



121 STATE STREET
ALBANY, NEW YORK 12207-1693
TEL: 518-436-0751
FAX: 518-436-4751

March 5, 2009

RE: AN ACT to amend the insurance
law, in relation to providing
coverage for hearing aids

S.529 (Alesi)

MEMORANDUM IN OPPOSITION

Submitted on behalf of the Blue Cross and Blue Shield Plans

This bill would entitle hearing impaired consumers, 16 years of age or older, to receive reimbursement of \$1,000 every three years for the costs associated with the purchase of up to two hearing aids. Hearing impaired children, 15 and younger, would be entitled to reimbursement of \$1,000 for services related to the purchase of up to two hearing aids every two years. The Blue Cross and Blue Shield Plans of New York oppose the enactment of this legislation which would add yet another health insurance benefit mandate to the already long list of such mandates in New York. New York health insurers are already subject to more coverage mandates than nearly any other state, the result of which can be illustrated by New York's exceptionally high rate of uninsured individuals.

It is estimated that this mandate would cause a 4% increase in health insurance premiums depending on the type of policy effected. The bill would require coverage for hearing aids for a population which can be broken down into two groups: Under 16 years of age, and over 16 years of age. While the impact of the mandate for individuals under 16 is relatively minor, at about only 17 cents per member per month, the impact for individuals 65 and over is tremendous. Specifically, limiting the benefit to \$1000 in coverage (as under the provisions of the bill) amounts to an approximate premium increase of \$5.24 per member per month or about 3.9%. Moreover, this bill precludes insurers from using cost-sharing devices such as co-payments or deductibles to control utilization and to offset these costs. The foregoing cost estimates reflect a situation where insurers are able to implement cost sharing devices, thus, the actual cost of providing the benefit would likely be somewhat higher than estimated.

New mandates, such as this one, should be evaluated very carefully in times such as these when the cost of health insurance is spiraling out of control. Health benefit mandates increase the cost of health insurance for insurers which results in higher premiums for consumers. An increase in health insurance premiums typically translates into fewer individuals being covered by health insurance. A study by Sloan and Conover found that the higher the number of state coverage requirements for plans, the higher the probability that an individual was uninsured and the lower the probability that he or she would have any private coverage. According to 2004 Census Bureau data approximately 15.5% of New York State's population is without health insurance. It is estimated that for every 1% increase in premium costs, 30,000 New Yorkers lose health insurance (Sloan and Conover, Effects of State Reforms on Health Insurance Coverage of Adults, 1999). In order to ensure that the number of uninsured people in New York does not continue to escalate it is necessary to prevent the imposition of any new health benefit mandates.

Health benefit mandates also cause employers to decrease or drop coverage due to increased premiums. As premium prices increase to reflect the increase in health care costs, the number of employers who can afford such coverage decreases. Since 2000, there has been a 6% decrease in businesses providing health insurance coverage in New York. If costs continue to rise more employers in the state will face the real possibility of dropping coverage or passing the cost along to employees as rates continue to rise. These added costs will also contribute to an increase of uninsured New Yorkers – a figure that already stands at more than three million.

Generating money to pay for increased health care costs generally means employers must make cuts elsewhere to compensate. According to a recent report by the Public Policy Institute, New York ranks second in the nation for the highest cost of health insurance costs to employers. The average per-employee cost for NY area companies increased 8.5 % in 2004 to \$7,560. (Mercer Consulting 2004). As a result of these high costs, employers who do not drop coverage altogether see a decrease in wages as employers must reallocate money to pay for increased premiums.

Already New York State has 43 mandated benefits that significantly increase the cost of health insurance. Benefit mandates lead to increased premiums, causing employers to reduce health benefits or drop them entirely, which in turn forces more working families to either purchase their own health insurance or become uninsured. Mandates such as this bill, however well-intentioned, increase insurance costs and make health care coverage even more unaffordable to consumers.

Respectfully submitted,

HINMAN STRAUB ADVISORS, LLC
Legislative Counsel for the Blue Cross and Blue Shield Plans