bill included a minimum benefit limit of no less than \$2,500 per ear every 36 months.
- The bill adds technical clarifications.

Section 1 of the bill adds a new section to RCW 48.43 (Insurance Reform) requiring non-grandfathered health plans issued or renewed after January 1, 2024 to include coverage for hearing instruments, including bone conduction hearing devices. This section does not require coverage for over-the-counter (OTC) hearing instruments.

Section 1(2) requires that coverage include the hearing instrument, the initial assessment, fitting, adjustment, auditory training, and ear molds for the device. Coverage shall include services for enrollees intending to obtain or who have already obtained any hearing instrument, including OTC devices.

Section 1(3) establishes a benefit limit for hearing instruments that is no less than \$3,000 per ear with hearing loss, every 36 months.

Section 1(4) requires that hearing instrument coverage and services not be subject to a member's plan deductible unless the health plan is qualified for a health savings account (HSA). For these plan types, carriers may establish a deductible for the coverage required under this bill at the minimum level necessary to preserve tax exempt contributions and withdrawals from the HSA.

Section 1(5) allows for coverage of hearing instruments for minors under the age of eighteen (18) years after the individual has received medical clearance within the preceding six months from either a otolaryngologist for initial evaluation of hearing loss, or a licensed physician.

Section 2 amends RCW 48.43.715 (Individual and small group markets, List of state mandated benefits) modifying the state's essential health benefits to include coverage of hearing instruments.

Section 3 amends RCW 41.05.830 (Coverage for Hearing Instruments – Definitions) establishing an expiration date of December 31, 2023 for current statutory hearing instrument coverage.

Section 4 adds a new section to RCW 41.05 (State Health Care Authority) applying all provisions of Section 1 health plans offered to public employees (both the PEBB and SEBB Programs) and their dependents issued or renewed after January 1, 2024.

HCA Fiscal Note

Bill Number: ESHB 1222

HCA Request #: 23-205

II. B - Cash Receipts Impact

None.

II. C – Expenditures

Public Employee Benefits Board (PEBB) and School Employee Benefits Board (SEBB) Program Impacts

Indeterminate fiscal impact.

Section 1 adds a new section to RCW 48.43 that requires health plans renewed after January 1, 2024 to include coverage of hearing instruments; coverage is to include bone conduction hearing devices, initial assessments, fitting, adjustment, auditory training, and ear molds for the device. Coverage is not required for over-the-counter (OTC) hearing instruments.

Section 1(3) establishes a minimum coverage limit of \$3,000 per ear with hearing loss, every 36 months. Under RCW 41.05.830, hearing instruments must be covered without a member cost share every five (5) years. This existing state law sets a hearing aid benefit standard that is applicable to all plans offered to employees under the PEBB and SEBB Programs, which currently provide coverage for a new hearing instrument every 5 years. Current law was implemented with no cost to the member (except for a deductible when required by IRS rules to maintain qualified high-deductible health plan status). Section 3 establishes an expiration for these current hearing instrument coverage requirements under RCW 41.05.830 of December 31, 2023.

RCW 48.43 governs the fully-insured health plans offered by the PEBB and SEBB programs. Feedback from Premera, a fully-insured Carrier offered in the SEBB program, indicates estimated annual *decreases* of approximately \$270,000 to healthcare cost liability as a result of this legislation; decreases in healthcare cost liability could result in downward pressure on premiums for the Premera health plans offered to SEBB employees and dependents.

Feedback from the Kaiser Foundation Health Plan of Washington (KPWA) indicate no assumed changes to healthcare cost liability for KPWA plans offered to PEBB and SEBB employees and dependents. Kaiser Foundation Health Plan of the Northwest (KPNW) currently features hearing instrument coverage allowance of \$1,400 per ear, every 60 months; by increasing the minimum coverage amount to \$3,000 per ear every 36 months KPNW estimates annual plan healthcare costs to *increase* by approximately \$220,000. Any increases to plan healthcare cost liability could lead to increases in member premiums.

Section 4 adds a new section to RCW 41.05 and applies all provisions of Section 1 to plans offered to public employees and their dependents. RCW 41.05 governs the self insured Uniform Medical Plans (UMP), which are offered by the PEBB and SEBB programs. Currently, UMP provides full coverage of provider billed charges for hearing instruments every five years for employees and dependents. This bill would require Regence, the third-party administrator (TPA) for UMP, to establish a book-of-business minimum coverage limit of \$3,000 per ear with hearing loss for employees and dependents enrolled in UMP.

HCA Fiscal Note

Bill Number: ESHB 1222

HCA Request #: 23-205

For the purposes of this analysis, HCA assumes Regence would apply a \$3,000 benefit limit per hearing aid every 36 months for coverage of hearing instruments in UMP. Based on plan year 2021 utilization, which represents the most recent full year of complete claims data for UMP, the impacts of this legislation were calculated by repricing historically paid claims to a benefit limit of \$3,000 per hearing aid.

Plan year 2021 is the only plan year with complete claims data under the existing benefit design per RCW 41.05.830. HCA assumes there may have been multiple factors that contributed to significant increases in utilization and cost in 2021, to include: pent up demand for hearing instruments, a reset to benefit accumulators in 2021, as well as increases to total plan paid amounts.

It is unknown if pent up demand will continue to impact utilization in future years. This analysis assumes all 2021 non-Medicare claims that were paid in excess of \$3,000 per hearing instrument were repriced to a maximum of \$3,000 per hearing instrument and uses incomplete claims experience from plan year 2022 (paid through December 2022, without claims runout). HCA assumes the following possible range of *decreases* to annual State paid claims liability:

- PEBB Program (non-Medicare risk pool): approximately between \$1.5 million and \$1 million
- SEBB Program: approximately \$800,000 and \$500,000

It is unknown how utilization of hearing instruments will change as a result of this legislation. While this legislation stipulates that coverage of hearing instruments should not be subject to deductible in plans that do not qualify for a health savings account (HSA), HCA assumes that this bill does not prohibit use of prior authorization processes and other utilization management processes for hearing instruments. HCA also assumes this bill prohibits member cost sharing (except for a deductible when required by IRS rules to maintain qualified high-deductible health plan status) for \$3,000 of hearing instrument coverage.

RCW 41.05 governs the self-insured Uniform Medical Plans (UMP), which are offered by the Public Employees Benefits Board (PEBB) and School Employees Benefits Board (SEBB) programs. Implementation of this bill could result in *decreased* premiums for the self-insured medical plans. RCW 48.43 governs the fully-insured health plans offered by the PEBB and SEBB programs. Implementation of this bill could result in *increased* premiums for the fully-insured KPNW medical plans and *decreased* premiums for the Premera medical plans. In aggregate, the assumed results of this legislation may impact the state medical benefit contribution and employee contributions for health benefits.

It is assumed the benefit coverage requirements under this legislation do not apply to the fully-insured Medicare Advantage (MA) plans offered to Medicare eligible PEBB retirees because state laws are pre-empted by Federal laws for MA and Part D offerings.

Medicaid

No fiscal impact.

No impacts on the Medicaid lines of business because this legislation places the requirements under RCW 48.43 and RCW 41.05.

Part IV: Capital Budget Impact

None.

HCA Fiscal Note

Bill Number: ESHB 1222

HCA Request #: 23-205

Part V: New Rule Making Required

None.

HBE Fiscal Note

Bill Number: 1222 ESHB

HBE Request #: 23-24-01

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

This bill modifies the state's essential health benefits to include hearing instruments.

II. B - Cash Receipts Impact

Indeterminate. Mandatory inclusion of hearing instruments at a minimum of \$3,000 per ear every three years will be a new benefit. New mandated benefits increase premiums, but the premium increase amount attributable to this new benefit is unknown at this time.

II. C - Expenditures

No fiscal impact, changes that require inclusion of this health care benefit in qualified health plans offered in the Exchange marketplace are not expected to require significant operational or Healthplanfinder system changes.

Part IV: Capital Budget Impact

None.

Part V: New Rule Making Required

None.

Individual State Agency Fiscal Note

Bill Number: 1222 E S HB	Title: Hearing instruments coverage	Agency: 160-Office of Insurance Commissioner
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.4	0.1	0.2	0.1	0.1
Account					
Insurance Commissioners Regulatory Account-State 138-1	55,749	9,573	65,322	19,146	19,146
Total \$	55,749	9,573	65,322	19,146	19,146

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Greg Attanasio	Phone: 360-786-7410	Date: 03/10/2023
Agency Preparation: Jane Beyer	Phone: 360-725-7043	Date: 03/14/2023
Agency Approval: Michael Wood	Phone: 360-725-7007	Date: 03/14/2023
OFM Review: Jason Brown	Phone: (360) 742-7277	Date: 03/15/2023

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

Section 1(1) requires a health carrier, for nongrandfathered group health plans other than small group health plans issued or renewed on or after January 1, 2024, include coverage for hearing instruments, including bone conduction hearing devices. Over-the-counter hearing instruments are not included.

Section 1(2) requires coverage to also include the initial assessment, fitting, adjustment, auditory training, and ear molds as necessary to maintain optimal fit. These services will be covered for enrollees who intend to obtain or already have obtained a hearing instrument, including over-the-counter instruments.

Section 1(3) requires a carrier to provide coverage for hearing instruments, as covered under Section 1(1) at no less than \$3,000 per ear with hearing loss every 36 months.

Section 1(4) mandates that coverage for instruments and services is not subject to the enrollee's deductible unless the health plan is offered as a qualifying health plan for a health savings account. For qualifying health plans a carrier may apply a deductible for the required coverage only at the minimum level necessary to preserve the enrollee's ability to claim tax exempt contributions and withdrawals from their health savings account per IRS laws and regulations.

Section 1(5) requires coverage for minors under age 18 to be made available only after receiving medical clearance within the preceding six months from an otolaryngologist for an initial evaluation of hearing loss or a licensed physician, indicating there has not been a substantial change in clinical status since the initial evaluation by an otolaryngologist.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Section 1(1) requires a health carrier, for nongrandfathered group health plans other than small group health plans issued or renewed on or after January 1, 2024, include coverage for hearing instruments, including bone conduction hearing devices. Over-the-counter hearing instruments are not included.

Section 1(2) requires coverage to also include the initial assessment, fitting, adjustment, auditory training, and ear molds as necessary to maintain optimal fit. These services will be covered for enrollees who intend to obtain or already have obtained a hearing instrument, including over-the-counter instruments.

Section 1(3) requires a carrier to provide coverage for hearing instruments, as covered under Section 1(1) at no less than \$3,000 per ear with hearing loss every 36 months.

Section 1(4) mandates that coverage for instruments and services is not subject to the enrollee's deductible unless the health plan is offered as a qualifying health plan for a health savings account. For qualifying health plans a carrier may apply a deductible for the required coverage only at the minimum level necessary to preserve the enrollee's ability to claim tax exempt contributions and withdrawals from their health savings account per IRS laws and regulations.

Section 1(5) requires coverage for minors under age 18 to be made available only after receiving medical clearance within

the preceding six months from an otolaryngologist for an initial evaluation of hearing loss or a licensed physician, indicating there has not been a substantial change in clinical status since the initial evaluation by an otolaryngologist.

Section 1(1) through 1(5) will require additional review of large group health plan form filings to ensure the hearing instrument benefit is accurately disclosed to enrollees in the forms. The Office of Insurance Commissioner (OIC) will require one-time costs, in FY2024, of 14 hours of a Functional Program Analyst 4 to update filing review standards and speed-to-market tools, update checklist documents and filing instructions, train staff, and educate issuers. The OIC receives approximately 913 large group health plan form filings each year and assumes the new review standards will result in an additional 15 minutes of review per form filing in FY2024 and an additional 5 minutes of review per form filing in FY2025 and thereafter requiring 228 hours (913 form filings x 15 minutes) of a Functional Program Analyst 3 (FPA3) in FY2024 and 76 hours (913 form filings x 5 minutes) of a FPA3 in FY2025 and thereafter.

The provisions in Sections 1 will lead to an increase in enforcement actions. The OIC anticipates an average of an additional 1 enforcement action per year to address allegations specific to coverage for hearing instruments. Enforcement actions will require the equivalent of approximately 40 hours per case requiring 40 hours (1 case x 40 hours) of an Insurance Enforcement Specialist beginning in FY2024.

Section 1 will require ‘normal’ rulemaking, in FY2024, to align current WACs with the new law.

Ongoing Costs:

Salary, benefits and associated costs for .05 FTE Functional Program Analyst 3 and .02 FTE Insurance Enforcement Specialist.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
138-1	Insurance Commissioners Regulatory Account	State	55,749	9,573	65,322	19,146	19,146
Total \$			55,749	9,573	65,322	19,146	19,146

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.4	0.1	0.2	0.1	0.1
A-Salaries and Wages	33,369	5,653	39,022	11,306	11,306
B-Employee Benefits	11,230	2,005	13,235	4,010	4,010
C-Professional Service Contracts					
E-Goods and Other Services	11,150	1,915	13,065	3,830	3,830
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	55,749	9,573	65,322	19,146	19,146

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
Functional Program Analyst 3	73,260	0.1	0.1	0.1	0.1	0.1
Functional Program Analyst 4	80,952	0.1		0.0		
Insurance Enforcement Specialist	99,516	0.0	0.0	0.0	0.0	0.0
Senior Policy Analyst	108,432	0.2		0.1		
Total FTEs		0.4	0.1	0.2	0.1	0.1

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Section 1 will require ‘normal’ rulemaking, in FY2024, to align current WACs with the new law.