



# Ohio Legislative Service Commission

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## Fiscal Note & Local Impact Statement

**Bill:** Sub. H.B. 310 of the 128th G.A.

**Date:** June 1, 2010

**Status:** As Reported by House Health

**Sponsors:** Reps. Garland and Driehaus

**Local Impact Statement Procedure Required:** Yes

**Contents:** To require health insurers to provide coverage for prostheses

### State Fiscal Highlights

- No direct fiscal effect on the state.

### Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2010	FY 2011	FUTURE YEARS
<b>Counties, Municipalities, and Townships</b>			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Increase, potentially in the millions	Increase, potentially in the millions	Increase, potentially in the millions
<b>School Districts</b>			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Increase, potentially in the millions	Increase, potentially in the millions	Increase, potentially in the millions

Note: For most local governments, the fiscal year is the calendar year. The school district fiscal year is July 1 through June 30.

- Counties, municipalities, and townships may incur an increase in the costs of providing health benefits to employees, assuming they do not already provide the required coverage for prostheses to their employees. The increase to each entity would vary.
- School districts may incur an increase in the costs of providing health benefits to employees, assuming they do not already provide the required coverage for prostheses to their employees.

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## Detailed Fiscal Analysis

The bill requires health insurers, including public employee health benefit plans, to provide coverage for a prosthesis leg, arm, or eye, including replacement and repair, that is medically necessary. The bill specifies that the coverage must at least equal the coverage provided by the federal Medicare Program. Currently, a prosthesis is covered under the Medicare Part B benefit. In 2010, a Medicare recipient is required to pay an annual deductible of \$155 for Part B services and supplies before Medicare begins to pay its share. Then, the recipient is responsible for paying 20% of Medicare-approved amounts for the services and supplies. Actual amounts paid by the recipient may be higher. The bill specifies that an insurer is not required to provide reimbursements to a health care provider or facility for providing, repairing, or replacing prostheses if the provider or facility does not have a health care contract with the insurer. The required coverage does not apply to the state Medicaid Program.

The required coverage may be subject to prior authorization similar to prior authorization used for other covered benefits. The bill provides that an insurer may impose a deductible, copayment, or coinsurance on a prosthesis, but the amount must not exceed the amount charged for other health benefits. The reimbursement on a prosthesis must equal the fee schedule amount for the prosthesis under the Medicare reimbursement schedule. The bill prohibits an insurer from imposing any annual or lifetime dollar maximum on coverage for a prosthesis other than an annual or lifetime dollar maximum that applies in the aggregate to all terms and services covered under the plan.

The bill does not require the Department of Insurance to conduct an analysis of the impact of the required coverage under this bill. Currently, no mandated health benefits legislation enacted by the General Assembly may be applied to any policy, contract, plan, or other arrangement providing sickness and accident or other health benefits until the Superintendent of Insurance determines that the provision can be applied fully and equally in all respects to employee benefit plans subject to regulation by the federal Employee Retirement Income Security Act of 1974 (ERISA) and employee benefit plans established or modified by the state or any political subdivision of the state, or by any agency or instrumentality of the state or any political subdivision of the state.

### **Fiscal effect**

The bill would have no fiscal effect on the state. The state health benefit plans currently provide coverage for prostheses. However, the bill could increase insurance premiums of local governments' health benefit plans. Any increase in insurance premiums would increase costs to local governments to provide health benefits to employees and their dependents. However, LSC staff could not determine the amount of the fiscal impact due to lack of information on the number of local governments that

currently provide coverage for prostheses. The fiscal impact on each local government may vary, depending on the number of its employees who required a prosthetic device or a prosthesis replacement or repair. A regular prosthetic device can cost between \$3,000 and \$15,000, but more advanced devices can cost over \$40,000.<sup>1</sup>

According to an article recently published in the *Archives of Physical Medicine and Rehabilitation*,<sup>2</sup> approximately 1.7 million people in the United States were estimated to live with limb loss in 2005. According to data from the U.S. Census Bureau (Census), approximately 3.8% of the total U.S. population lived in Ohio on July 1, 2008. Using these estimates, approximately 64,600 Ohioans may have lived with limb loss in 2005. In addition, based on data from the Annual Social and Economic Supplement of the Current Population Survey (CPS), from the Census, approximately 65.2% of Ohioans received their health insurance coverage through their employer in 2007. In addition, according to data on overall employment of Ohioans reported by the U.S. Bureau of Labor Statistics (BLS) for May 2008, 1.4% of the Ohio nonfarm workforce was employed by state government, 4.9% were employed by local governments (excluding educational institutions), and 5.6% were employed in local governments (educational institutions).

Starting with the estimated number above, 64,600 Ohioans living with limb loss, and assuming 65.2% of Ohioans receive coverage through their employer's health benefit plans, an estimated 42,119 Ohioans live with limb loss and are covered by their employer's health plan. Of that number, approximately 590 are estimated to be covered by a health plan sponsored by the state, 2,064 by a county's, municipality's, or township's health plan, and 2,359 by a school district's health plan. The estimated total costs to local government employers to provide coverage for prostheses could be in the millions of dollars per year, assuming a prosthetic device costs about \$3,000. The actual costs could be less, depending on the extent to which health plans sponsored by local governments already provide the benefit. Also, prosthetic devices are expected to last for a period of years, which suggests that the cost is likely to drop after the first year or two that the requirement is in place.

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<sup>1</sup> According to a *Wall Street Journal* article, "Prosthetic Device Manufacturers, Users Push for Higher Coverage Payments," March 12, 2008.

<sup>2</sup> "Estimating the prevalence of limb loss in the United States: 2005 to 2050," by Ziegler-Graham et al., published in *Archives of Physical Medicine and Rehabilitation*, Volume 89, March 2008.