

FISCAL NOTE
 [First Reprint]
SENATE, No. 467
STATE OF NEW JERSEY
213th LEGISLATURE

DATED: MAY 1, 2008

SUMMARY

- Synopsis:** “Grace’s Law;” requires health insurers, State Health Benefits Program and NJ FamilyCare to provide coverage for hearing aids for covered persons 15 and younger.
- Type of Impact:** Expenditure increase to the State General Fund and local government entities.
- Agencies Affected:** Department of Treasury, Division of Pensions and Benefits; Department of Human Services, NJ FamilyCare; local government entities.

Executive Estimate

Fiscal Impact	<u>FY2009*</u>	<u>FY2010</u>	<u>FY2011</u>
State Cost	\$120,162	\$120,162	\$120,162
Local Cost	<u>\$173,212</u>	<u>\$173,212</u>	<u>\$173,212</u>
Total Cost	\$293,374	\$293,374	\$293,374

Office of Legislative Services Estimate

Fiscal Impact	<u>FY2009*</u>	<u>FY2010</u>	<u>FY2011</u>
State Cost	\$174,562	\$174,562	\$174,562
Local Cost	<u>\$173,212</u>	<u>\$173,212</u>	<u>\$173,212</u>
Total Cost	\$347,774	\$347,774	\$347,774

*Assumes July 1, 2008 effective date.

- The Office of Legislative Services (OLS) **concurs** with the Executive estimate, however, the OLS estimate includes the potential costs to the State Health Benefits Program (SHBP) and the NJ FamilyCare Program.

- Requires government and private sector health insurers to provide health benefits coverage for the purchase of medically necessary hearing aids for covered persons under 15 years of age.
- The Division of Pensions and Benefits estimates that approximately 293 claims at \$1,000 each would be paid annually by the SHBP.
- OLS estimates that approximately 54 claims at \$1,000 each would be paid annually by NJ FamilyCare, a federal and State-funded health insurance program.
- Approximately 46.6 percent of the SHBP cost would accrue to the State and the remainder to local government entities.
- OLS notes that the fiscal estimate reflects potential costs associated with the SHBP and NJ FamilyCare only. Thus, costs to local entities that contract with a commercial health benefit provider, for example, are not reflected in this fiscal estimate. OLS is not able to estimate the number of local agencies that contract with commercial health benefit providers and the cumulative amount of premiums paid by local governments due to a lack of data.

BILL DESCRIPTION

Senate Bill No. 467 (1R) of 2008 will require health insurers to provide coverage for medically necessary expenses incurred in the purchase of a hearing aid for covered children 15 years of age or younger. This bill requires hospital, medical and health service corporations, commercial insurers, health maintenance organizations, health benefit plans issued pursuant to the New Jersey Individual Health Coverage and Small Employer Health Benefits Program, the SHBP, and the NJ FamilyCare Program to provide such coverage. The bill permits insurers, including the State Health Benefits Commission and NJ FamilyCare, to limit the benefit provided to \$1,000 per hearing aid for each hearing-impaired ear every 24 months.

FISCAL ANALYSIS

EXECUTIVE BRANCH

The Division of Pensions and Benefits in the Department of the Treasury estimated the total cost of the bill based on the number of SHBP covered dependent children 15 years of age or younger and an assumption, called an incident rate, of the number of children who may need hearing aids. Based on the division's estimate there are approximately 146,687 dependent children 15 years of age or younger enrolled in SHBP without medical coverage for hearing aids. The hearing aid benefit is \$1,000 per hearing aid for each hearing-impaired ear every 24 months. The analysis assumes an incident rate of two hearing aids per 1,000 children covered. Therefore, the cost to the SHBP is estimated to be \$293,374 which is equal to 146,687 children divided by 1,000, multiplied by 2, multiplied by \$1,000. Approximately 46.6 percent of the SHBP cost would accrue to the State and the remainder to local government entities.

OFFICE OF LEGISLATIVE SERVICES

The Office of Legislative Services (OLS) estimates the annual cost of this legislation to be \$347,774. This includes the costs to the SHBP of \$293,374 and an estimate of the increased costs to the NJ FamilyCare program totaling \$54,400. There are approximately 27,200 total children enrolled in the NJ FamilyCare Program without medical coverage for hearing aids. However, a breakout of these children 15 years of age or younger is not available. Nevertheless, OLS estimates the cost to the NJ FamilyCare Program, also assuming an incident rate of two hearing aids per 1,000 children, to be \$54,400 which is equal to 27,200 divided by 1,000, multiplied by 2, multiplied by \$1,000.

The OLS notes that this fiscal estimate reflects potential costs associated with the SHBP and NJ FamilyCare only. The OLS cannot estimate other additional costs to local governments entities that may be associated with this legislation due to a lack of data.

As of July 2006, local SHBP participation included five counties, 290 school districts, 311 municipalities, 292 authorities, commissions and State autonomous agencies, and 23 charter schools. The number of local employees and retirees enrolled in the SHBP totaled 213,830.

Section: State Government Section

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This fiscal note has been prepared pursuant to P.L. 1980, c.67 (C. 52:13B-1 et seq.).