April 15, 2013

TO: Representatives Jim Gerlach & Linda Sanchez
Ways and Means Committee, Manufacturing Working Group

FROM: AG Bell Association for the Deaf and Hard of Hearing
Academy of Doctors of Audiology
American Academy of Audiology
American Speech-Language-Hearing Association
Hearing Industries Association
Hearing Loss Association of America
International Hearing Society

Our coalition of hearing health organizations representing people with hearing loss, parents of children with hearing loss, hearing health professionals and hearing aid manufacturers appreciates the opportunity to comment on tax reform as it relates to hearing health. We urge the Committee to consider Hearing Aid Tax Credit legislation, H.R.1317 (HATC), as well as other options such as specific deductibility of hearing aids for those who do not otherwise itemize medical expenses. We believe that either option would benefit millions of individuals with hearing loss in a relatively simple fashion without narrowly targeting benefits to a small interest group.

The HATC would provide a non-refundable $500 tax credit for the purchase of a hearing aid, or $1,000 if two are needed, once every five years, while specific deductibility would enable people who needed hearing aids to claim a deduction for the cost of hearing aids from the first dollar spent. Hearing aids are now deductible as part of overall out-of-pocket healthcare costs once minimum spending thresholds have been met. If either option were adopted, people with hearing loss would receive a measure of financial support to purchase an essential medical device that is not covered by most insurance policies.

Hearing Aids are a Unique & Underutilized Medical Device

Hearing aids are in many ways unique in that they are an FDA-regulated medical device, and a medical examination (or an informed waiver) is required before purchase; however, they are not a prescription device, and no insurance coverage is available for most people. Hearing aid coverage was not mandated as part of the Affordable Care Act, and only two states (NH and RI) mandate that hearing aids be covered as part of health insurance plans for people of all ages, while 18 others mandate coverage for children only (see attachment 1 below).

The average cost for a hearing aid in 2008 was $1,675 including fitting, evaluation and post-fitting treatment, according to the most recent MarkeTrak report, the largest national survey on hearing loss. More than 80% of individuals with hearing loss require two devices, increasing average out-of-pocket expenses to $3,350**.**

While 95% of the 38 million Americans with hearing loss could be successfully treated with hearing aids, only 8.4 million people used them in 2008 according to MarkeTrak. Hearing aids are not covered by Medicare or most insurance plans, although they are covered for veterans by the Veterans Administration. Overall, 61% of hearing aid purchases involve no third party payment according to MarkeTrak. This places the entire burden of purchase on the consumer, and 68% of people with hearing loss cite financial constraints as a core reason they do not use hearing aids.

Failure to Address Hearing Loss Has Enormous Economic Costs

Hearing loss is among the most prevalent birth defects in America, affecting 3 infants per 1,000 births. 1.2 million children under 18 have a hearing loss. For adults, hearing loss usually occurs gradually, but increases dramatically with age. Over half of those Americans aged 65 and older have age-related hearing loss.

Children who do not receive early intervention cost schools an additional $420,000 and are faced with overall lifetime costs of $1 million in special education, lost wages, and health complications, according to a 1995 study published in the *International Journal of Pediatric Otorhinolaryngology*. The Department of Education indicates that over 70,000 students, ages 6-21, received special education services in 2002 alone, due to their hearing loss.

For taxpayers, a 2010 survey by the Better Hearing Institute on "The Impact of Untreated Hearing Loss on Household Income" compared income levels of people who used hearing aids, people with untreated hearing loss and people with no hearing loss. The data shows that untreated hearing loss results in a loss of income per household of up to $30,000 per year depending on the degree of hearing loss. This translates to $176 billion in unrealized income and a cost to society of $26 billion annually in unrealized federal income taxes (15% bracket).

For seniors, untreated hearing loss causes additional costs to Medicare and other health programs due to loss of independence, social isolation, depression, safety and other issues. A 1999 study by the National Council on the Aging (NCOA) on untreated hearing loss found that impaired hearing results in distorted communication, isolation, withdrawal, reduced sensory input, depression, anger, and severely reduced psychological health. Conversely, hearing aid usage results in increased earnings power of around 50%, enhanced emotional and mental stability, and reduced anger, anxiety, depression and paranoia. In addition, a study published in *JAMA Internal Medicine* in 2013 suggests that hearing loss among older adults appears to be associated with a 32-41% faster rate of measurable cognitive decline than in people without hearing loss.

HATC is Strongly Supported by Hearing Health Community

In an unprecedented fashion, the hearing health community has rallied behind the HATC including organizations of people with hearing loss, parents of children with hearing loss, hearing healthcare providers, educators, and manufacturers. Endorsing groups include AARP, Alexander Graham Bell Association for the Deaf and Hard of Hearing, Academy of Doctors of Audiology, American Academy of Audiology, American Speech-Language-Hearing-Association, Hearing Health Foundation, Hearing Industries Association, Hearing Loss Association of America, Hearing Network Alliance and the International Hearing Society. The HATC is a bi-partisan bill (H.R.1317 in the 113th Congress) that has been introduced in past years by Representatives Jim Ryun (R-KS), Carolyn McCarthy (D-NY) and now Tom Latham (R-IA). A companion bill has been introduced in the past by Senators Norm Coleman (R-MN) and Tom Harkin (D-IA).

Enhanced Deductibility Would Benefit Middle Class Taxpayers

As of 2013, hearing aids are now deductible as part of healthcare out-of-pocket spending once such spending exceeds 7.5-10% (depending on age) of an individual's adjusted gross income. For someone making $40,000 a year with no other eligible out-of-pocket medical expenses, there is currently no tax benefit for the person buying a pair of hearing aids (average cost/pair: $3,350 including evaluation, fitting and post-fitting treatment). As income increases to $100,000, the current threshold would make it even less likely that someone would be able to claim a deduction for hearing aids. In addition, the most significant expense that increases out-of-pocket medical spending is the purchase of individual medical insurance policies which will now be partially subsidized under the Affordable Care Act for many people in lower income brackets. It is likely, therefore, that even those people who have high enough cumulative out-of-pocket medical costs now to meet the threshold will decline, making this form of assistance for people with hearing loss even less effective.

We believe that hearing aid assistance efforts in the tax code would naturally be geared to benefiting the middle class. At lower income levels, Medicaid provides hearing aid coverage for children (although at a minimal level), and some Medicaid plans, ie. New York, offer basic coverage for adults as well. In addition, we are supportive of eligibility caps such as those included in the HATC where the tax credit is not available to people earning more than $200,000/year.

We believe that hearing loss is a significant and immediate problem for millions of Americans that has never been adequately addressed through the insurance marketplace. We also believe that individuals undeniably benefit, as does society as a whole, when people address their hearing loss with hearing aids. Therefore, we believe that it would be appropriate for Congress to undertake this issue as part of its tax reform efforts.

We sincerely appreciate the Ways and Means Committee's effort to revise and simplify the tax code for American business and individuals, and hope that the Committee will consider the benefits of addressing a long-ignored healthcare problem which affects 38 million Americans.

AG Bell Association for the Deaf and Hard of Hearing (AGBell)
A.G. Bell is a support network for children and adults with hearing loss, their families and the professionals that work with them. Through advocacy, education, research and financial aid, AG Bell helps to ensure that every child and adult with hearing loss has the opportunity to listen, talk and thrive in mainstream society.

Academy of Doctors of Audiology (ADA)
The Academy of Doctors of Audiology is dedicated to the advancement of practitioner excellence, high ethical standards, professional autonomy and sound business practices in the provision of quality audiologic care.

American Academy of Audiology (AAA)
With over 11,000 members, the Academy is the world's largest professional organization of, by, and for audiologists. The Academy promotes quality hearing and balance care by advancing the profession of audiology through leadership, advocacy, education, public awareness, and support of research.

American Speech-Language-Hearing Association (ASHA)
ASHA is the national professional, scientific, and credentialing association for more than 166,000 audiologists, speech-language pathologists, speech, language, and hearing scientists, audiology and speech-language pathology support personnel, and students.

Hearing Industries Association (HIA)
HIA is the organization that represents the companies that manufacture more than 90% of hearing aids sold in the U.S., as well as their suppliers.

Hearing Loss Association of America (HLAA)
HLAA is the nation’s largest organization for people with hearing loss. HLAA exists to open the world of communication for people with hearing loss through information, education, advocacy, and support.

International Hearing Society (IHS)
IHS is the professional association of hearing aid dispensing professionals, primarily comprised of hearing aid specialists, who are state licensed professionals who test hearing, fit, and dispense hearing aids, and provide associated rehabilitation and counseling.

Attachment 1

State Hearing Aid Insurance Mandates

(8.7.2012)

Arkansas (HB 1930 / Act 1179) in effect 1/2010
Covered – Does not mandate coverage of the cost of hearing aids but rather requires insurance companies to offer coverage to employers in the state. However, if the employer chooses to add this option, the health plan must provide hearing aid coverage of no less than $1,400 per ear every three years for individuals of all ages.
Limit - $1,400 per aid, every 3 years

Colorado (CO SB 057) in effect 1/2009
Covered – Children under 18
Limit – 1 hearing aid per ear every 5 years, no limit on cost but deductibles and co-pays may apply

Connecticut (SB 136) in effect 10/2001
Covered – Children under 12
Limit – $1,000 total, every 24 months

Delaware (DE HB 355) in effect 1/2009
Covered – Children under 24
Limit – $1,000 per aid, 1 hearing aid per ear every 36 months

Kentucky (KRS 304.17A-132) in effect 2002
Covered – Children under 18 and state employees
Limit – $1,400 per aid, every 36 months

Louisiana (La R.S. 22:215.25) in effect 1/2004
Covered – Children under 18
Limit – $1,400 per aid, every 36 months

Maine (ME LD 1514) in effect 1/2008, 1/2009, 1/2010
Covered – Children 18 and under.
Limit – $1,400 per aid, every 36 months

Maryland (HB 160) in effect 2002
Covered – Children under 18
Limit – $1,400 per aid, every 36 months

Massachusetts (HB 52) in effect 1/2013
Covered – Children under 21
Limit - $2,000 per aid, every 36 months

Minnesota (Minn. Stat. 62Q.675) in effect 8/2003
Covered – Children under 18; Limit – 1 hearing aid per ear, every 36 months, no limit on cost and no additional deductible or similar restriction

Missouri (376.1220 R.S. Mo) in effect 2004
Covered – Newborn coverage for screening, audiological assessment and hearing aid purchases
Limit – Coverage amount varies per need of newborn

New Hampshire (HB 561) in effect 1/2011
Covered – No age restrictions
Limit **–** $1,500 per hearing aid, per ear, once every 60 months

New Jersey (S. 467 / A. 1571) in effect 4/2009
Covered – Children 15 years old and younger
Limit – Coverage for $1,000 per aid, once every 2 years

New Mexico (SB 529) in effect 7/2007
Covered – Children under 18, or those under 21 if still enrolled in high school
Limit – $2,200 per ear, once every 36 months

North Carolina (HB 589) in effect 1/2011
Covered – Children under the age of 22
Limit – $2,500 per hearing aid, per ear, once every 36 months

Oklahoma (36 Okl. St. 6060.7) in effect 11/2002
Covered – Children under 18
Limit – None for hearing aid cost, once every 48 months

Oregon (HB 2589 / Chapter 553 - 2009 Laws) in effect 1/2010
Covered – Children under 18, dependents
Limit – $4,000 per aid, once every 48 months

Rhode Island (R.I. Gen. Stat. 27-19-51) in effect 1/2002 (updated 2006)
Covered – All ages
Limit – Increased in 2006 from $400 to $1,500, per hearing aid for those under 19. For all others, increased from $400 to $700, per hearing aid – once every three years for both groups.

Tennessee (HB 0761) in effect 1/2012
Covered – Dependent children
Limit - $1,000 per ear, once every 36 months. Tenncare policies exempted from mandate.

Wisconsin (SB 27 / 2009 Wisconsin Act 17) in effect 1/2010
Covered – Children under 18 (Hearing aids <u>and</u> cochlear implants)
Limit – None, covers the cost of one hearing aid per ear (once every 3 years), cochlear implants, and related therapy.