Department of Planning and Budget
2022 Fiscal Impact Statement

1. **Bill Number:** HB925

House of Origin	☒	Introduced	☐	Substitute	☐ Engrossed
Second House	☐	In Committee	☐	Substitute	☐ Enrolled

2. **Patron:** Roem

3. **Committee:** Commerce and Energy

4. **Title:** Health insurance; coverage for prosthetic devices.

5. **Summary:** Requires health insurers, corporations providing health care coverage subscription contracts, health maintenance organizations, and the Commonwealth's Medicaid program to provide coverage for prosthetic devices, including myoelectric, biomechanical, or microprocessor-controlled prosthetic devices that have a Medicare code. The provisions of the bill apply only in the large group markets. The bill repeals the existing requirement that coverage for prosthetic devices be offered and made available. The bill has a delayed effective date of January 1, 2023.

6. **Budget Amendment Necessary**: See item 8

7. **Fiscal Impact Estimates:** Indeterminate – see item 8

8. **Fiscal Implications:** The Department of Human Resource Management (DHRM) estimates this bill will have a fiscal impact of $1,351,140 to the state Health Insurance Fund (HIF). Based on information from the plan's actuary, it is assumed a prosthetic device covered under the bill costs $80,000 each. DHRM assumed a utilization rate of 5.11 per 100,000 members based on data that reflects 17,000 spinal cord injuries per year in the United States. Multiplying the device cost by the utilization rate leads to a $0.34 per member per month estimate. DHRM assumed this per member per month estimate may be doubled to $0.68 per member per month to account for pent up demand among previously paralyzed health plan beneficiaries for the technology. The state health plan currently has 165,581 members. Multiplying the COVA membership by $0.68 per member per month by each month in a year leads to the $1,351,140 figure. The $0.68 per member per month is expected for the first two years, then a reduction to $0.34 per member per month for the third year and after.

   The HIF is funded through monthly premium contributions by state agencies, state employees, and eligible retirees. This legislation is expected to lead to an increase in expenditures from the HIF, which may result in higher health insurance premiums. Based on recent premium trends, the general fund pays an estimated 43 percent of premiums into the HIF. The general fund share of the costs described above is approximately $580,990.

   The Medicaid program already covers prosthetics devices. However, should this bill be interpreted as defining a "medically necessary prosthetic device" to include "any

myoelectric, biomechanical, or microprocessor-controlled prosthetic device that has a Medicare code", then a significant fiscal impact is likely. Codes are often assigned to medical items for reference purposes and not because they have been approved for coverage by Medicare. As a result, this bill may require DMAS to cover items that are deemed "experimental" and lack Medicare coverage. The implications for this provision are indeterminate as it would not only cover those prosthetics currently considered experimental, but also any future products that are assigned a Medicare code without coverage.

For example, there is currently a Medicare code for a "Bilateral hip, knee, ankle, foot device, powered, includes pelvic component, single or double upright(s), knee joints any type, with or without ankle joints any type, includes all components and accessories, motors, microprocessors, sensors" (HCPCS code K1007). Its presumed population of use would be those with spinal cord injuries. The product itself is still in the design phase and often takes several iterations for fitting and specifications. However, it does have a Medicare code and if the medically necessary prosthetic device provision were to take effect, the cost for this device is $80,000 and DMAS had 5,374 members with a paraplegic/quadriplegic diagnosis code in calendar year 2021. This would be just one instance of a device that would be newly covered and the potential population that might make use of such a provision.

In addition, the federal statute for Medicaid prohibits the use of federal funds for experimental products. As a result, the cost of the medically necessary prosthetic device provision would likely have to be covered solely with general funds if it were to go into effect.

No fiscal impacts to the State Corporation Commission are expected.

9. **Specific Agency or Political Subdivisions Affected:** Department of Human Resource Management, State Corporation Commission, Department of Medical Assistance Services

10. **Technical Amendment Necessary:** No

11. **Other Comments:** SB405 is a companion bill to HB925.