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DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS

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TO THE HOUSE COMMITTEE ON  
FINANCE

TWENTY-NINTH LEGISLATURE  
Regular Session of 2018

Wednesday, March 28, 2018  
2:00 p.m.

**TESTIMONY ON SENATE BILL NO. 535, S.D. 2 – RELATING TO HEARING AIDS.**

TO THE HONORABLE SYLVIA LUKE, CHAIR, AND MEMBERS OF THE  
COMMITTEE:

The Department of Commerce and Consumer Affairs (“Department”) appreciates the opportunity to testify on S.B. 535, S.D. 2, Relating to Hearing Aids. My name is Gordon Ito, and I am the Insurance Commissioner for the Department’s Insurance Division. The Department takes no position on this bill and provides the following comments.

The purpose of this bill is to require health insurance policies and contracts issued after December 31, 2018, to provide coverage for the cost of hearing aids at a minimum of \$1,500 per hearing aid for each hearing-impaired ear every thirty-six months. As such, this bill seems to impose a new mandated health insurance benefit that, pursuant to Hawaii Revised Statutes section 23-51, would require the passage of a concurrent resolution requesting the State Auditor to prepare and submit a report assessing the social and financial impacts of the proposed mandate.

In October 2014, the State Auditor issued Report No. 14-10 (“Report”), which studied the effects of mandating insurance coverage for hearing aids as proposed in

S.B. 309, S.D.1 of the 2014 Legislative Session (“S.B. 309”). The Report concluded that coverage for hearing aids was already provided, or was planned to be offered by health insurers, such that they would already be in compliance with S.B. 309.<sup>1</sup> The Report further concluded that such coverage may not be adequate and may leave those needing hearing aids with large co-payments.<sup>2</sup> The Report recommend that S.B. 309 not be enacted as written.<sup>3</sup>

Although the State Auditor has already prepared a report assessing mandated hearing aid coverage as proposed in S.B. 309, S.B. 535 includes a minimum benefit amount of \$1,500 per hearing-impaired ear every thirty-six months, whereas S.B. 309 did not include a minimum benefit amount. This difference may result in a significantly different analysis of the social and financial impact of S.B. 535 versus S.B. 309.

Thank you for the opportunity to testify on this measure.

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<sup>1</sup> Report at p. 18.

<sup>2</sup> Id.

<sup>3</sup> Id.

Testimony of  
John M. Kirimitsu  
Legal and Government Relations Consultant

Before:  
House Committee on Finance  
The Honorable Sylvia Luke, Chair  
The Honorable Ty J.K. Cullen, Vice Chair

March 28, 2018  
2:00 pm  
Conference Room 308

### **SB 535, SD2 Relating to Hearing Aids**

Chair, Vice Chair, and committee members, thank you for this opportunity to provide testimony on this measure mandating hearing aid insurance coverage.

#### **Kaiser Permanente Hawaii would like to offer comments.**

In 2014, the state auditor completed its study on mandating insurance coverage for hearing aids and reported that it opposed the passing of this mandate. Notably, the auditor concluded:

- *“Because SB No. 309, SD 1, would not change the status quo concerning coverage for hearing aids, we recommend the Legislature not pass the measure.”*
- *“Based on survey responses, public demand for mandated coverage of hearing aids is low.”*
- *“Because insurers already provide coverage or plan to start providing coverage in 2015, the measure is likely to have minimal effect on insurance premium costs.”*

The complete Legislative Reference Bureau report and its findings may be viewed at <http://files.hawaii.gov/auditor/Reports/2014/14-10.pdf>

At the time of that audit study, there was no \$1,500.00 minimum coverage requirement, which is a key component in SB 535, SD2. Therefore, since this minimum cost threshold is a new mandate, Kaiser requests an updated audit study under Sections 23-51 and 23-52 of the Hawaii Revised Statutes.

Additionally, Kaiser is concerned that the \$1,500.00 minimum coverage requirement will divert the focus away from medical care, i.e., what is medically appropriate, and instead prioritize purely financial incentives, i.e., choosing the most expensive products. This minimum cost threshold would only de-incentivize those vendors who offer discounted pricing in a competitive market to favor higher markups, at the expense of the consumer, to meet the minimum coverage requirement.

Additionally, Kaiser notes that this bill does not differentiate or consider utilization by, or impact of delivery to, different populations of hearing impaired: young children, those who are genetically impaired, or those impaired due to disease, injury, or due to aging. The needs of and utilization by these different populations is likely to vary according to the nature or extent of hearing loss, type of hearing aid needed, frequency of replacement of the hearing aids, effectiveness of the hearing aids, cost of the hearing aids, and other factors.

Thank you for your consideration.



An Independent Licensee of the Blue Cross and Blue Shield Association

March 28, 2018

The Honorable Sylvia Luke, Chair  
The Honorable Ty J. K. Cullen, Vice Chair  
House Committee on Finance

Re: SB 535, SD2 – Relating to Hearing Aids

Dear Chair Luke, Vice Chair Cullen, and Members of the Committee:

The Hawaii Medical Service Association (HMSA) **opposes** SB 535, SD2 which would require health insurance policies and contracts issued after 12/31/18 to provide coverage for the cost of hearing aids at a minimum of \$1500 per hearing aid for each hearing-impaired ear every thirty-six months.

HMSA appreciates the intent of SB 535, SD2 as the cost of hearing aid devices can be a significant expenditure for individuals and families. HMSA's commercial plans currently provide coverage for hearing aid replacements at the rate of one hearing aid per ear every sixty months. With respect to the current Bill, HMSA has the following comments and concerns:

- We continue to have concerns with including a minimum benefit of \$1500 per device. The decision on the type of device a member may require should be based primarily on medical necessity rather than the cost. The Committee may wish to consider using "medically appropriate hearing aid models (analog, digital, digitally programmable) with standard features," instead of a fixed dollar amount.
- We also have serious concerns with Section 2(c) regarding hearing aid devices that exceed the proposed \$1500 benefit; the Bill in its current form suggests that the member may seek a device that exceeds the \$1500 benefit limit but would not be held responsible for the difference in cost; it is unclear who then would be responsible for that cost.
- The Committee may want to consider amending Section 2(f) to require notification of policy change be provided to members through their plan's website. This tends to be more accessible, efficient, and timely for individual members than mailing written notices of policy change.
- Finally, we would draw the Committee's attention to the Insurance Commissioner's testimony from the previous Committee noting that the past Auditor's study (2014) did not include an assessment of what the social and financial costs would be if a mandated minimum cost (\$1500) was ascribed to the hearing aid benefit. We support the Commissioner's suggestion to conduct a new Auditor's study to examine the anticipated costs to state and plans and defer SB 535, SD2.

Thank you for the opportunity to testify in opposition of SB 535, SD2.

Sincerely,

Pono Chong  
Vice-President, Government Relations



## DISABILITY AND COMMUNICATION ACCESS BOARD

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**LATE**

March 28, 2018

### TESTIMONY TO THE HOUSE COMMITTEE ON FINANCE

#### Senate Bill 535, SD2 - Relating to Hearing Aids

The Disability and Communication Access Board (DCAB) supports Senate Bill 535, SD2 that requires health insurance providers and contracts issued after December 31, 2018 to provide coverage for the cost of hearing aids up to \$1,500 per hearing aid for each ear with hearing impairment, and that the aids may be changed every thirty-six months, as needed. These recommendations were from the Legislative Auditor's Study completed in October 2014.

Currently, private health insurance plans provide partial coverage for eyeglasses to correct vision, and some provide partial coverage for hearing aids. Hearing is an equally important sense upon which an individual depends for communication, so an individual with a hearing loss would have improved coverage for hearing aids through a private insurance carrier.

Senate Bill 535, SD2 addresses the concerns from the Auditor's sunrise review that was received by the Hawaii State Legislature on January 14, 2015. Since the sunrise review was completed in October 2014, we request that these changes incorporated into state law and take effect upon approval.

Thank you for the opportunity to testify.

Respectfully submitted,

FRANCINE WAI  
Executive Director



**STATE OF HAWAII**  
**HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND**

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**TESTIMONY BY DEREK MIZUNO**  
**ADMINISTRATOR, HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND**  
**DEPARTMENT OF BUDGET AND FINANCE**  
**STATE OF HAWAII**  
**TO THE HOUSE COMMITTEE ON FINANCE**  
**ON SENATE BILL NO. 535**

**March 27, 2018**  
**2:00 p.m.**  
**Room 308**

**LATE**

**RELATING TO HEARING AIDS**

Chair Luke, Vice Chair Cullen, and Members of the Committee:

The EUTF Board of Trustees has not taken a position on this bill. At this time, EUTF staff would like to provide comments on the bill.

The EUTF and HSTA VB HMSA medical plans currently cover hearing aids at coinsurance levels consistent with other coverage under the plans with no benefit limit once every 60 months. Changing the time period limitation from 60 to 36 months is estimated to increase HMSA claims by \$1.2 million or 0.3% of annual claims.

The EUTF Kaiser medical plans currently do not provide coverage for hearing aids. While the HSTA VB Kaiser active and retiree medical plans provide coverage at 60% once every 36 months and a \$500 allowance once every 36 months, respectively. The addition of a hearing aid benefit to comply with this bill is estimated to increase Kaiser claims by \$845,000 or 0.5% of annual claims.

Thank you for the opportunity to testify.

**EUTF's Mission:** We care for the health and well being of our beneficiaries by striving to provide quality benefit plans that are affordable, reliable, and meet their changing needs. We provide informed service that is excellent, courteous, and compassionate.

**LATE**

**SB-535-SD-2**

Submitted on: 3/28/2018 8:32:29 AM

Testimony for FIN on 3/28/2018 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Darlene Ewan	Aloha State Association of the Deaf	Support	No

Comments:



**LATE**

**SB-535-SD-2**

Submitted on: 3/28/2018 8:30:53 AM

Testimony for FIN on 3/28/2018 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Darlene Ewan	Individual	Support	No

Comments:

**LATE**

**SB-535-SD-2**

Submitted on: 3/28/2018 8:39:04 AM

Testimony for FIN on 3/28/2018 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Susan Kroe-Unabia	Individual	Support	No

Comments:

We support this bill that prioritizes the needs of Hawaii's deaf, hard of hearing, and senior citizen population. Technology changes so quickly and hearing aids are used so frequently, they wear out quickly and are outdated. Insurance companies should support the needs of this disabled population by ensuring coverage for replacement hearing aids at least every 36 months and provide coverage of at least \$1500 per hearing aid. We ask that you support this bill and pass it as written.

Mahalo,

Tamar Lani & Susan Kroe-Unabia

**LATE**

**SB-535-SD-2**

Submitted on: 3/28/2018 8:43:54 AM

Testimony for FIN on 3/28/2018 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Amanda Kaahanui	Individual	Support	No

Comments:

My son wears hearing aids and they are expensive. But they allow him to hear, to speak, and to interact in the hearing world. They also cost several thousand dollars. Our HMSA insurance "benefit" is only \$300 - that is not a benefit, that should be my co-payment. If he loses his aid or it breaks, we cannot afford to fix it. It would be more cost-effective for our family to not pay health insurance premiums for a year, then use that money to pay for his hearing aids. That's just not right. Insurance pays for glasses, it pays for expensive surgical procedures, but it wont cover the real-world cost of hearing aids so my son can hear? It's despicable. Please support SB535 so our family and others in Hawaii can afford to allow our children acces to thier basic human right to hear. Thank you.

**LATE**

**SB-535-SD-2**

Submitted on: 3/28/2018 8:51:52 AM

Testimony for FIN on 3/28/2018 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Eileen Chiwa	Individual	Support	No

Comments: