

# OVERVIEW

## *Study of Proposed Mandatory Health Insurance Coverage for Early Intervention Services*

Report No. 99-7, January 1999

---

### Summary

Senate Concurrent Resolution No. 48, Senate Draft 1, House Draft 1 of the 1998 legislative session requested the Auditor to perform a "sunrise review" of the proposed mandatory health insurance coverage for early intervention services as provided for in Senate Bill (S.B.) No. 2948 of the 1998 session. To the extent feasible, and based upon available information, we assessed the effects of the proposed coverage by examining the social and financial impact issues set forth in Section 23-52, Hawaii Revised Statutes (HRS).

Under the federal Individuals with Disabilities Education Act and Part XXVIII of Chapter 321, HRS, the State of Hawaii provides certain early intervention services free of charge to identified infants and toddlers (children from birth to three years of age) considered to be developmentally delayed or at biological or environmental risk. The federal law encouraged states through grants to develop and implement a statewide, comprehensive, coordinated, multidisciplinary, interagency system providing early intervention services for infants and toddlers with disabilities and their families. Services may include, for example, early identification, family support, speech pathology, physical therapy, medical diagnostic services, and psychological services.

In Hawaii, the Family Health Services Division of the Department of Health administers the Zero-To-Three Hawaii Project, which manages and coordinates early intervention service programs under the federal law. The State also provides early intervention services under the federal law through the Healthy Start program, Infant and Toddler Development Programs, private providers contracted with the health department, and through the department's Public Health Nursing Branch.

In 1996, early intervention services were provided to 3,418 children and the State spent almost \$14.9 million on services. Of the \$14.9 million, state funds accounted for over \$10.5 million, federal funds over \$3.3 million, and local sources almost \$1.1.

The key elements of S.B. No. 2948 would require all policies that provide family or dependent coverage offered by commercial insurers under Article 431:10A, HRS (Accident and Sickness Insurance Contracts) and mutual benefit societies under Article 432:1, HRS (such as HMSA) to provide coverage for medically necessary early intervention services as part of a basic benefits package. The services would have to be provided by licensed health care providers employed in programs approved by the Department of Health for children from birth until three years of age. Providers of early intervention services would be required to seek payment from all third-party payers, with some exceptions.

Our report includes the following information:

- Demand for mandatory health insurance coverage for early intervention services comes primarily from the Department of Health, advocacy groups, and provider agencies. We found no indication that employers and unions are interested in these services or would demand insurance coverage for them;
- We could not determine whether the proposed mandated coverage would increase or decrease the cost of early intervention services. We found indications that the mandate could increase the use of early intervention services and that these services could serve as an alternative to more expensive treatment or services;
- Insurers are not certain about the characteristics, numbers, and health status of their members already utilizing early intervention services and cannot clearly estimate the potential direct and indirect costs of mandating services. Possible increased costs to policyholders were mentioned by insurers, providers, advocates, and the Department of Health;
- Insurers raised a number of concerns about the proposed mandated benefit, including the bill's broad definition of early intervention; its list of service providers; nonmedical entities influencing a physician's medical determination of necessity; mandated coverage for services that are social in nature; and the State's objective in seeking new funding sources for services that the State is obligated to fund; and
- An employer organization stated that such a broad mandate is unwarranted at a time when businesses are struggling in Hawaii.

We concluded that if the Legislature wishes to enact S.B. No. 2948 or any legislation to mandate private insurance coverage for early intervention services, the concerns raised by insurers, employer organizations, and others should be addressed. Clear communication and an agreement between the affected parties would be needed.

---

## Recommendations and Response

We made no formal recommendations. The department's response to our draft report discussed certain federal requirements and expectations concerning the funding of early intervention service systems. The department emphasized the importance of the State seeking all available public and private funding. Also, the department observed that public discussion regarding the issues raised in the bill could be enhanced by providing additional information to insurers, increasing communication between affected parties, and working toward consensus on apportioning financial responsibility for aspects of services within the early intervention system.

---

Marion M. Higa  
State Auditor  
State of Hawaii

Office of the Auditor  
465 South King Street, Room 500  
Honolulu, Hawaii 96813  
(808) 587-0800  
FAX (808) 587-0830