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Joint Legislative Audit and Review Commission



**Evaluation of House Bill 657:  
Mandated Coverage of Habilitative Services for Children  
With Developmental Delays**

Briefing for the Special Advisory Commission on  
Mandated Health Insurance Benefits

October 17, 2006



JLARC

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## Background on HB 657

- Mandates coverage for medically necessary habilitative services for children younger than 19 with developmental delays
  - Coverage of many services for 0-3 years of age through Early Intervention Services (EIS) and EIS mandate
- Addresses medical habilitative needs of children not adequately met through schools and private insurance
  - Would not require insurers to cover services provided by schools
- Similar mandates proposed previously

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## In This Presentation

- Medical Efficacy and Effectiveness
- Social Impact
- Financial Impact
- Balancing the Medical, Social, and Financial Considerations



## Effective Treatments Exist Beyond Those Most Commonly Provided

- Speech, occupational, and physical therapy most widely accepted and provided, and most frequently covered by insurance
- Discrete trial training and positive behavioral support also appear effective therapies but not accepted by most insurers
  - Small sample size a weakness of many studies, but collectively they provide consistent evidence
- Effective treatments may not be *medically necessary* for every developmentally delayed child

## Difficult to Estimate Increased Utilization of Services

- Ambiguity in language on “services provided through the individual’s school”
  - Refers to level or type of service provided by school?
- Estimated 28,000 children in VA could benefit from proposed mandate

## Without Insurance Coverage, Costs Could Be Significant

- 51% of insurers provide some coverage, but less than half of these provide coverage in mandate
  - Many insurers view treatments as *educational* and *not rehabilitative*
- Without coverage, cost estimates range from \$3,000 to \$41,000 annually
  - Equates to 6% to 73% of median household income

## Difficult to Estimate Financial Impact

- Uncertainties
  - Change in utilization (due to ambiguity in language)
  - Extent to which parents pay out of pocket
  - Extent to which mandate would result in cost shifting
- Total costs could decrease long term, but unknown by how much
  - Few rigorous studies of long-term cost savings resulting from providing intense habilitative treatment to children

## Substantial Administrative Costs for Insurers and State Could Result

- Increased costs for insurers from creating contracts with new providers and tracking new conditions and treatments
- New role for State Dept. of Mental Health and Mental Retardation could cost from \$2.7 to \$3.1 million in 2008 and seems unnecessary
- Median premium estimates are \$1.57 for individual coverage and \$1.77 for group coverage monthly

## Evidence of Need, But Costs Unclear

- Mandate consistent with role of insurance and precedent for covering habilitative services
  - Certain private insurers, Medicaid, and State health plan already cover habilitative services
- Difficult to determine whether benefits justify costs
- *Clarifying language in mandate and additional data showing extent to which medically prescribed services not received would prove beneficial*

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## **JLARC Staff for Mandated Benefit Reviews**

Glen Tittermary, Deputy Director

Walt Smiley, Fiscal Analysis Section Manager

Kimberly Sarte, Team Leader

Eileen Fleck

## **For More Information**

<http://jlarc.state.va.us>

(804) 786-1258

