

**INTERIM REPORT OF THE
DEPARTMENT OF HEALTH'S STUDY OF THE POSSIBILITY OF A
PROGRAM
BEING ESTABLISHED FOR THE SALE OR RENTAL OF
HEARING AIDS TO THE HEARING-IMPAIRED POOR
TO
THE GOVERNOR
AND
THE GENERAL ASSEMBLY OF VIRGINIA**



Senate Document No. 11

**COMMONWEALTH OF VIRGINIA
Richmond, Virginia
1980**

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Interim Report of the
Department of Health's Study of the Possibility of a Program
Being Established for the Sale or Rental of
Hearing Aids to the Hearing-Impaired Poor

To

The Governor and the General Assembly of Virginia
Richmond, Virginia

January 1980

To: Honorable John N. Dalton, Governor of Virginia

and

The General Assembly of Virginia

I. INTRODUCTION

During its 1979 session, the General Assembly passed Senate Joint Resolution No. 172 creating this study. That resolution is as follows:

SENATE JOINT RESOLUTION NO. 172

WHEREAS, the Commonwealth presently has no comprehensive program to provide hearing aids to its hearing-impaired citizens who cannot afford them; and

WHEREAS, hearing rehabilitation programs for the poor, presently conducted through the Bureau of Crippled Children and the Department of Vocational Rehabilitation, provide no assistance to the vast majority of Virginia's poor who are hearing-impaired; and

WHEREAS, the federal Medicare program does not presently cover the cost of hearing aids for the elderly, and only veterans are assisted by hearing-rehabilitation programs of the U. S. Veterans' Administration; and

WHEREAS, a 1978 study conducted by a joint subcommittee of the Committees on General Laws of the Senate and House of Delegates found there to be a great need for hearing aids among Virginia's poor, particularly the elderly; and

WHEREAS, many of these latter Virginians cannot afford hearing aids presently available commercially; now, therefore, be it

RESOLVED by the Senate of Virginia, the House of Delegates concurring, That the State Department of Health is hereby requested to study the possibility of establishing a program for the sale or rental of hearing aids to the hearing-impaired poor of the Commonwealth. The Department is requested to consider both the costs occasioned by such a program and the mechanisms by which it could be put into operation; and, be it

RESOLVED FURTHER, That the Department is requested to submit a report of its findings and recommendations to the General Assembly upon the completion of its study.

II. DISCUSSION

To carry out the study, the State Health Commissioner appointed the following Committee members: Willard R. Ferguson, M.D., Director, Bureau of Crippled Children; Frank M. Butts, M.Ed, Director of Audiology and Speech Pathology, Medical College of Virginia; S. James Cutler, representing the Virginia Council for the Deaf; Thomas M. Deadmore, Purchase Manager, Department of Purchase and Supply; Pat T. Dewey, M.Ed, Speech and Hearing Services, Administrator, Bureau of Crippled Children; William Gates, representing the Association of Hearing Aid Dealers; K. Michael Kines, Administrator of Facilities Services, Virginia Medical Assistance Program; Jose A. Lafitte, Ed D., State Coordinator, Hearing Impaired Program, Department of Rehabilitative Services; Pam R. Lathrop, State Planner, Office on Aging; Stephen R. Thomas, representing the Lions Club.

This is the Department of Health's interim report to study the possibility of establishing a program to sell or rent hearing aids to the poor. The Committee gathered statistics from several agencies to determine the volume involved.

Of a total estimated population of 5,211,518¹ in Virginia, an estimated 344,117² are hearing impaired to the degree requiring amplification for communication. This gives a prevalence figure of 6%. The Office of Aging estimates that 5% of persons sixty-five (65) and over use hearing aids and when this estimate is applied to Virginia's sixty-five (65) and over population (approximately 440,000) we arrive at a figure of 22,000. Of course, this figure does not address the number of people who currently have aids.

If we apply the 6% prevalence figure to Medicaid-eligible persons we find that approximately 4,660 in the 22-64 age range could require amplification. Some of this population is already being served by the Department of Rehabilitative Services. Applying the 5% incidence figure (Office of Aging) for the 65 and over population we find that of 54,790 Medicaid-eligible persons, 2,739 could require amplification.

¹Tayloe - Murphy Institute

²Schein & Delk

The Virginia Bureau of Crippled Children's Defective Hearing Program is providing hearing aids for approximately 203 children. This program will continue to serve the indigent population 0-21.

The committee is presently discussing a plan that addresses all aspects of what a program should include. Attachment I gives a review of estimated costs of such a potential plan assuming 2500 clients. The following approaches have been reviewed and discussed.

(1) Direct purchase from hearing aid dealers at cost of instrument plus dispensing fee. (2) Contract directly with manufacturer for hearing aids plus set fitting fee to hearing aid dealers. (3) Package contract with manufacturer for instrument plus fitting fee as agreed to by hearing aid dealers. (4) Controlled program of instrument purchase directly from manufacturer plus fitting and management through the Speech and Hearing Centers of the state.

A review of the proposed rules promulgated by the Health Care Financing Administration governing the reimbursement for hearing aids through Medicaid programs reveals that both a Volume Purchase Plan (VPP) and an Acquisition Cost Plan (AC) have both good and bad points.

Under VPP the State would purchase aids directly from a supplier by bid establishing a contract price and provide a reasonable dispensing fee to the provider based on cost of hearing aid dispensing operations, including costs of services, overhead and reasonable profit. The dispensing fee would be based on set price, bid or usual and customary charge to the general public. The State would buy in quantity from the supplier, who would agree to supply participating providers with the items at the agreed-upon prices or the State might take more control with volume purchasing and warehousing with centralized dispensing by salaried employees through out-patient clinics.

Under an AC program payments to providers would be limited to the lower of actual acquisition cost plus a reasonable dispensing fee, or the provider's usual and customary charge to the public. The dispensing fee would be by a set State price or by bid. The State would determine the conditions of purchase, specifications, and requirements for prescription, fitting, and follow-up.

Though VPP may not appeal to some states for political or economic reasons, legally it is a viable option. The State is free to require that Medicaid providers obtain their products at contract prices. The State is also free to retain title to the supplies and either store them in a centralized warehouse or arrange with the manufacturer to ship them to Medicaid providers.

III. CONCLUSIONS

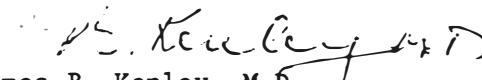
The committee agrees that any proposed plan must include contracts directly with the manufacturer and an approved purchasing list based on generic characteristics.

Still to be resolved are:

- A. Who shall administer and regulate the follow-up that is required on each client?
- B. How much follow-up is really necessary?
- C. What constitutes a fair service fee?

As this is an interim report, there are no recommendations at this time.

Respectfully Submitted,


James B. Kenley, M.D.
State Health Commissioner

ATTACHMENT I

ESTIMATED COSTS OF A PROPOSED PLAN

(Based on an Estimated 2500 Hearing Aids)

Manufacturers cost per aid	\$100.00	\$250,000
Dispensing fee	50.00	125,000
Otological Evaluation	50.00	125,000
Audiological Evaluation	25.00	62,000
Hearing Aid Evaluation	30.00	<u>75,000</u>
		\$637,000

Routine Followup (70% of clients)
(1750)

3 visits (10.00 per visit)	30.00	52,500
2 hearing and aid checks	40.00	<u>70,000</u>
		122,500

Extended Follow-up (25% of clients)
(625)

7 visits (10.00 per visit)	70.00	43,750
2 hearing and aid checks (20.00 per)	40.00	<u>25,000</u>
		68,750

Comprehensive Follow-up (5% of clients)
(125)

7 visits (10.00 per)	70.00	8,750
2 hearing and aid checks	40.00	5,000
Staffing*	40.00	5,000
Therapy	200.00	<u>25,000</u>
		43,700

Total cost of Program \$871,950

*Staffing would include reimbursement to professionals attending as well as the cost of submitting a report.

