



State of California-Health and Human Services Agency
Department of Health Services



ARNOLD SCHWARZENEGGER
Governor

January 21, 2004

N.L.: 02-0104
Index: Benefits

TO: ALL COUNTY CALIFORNIA CHILDREN'S SERVICES (CCS) OFFICES,
STATE CHILDREN'S MEDICAL SERVICES (CMS) BRANCH AND
REGIONAL OFFICES STAFF

SUBJECT: PURCHASE AND UTILIZATION OF LOSS AND DAMAGE (L&D)
INSURANCE FOR HEARING AIDS, COCHLEAR IMPLANT
PROCESSORS, OR ALTERNATIVE LISTENING DEVICES FOR CCS
CASE-MANAGED BENEFICIARIES

BACKGROUND

The purpose of this numbered letter (N.L.) is to 1) revise and supercede the portion of N.L.: 13-0497 regarding the purchase of extended warranties for hearing aids; and 2) provide guidance for purchase and utilization of L&D Insurance for hearing aids, cochlear implants and alternative listening devices for CCS clients. Revisions of the previous N.L. are necessary due to changes in Health Care Procedural Coding System (HCPCS) codes, types of auditory devices provided to CCS clients, and to clarify procedures for utilization of the L&D insurance feature. Revisions are also necessary due to a change in Medi-Cal Policy effective September 22, 2003, allowing the reimbursement of the processing fee associated with the utilization of L&D insurance for hearing aids.

WARRANTIES

When a new hearing aid is purchased, the manufacturer provides a warranty against defects in materials and workmanship. This warranty must remain in effect for a minimum of one year, but may be provided for up to two years depending on the manufacturer and model of the device. This warranty provides for the repair of the device at no charge as long as the repair is required because of a manufacturing defect. Claims for repairs, other than for manufacturing defects, can be submitted for payment without prior authorization as long as the repair does not exceed \$25. Prior authorization from CCS is required if the repair exceeds \$25.

Extended new product warranties are no longer a benefit of the CCS program unless included with L&D insurance because the incidence of failure due to manufacturing defects is low subsequent to the first year of use.

L&D INSURANCE

The purchase of L&D insurance remains a benefit of the CCS program except for full-scope Medi-Cal beneficiaries with no share of cost. This insurance provides for the replacement of a hearing device if it is lost, stolen or damaged beyond repair. New amplification devices may come with L&D Insurance provided by the manufacturer, when purchased. The L&D Insurance provided varies by manufacturer and the technology of the device. Manufacturers may provide one or two year L&D Insurance policies or none at all. The CCS county or CMS regional office may purchase this insurance for the time not covered by manufacturer's insurance up to three years for new hearing devices at the county's and regional office's discretion or at the request of a CCS-approved Communication Disorder Center or Medi-Cal Center of Excellence for Cochlear Implants. Once a device has been replaced through the use of the L&D insurance, the replacement device is no longer insured against L&D. L&D insurance provides for a one-time only replacement. The CCS county or CMS regional office may authorize the purchase of L&D Insurance at the time the hearing device is initially authorized or on an annual basis for up to three years from initial acquisition.

When a hearing device is lost, stolen or damaged beyond repair, it is advantageous for the CCS program to replace the device through the use of L&D insurance if the insurance policy is in effect. When the CCS county or regional office receives a request to replace a hearing device because it is lost, stolen or irreparably damaged, the existence of L&D insurance must be determined. This can be accomplished by calling the hearing aid dispenser or audiologist and/or researching the patient's file to determine if this insurance was purchased with the device. Most manufacturers charge a processing fee to access the L&D insurance for the one time replacement of the device. The Medi-Cal program has recently implemented policy changes allowing for the utilization of the L&D insurance feature. Vendors may now submit a claim to Medi-Cal for reimbursement of the processing fee charged by the manufacturer for replacement of a lost, stolen or irreparably damaged amplification device when covered by L&D insurance. Medi-Cal will not pay for procurement of this feature but will allow for reimbursement of the processing fee if the L& D insurance has been provided by the manufacturer with the original purchase of the amplification device. The CCS county or CMS regional office may authorize the payment of this fee for CCS-only, Healthy Families, and all Medi-Cal clients.

II. POLICY

- A. Extended new product warranties for hearing aids alternative listening devices and cochlear implant processors are no longer a benefit of the CCS program.
- B. Purchase of L&D insurance for hearing aids, alternative listening devices, and cochlear implant processor.
 - 1. L&D insurance for a hearing aid, cochlear implant processor, or alternative listening device is a benefit for CCS clients who are not Medi-Cal, full scope, no share of cost.
 - 2. L&D Insurance coverage may not be purchased for hearing aids, cochlear implant processors, or alternative listening devices for CCS clients who are Medi-Cal full scope beneficiaries with no share of cost.

NOTE: The Medi-Cal program will replace an aid if one is damaged beyond repair, lost or stolen as long as the client maintains Medi-Cal, full scope, no share of cost status.

- C. Utilization of L&D insurance for replacement of hearing aids, cochlear implant processors or alternative listening devices.

The utilization of L&D insurance for replacement of hearing aids, cochlear implant processors or alternative listening devices is a CCS program benefit for all CCS eligible beneficiaries. Reimbursement of the processing fee associated with the utilization of the L&D insurance is a CCS program benefit for all CCS eligible beneficiaries.

III. IMPLEMENTATION

- A. Purchase of L & D insurance for hearing aids, alternative listening devices and cochlear implant processor.
 - 1. An authorization may be issued for the purchase of L & D insurance to a CCS approved facility, at the discretion of the CCS county or CMS regional office medical director or upon receipt of a written request from the vendor for the purchase the insurance. The CCS program benefit to purchase L&D insurance, is not available to clients who have full-scope

Medi-Cal with no share of cost. L&D insurance may be purchased for up to three years (including manufacturer's policy, if any) from the date of the original purchase of the amplification device. The length of the policy (whether issued for the entire three years or on an annual basis) is to be determined through communication with the provider.

NOTE: The Medi-Cal program will replace an aid if one is damaged beyond repair, lost or stolen as long as the client maintains Medi-Cal, full scope, no share of cost status.

2. Instruct the vendor to submit the following with the claim.
 - a. A description of the L&D insurance policy,
 - b. The L&D insurance policy number,
 - c. The cost of the L&D insurance policy, and
 - d. The name of the company from which the insurance policy was purchased.
 3. Instruct audiology/hearing aid dispensers to submit the claim for purchase of the L&D insurance on the Health Care Financing Administration (HCFA) 1500 claim form using HCPCS billing code V5267. Audiology/hearing aid dispensers submitting claims through a hospital outpatient department must use the Uniform Billing (UB) 92 claim form.
- B. Utilization of L & D insurance for hearing aids, cochlear implant processors, or alternative listening devices.
1. Authorizations may be issued for the utilization of L&D insurance to a CCS approved facility, for all CCS eligible beneficiaries for the reimbursement of the fee incurred by the audiologist/hearing aid dispenser when replacing a hearing device through L&D insurance. Upon written request to replace a hearing aid or alternative listening device that has been lost, stolen, or damaged beyond repair, the CCS medical consultant or designee shall:

- a. Determine if the device is covered by an L&D insurance policy. (This information should be requested from the child's hearing aid dispenser or audiologist)
 - b. Determine if the L&D insurance has a replacement, deductible, or processing fee associated with the use of the policy. If a deductible or processing fee is requested, an authorization may be issued to the requesting vendor for the reimbursement of the fee incurred.
2. Instruct audiology/hearing aid dispensers to submit the claim for reimbursement of the processing fee on the HCFA 1500 claim form using HCPCS billing code V5298. A patient specific invoice indicating the replacement fee must be submitted with the claim. Audiology/hearing aid dispensers submitting claims through a hospital outpatient department must use the UB 92 claim form.
 3. CLAIMS PROCESSING: Claims processing instructions for CMS State Regional Offices and county CCS programs are located in NL 05-0896 – Claims Processing Procedures.

If you have questions regarding these policy changes, please contact CMS Hearing Conservation Specialist, Yvonne Romero, at (916) 323-8008, or email, at YRomero@dhs.ca.gov.

Original Signed by Maridee A. Gregory, M.D.

Maridee A. Gregory, M.D., Chief
Children's Medical Services Branch