



Office of the Auditor  
465 S. King Street  
Rm. 500  
Honolulu, HI 96813  
Ph. (808) 587-0800

Jan K. Yamane  
Acting State Auditor  
State of Hawai'i

**Between 2007 and 2012, 61 babies with a cleft lip or palate and 83 babies with craniofacial defects were born at Kapi'olani Medical Center for Women and Children alone.**

# Study of Proposed Mandatory Health Insurance for Treatment of Orofacial Anomalies

**Report No. 14-08, September 2014**

## *Mandatory health insurance for treatment of orofacial anomalies is recommended*

In House Concurrent Resolution No. 100, the 2014 Legislature asked the Auditor to assess the social and financial effects of mandating health insurance coverage for medically necessary orthodontic treatment of persons with orofacial anomalies, as proposed in House Bill (HB) No. 2522. Specifically, the bill would require each health insurance contract, plan, policy, or agreement issued or renewed after December 31, 2014, to include benefits for direct or consultative services provided by a licensed orthodontist for the correction of teeth that come together abnormally, preparation of patients for surgery, or correction of facial deformities in conjunction with surgery. Health insurance coverage would apply to policyholders and persons under age 26. Although benefits would be limited to \$5,000 per treatment phase, there would be no limit on the number of visits to an orthodontist.

HB No. 2522 defines orofacial anomalies as a “cleft lip or cleft palate and other birth defects of the face and mouth affecting functions such as eating, chewing, speech, and respiration.” In Hawai'i, approximately one in 500 babies is born with an orofacial anomaly.

### **Social impacts to patients are significant**

Our analysis on the social and financial impacts of mandating health insurance coverage for medically necessary orthodontic services of orofacial anomalies is based on survey responses, literature review, and interviews. In addition to the Department of Health's (DOH) Children with Special Health Needs Branch of the Family Health Services Division and the Kapi'olani Cleft Center, we sent surveys to four private health insurance companies: Hawai'i Medical Service Association (HMSA); Kaiser Permanente Hawai'i (Kaiser); University Health Alliance (UHA) and Hawai'i Medical Assurance Association (HMAA).

The lack of insurance coverage for medically necessary orthodontic services for orofacial anomalies places a significant hardship on families that cannot receive grants or qualify for state assistance through the DOH's Children with Special Health Needs Program (CSHNP). Treatment cost estimates range from approximately \$5,700 to \$20,000 or more. In testimony to the 2014 Legislature, families facing such expenses said they pose a significant hardship, particularly for orthodontia treatment that is medically necessary to progress from one surgery to another procedure. One such parent, a public school teacher, testified that the family simply could not afford to pay out of pocket and said it is unfair that the treatment would be covered by Med-QUEST, but not the family's private insurer. The DOH says mandatory coverage would ease the financial burden and hardship facing 44 families enrolled in the CSHNP with commercial health plans.

### **Financial impacts on insurers are minimal**

Three insurers (HMAA, HMSA, Kaiser) could not say whether coverage will increase or decrease insurance premiums. UHA reported premiums and costs would increase but could not provide estimates. DOH cites reports from California and Massachusetts indicating that mandated insurance coverage for orofacial anomalies increased premiums by two cents to four cents per member, per month, or less; however, Hawai'i's insurance premium cost increases are unknown since HMAA, HMSA, and Kaiser were unable to provide any estimates without more detailed analysis.

### **Agencies' responses**

On September 4, 2014, we transmitted a draft of this report to the Departments of Health and Commerce and Consumer Affairs. The departments opted not to respond.