



Insurance Fairness for Amputees

An Analysis of the Impact of Insurance Fairness for Amputees on Jobs, Policy, and Community

Executive Summary

In 2000, the Amputee Coalition was made aware of significant changes developing in insurance coverage providing for prosthetic devices. Prior to 2000, private insurance largely adequately covered access to affordable and reasonable prosthetic care for the limb loss community. Beginning in 2000, the insurance industry has increasingly applied caps and restrictions in coverage for prosthetic devices as well as other items that call into the category of Durable Medical Equipment (DME). Durable Medical Equipment includes coverage for items such as wheel chairs, crutches, canes, and walkers. The caps and restrictions on DME typically range from \$1,000 per year to \$5,000 per year, and in some instances, we have even found restrictions on prosthetics specifically of “one limb per lifetime.”

Due to the unmatched level of independence and mobility that prosthetic devices provide, the Amputee Coalition has pursued a policy that prosthetic devices should not be treated as DME. Beginning in 2001, the Amputee Coalition has worked to develop policy that would treat prosthetic devices like other internal medical devices such as replacement knees, hips, shoulders, and even pace makers. These internal devices are covered at levels equal to other benefits in the insured’s policy.

Currently, Medicare, Medicaid, the VA, and most State Vocational Rehabilitation programs provide adequate coverage for prosthetic devices. Medicare’s reimbursement rate of 80/20 for prosthetic devices is the only federal cost sharing standard that is applied. Care is determined by meeting the standard of medical necessity as indicated in the medical record. To determine the type of device one can attain, Medicare required a functional level to be determined. This is referred to as a K level and it helps to categorize the level of activity the person is able to achieve. This standard is used by not only Medicare and Medicaid, but is also often used by private insurance for describing the level of activity an individual is capable of achieving.

Since 2001, the Amputee Coalition has worked to successfully pass Insurance Fairness Legislation for Amputees in 20 states, and another 23 states continue to see advocates advancing this legislation. These laws have been passed and signed with significant bipartisan support. In addition to passing 20 laws, several states have commissioned independent studies to review the impact of the legislation. The consensus in each study found that the cost of care would be minimal and the benefit to the individual, their family, and society, would be significant.

Insurance is expected to cover individuals in case of catastrophic illness or injury. Certainly the loss or absence of an arm or a leg would qualify, and individuals should not be subjected to arbitrary caps and restrictions to be made whole again.

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Impact

There are currently two million individuals living with limb loss in the United States¹, and an additional 507 people lose a limb every day². While the most common cause of limb loss is due to complications with diabetes (54%¹), significant portions of the population result in trauma (45%¹), disease, and congenital limb difference. The limb loss population is finite, and we know that while expanding coverage will result in increased utilization, that increase is limited only to the existing population and those that suffer limb loss in the future. No one will cut off their arm or leg to abuse this benefit. In addition, looking at the demographics of the limb loss population, and the nature of the progression of vascular disease, a significant percentage of the population is over the age of 65 and is currently covered by Medicare, further limiting the utilization impact on private insurers.

With nine independent studies analyzing Insurance Fairness for Amputees, there is significant data available as to the impact of the proposed legislation. California, Colorado, Maine, Maryland, Massachusetts, New Jersey, Texas, and Virginia have all studied the impact and elected to make Insurance Fairness for Amputees law. The studies have consistently found that on average, the Per Member Per Month (pmpm) cost of insurance to the general population would increase less than \$0.12 per month, or less than \$1.50 per year.

These studies have also found that the societal and personal benefits associated with appropriate prosthetic care is essential to the rehabilitation, family life, and personal independence. New Jersey found that “...Even though the affected populations is small, the coverage of O&P [*orthotics and prosthetics*] is important to allow the individual to return to normal social and work activities. In addition to replacing functional loss due to the loss or injury to a limb, they provide cosmetic, sensory and expressive functions. This includes allowing the individual to get needed exercise to stay healthy. Also returning to normal activities lessens depression and other psychological problems.”³

Studies have also weighed in on the economic impact associated with healthcare costs as well as the costs society incurs for individuals who may be unable to return to work. Given the current economic and job issues the country is facing, California’s findings that “O&P devices can result in improved functionality that can potentially increase productivity and thus reduce the economic loss associated with the diseases and conditions that require O&P use.”⁴

Finally, with prosthetic devices often ranging from \$5,000 to \$50,000, depending on the activity level and mobility needed by an individual, these caps and restrictions place an undue burden on individuals and their families. Virginia’s assessment that “Given the potentially significant financial impact to an individual or family for obtaining a medically prescribed prosthetic device, the proposed [*legislation*] is consistent with the role of insurance.”⁵

To further show the cost benefit analysis on providing prosthetic care, the Colorado Department of Health Care Policy and Financing Medical Policy and Benefits. Colorado’s state Medicaid program did not provide coverage for prosthetic devices prior to 2000. They commissioned an independent study to provide an estimate of the costs of providing Prosthetics and Orthotics, to estimate changes in the second year of implementation of the benefit, and to provide estimates of savings and costs attributed to funding of this benefit.

The Colorado study found that by providing the prosthetic and orthotic benefit to individuals, the state **saved** \$195,482 in the first six months of implementation and could expect to **save** \$448,666 per year due to a reduction in costly secondary health complications⁶. This finding is expected to extend beyond the Colorado Medicaid population, and would translate well in the private sector. Private insurance covers costly

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secondary complications, including hip and other joint replacements, additional amputations, and even depression that can result from a sedentary lifestyle. These additional costs can be mitigated or eliminated by providing adequate coverage up front.

With private insurance placing caps and restrictions on benefits that state and federal programs do not, we have seen individuals that have cost shifted from the private sector to the public sector due to inadequate coverage for prosthetic care. Individuals with caps and restrictions in their private insurance plan may be forced to take disability, and even go through the wait process to qualify for Medicare or Medicaid in order to obtain a needed device.

Implications and Analysis

The Amputee Coalition's analysis of prosthetic and custom orthotic devices is that these devices should be treated like other internal devices that provide similar independence, mobility, and quality of life, including devices such as pacemakers and hip, knee and shoulder replacements. Prosthetic devices provide an unmatched level of independence for an individual living with limb loss, and such coverage must be adequate for an individual to be able to afford the most appropriate device for their needs.

Insurance Fairness for Amputees takes prosthetic devices out of the DME category of benefits and treats it like any other benefit in a policy. **If** insurance companies choose to cover prosthetic and custom orthotic devices, then adequate coverage should be provided to ensure individuals can reach their full potential. Adequate prosthetic care provides individuals the ability to go back to work, stay active, and remain independent, productive members of their community.

Arms and legs are not luxury items and should not be treated as such. By providing adequate coverage to individuals, the insurance industry has the potential to see savings similar to the study from Colorado's Medicaid program that saw significant yearly savings due to a reduction in secondary complications resulting from a sedentary lifestyle. These independent state analyses of Insurance Fairness for Amputees have repeatedly shown that costs for the insured population are less than .0025%⁵ of current insurance premiums. While the benefit to individuals, their families, and society as a whole benefit greatly from adequate coverage.

The Amputee Coalition encourages passage of Insurance Fairness for Amputees.

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