KEY FINDINGS

Analysis of California Assembly Bill 2668 Coverage for Cranial Prostheses

Summary to the 2023-2024 California State Legislature, April 15, 2024

CHBRP

Summary

The version of California Assembly Bill (AB) 2668 analyzed by CHBRP would require state-regulated health plans and policies to provide coverage for cranial prostheses (hereafter referred to as medical wigs) for enrollees experiencing permanent or temporary hair loss due to a medical condition or treatment (medical hair loss). The bill requires that coverage would be limited to one medical wig per enrollee per year, up to $750 per medical wig, and subject to the enrollee's cost-sharing requirements under their health insurance plan or policy.

In 2025, all of the 24,194,000 million Californians enrolled in state-regulated health insurance would have health insurance subject to AB 2668. This includes enrollees in commercial and California Public Employees' Retirement System (CalPERS) plans and policies, as well as Medi-Cal beneficiaries.

Benefit Coverage

Benefit coverage for medical wigs would increase from 29% at baseline to 100% postmandate. AB 2668 would likely exceed essential health benefits (EHBs).

Medical Effectiveness

CHBRP identified evidence that medical wigs improve quality of life for patients with medical hair loss, but the evidence is *limited*.

Cost and Health Impacts

In 2025, AB 2668 would increase total net annual expenditures by $26,503,000 (0.02%) for enrollees with state-regulated health insurance due to an increase in total premium expenditures and enrollee expenses. AB 2668 would likely yield health and quality of life improvements, such as improved quality of life and mental health among the additional 20,500 enrollees who would use medical wigs.

Context

Hair loss is often due to damages of the structures in the skin that form hair (i.e., hair follicles). There are several forms of medical hair loss, depending on both the extent of hair loss and etiology, including:

- **Alopecia areata:** an autoimmune disease of hair follicles that causes nonscarring patches of hair loss.
- **Scarring alopecia:** a type of hair loss characterized by the destruction of hair follicles resulting from infections, chemicals, burns, or autoimmune disorders. This form of hair loss is permanent.
- **Lupus-induced alopecia:** lupus is an autoimmune disease that attacks healthy tissue, including skin cells and hair follicles, meaning hair will no longer be held or grown. Hair loss can be a key feature of lupus. Lupus-induced alopecia can result in scarring alopecia as well as alopecia areata.
- **Alopecia medicamentosa:** caused by a reaction to various types of drugs, commonly a result of chemotherapy; also known as chemotherapy-induced alopecia.
- **Androgenetic alopecia:** a type of hair loss also known as male or female pattern hair loss that is driven by genetic factors and is characterized by progressive hair loss after puberty.

Patients experiencing hair loss may use medical wigs or hairpieces to help restore their physical appearance. Many different styles of medical wigs exist, and surveys report median costs of between $450 and $1,500, though some medical wigs cost upwards of $5,000.

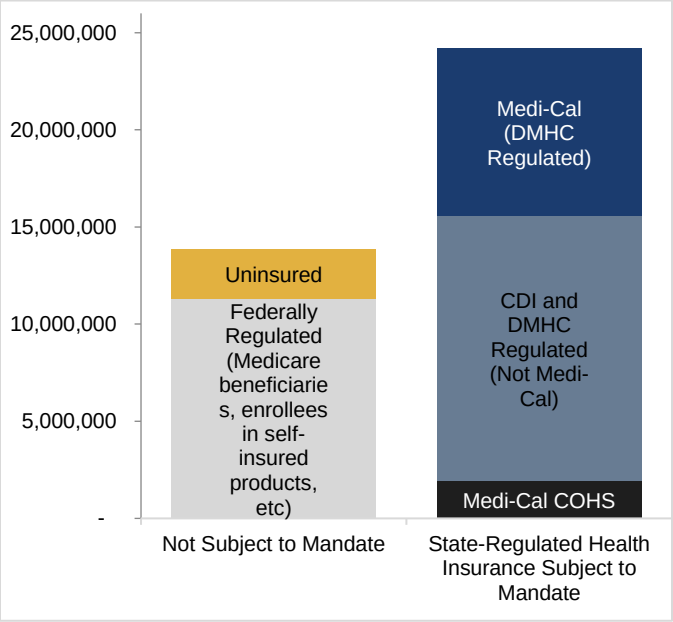
Bill Summary

AB 2668 would require state-regulated health plans and policies to provide coverage for cranial prostheses — defined by the bill as wigs or hairpieces, and referred to in this analysis as medical wigs — for enrollees experiencing permanent or temporary hair loss due to a medical condition or treatment (referred to as medical hair loss). Coverage would require a licensed provider to prescribe a medical wig for an enrollee's "course of treatment for a diagnosed health condition, chronic

illness, or injury, including but not limited to alopecia areata, alopecia medicamentosa, scarring alopecia, and lupus." The bill requires that coverage would be limited to one medical wig per enrollee per year, up to $750 per medical wig, and subject to the enrollee's cost-sharing requirements under their health insurance plan or policy.

Figure A notes how many Californians have health insurance that would be subject to AB 2668.

Figure A. Health Insurance in CA and AB 2668



Source: California Health Benefits Review Program, 2024.
Key: CDI = California Department of Insurance; COHS = county organized health system; DMHC = Department of Managed Health Care.

Impacts

Benefit Coverage

Based on responses to CHBRP's bill-specific benefit coverage survey of California insurers, 29% of enrollees have coverage for medical wigs at baseline. Most enrollees have baseline benefit coverage with no limit on cost per medical wig, while a small portion of enrollees have coverage with a benefit cap of $350 or $1,000 per medical wig. Baseline benefit coverage is not limited to enrollees with certain conditions, diagnoses, or treatments.

All 24.2 million enrollees who have commercial or California Public Enrollees' Retirement System (CalPERS) health insurance regulated by the Department of Managed Health Care (DMHC) and California Department of Insurance (CDI), as well as Medi-Cal beneficiaries enrolled in DMHC-regulated Medi-Cal managed care plans or county organized health system (COHS) plans would have health insurance subject to AB 2668. Postmandate, all enrollees would have benefit coverage for medical wigs for $750 per medical wig.

Utilization

Approximately 15,100 enrollees obtain medical wigs at baseline and have baseline benefit coverage. Approximately 17,000 enrollees purchase medical wigs out of pocket at baseline due to lack of benefit coverage.

Postmandate, these enrollees would have their medical wig covered (up to $750) by their insurance. Approximately 20,500 enrollees would newly utilize medical wigs due to increased benefit coverage postmandate.

Expenditures

There are very limited numbers of claims for medical wigs within Milliman's proprietary 2022 Consolidated Health Cost Guidelines™ Sources Database (CHSD), which indicates that a vast majority of baseline utilization is happening outside of insurance. There are external organizations that provide medical wigs to patients experiencing medical hair loss, often at no cost or at a discounted rate. Additionally, enrollees may be unaware of existing benefit coverage and therefore do not seek coverage for medical wigs they are purchasing out of pocket. **Therefore, this analysis likely overestimates the proportion of utilization that is covered by an enrollee's health insurance at baseline. Should claims data accurately reflect baseline utilization, premium impacts due to AB 2668 would be approximately twice as high.**

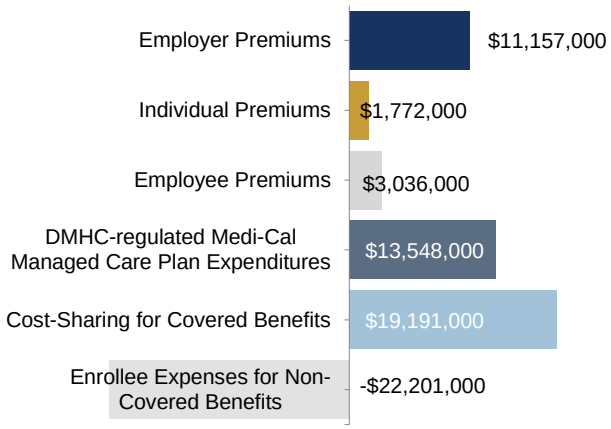
AB 2668 would result in an increase of total net annual expenditures of $26,503,000 (0.02%) for enrollees with state-regulated health insurance. This would include an increase of $29,513,000 in total premiums for newly covered benefits, as well as the increase of $19,191,000 in enrollee expenses for covered benefits. Expenses for noncovered benefits would decrease by $22,201,000.

Increases in commercial employer premiums would range between $0.004 per member per month (PMPM) for CDI-regulated large-group policies to $0.10 PMPM for DMHC-regulated large-group plans. Enrollee

premiums would increase between $0.001 PMPM for CDI-regulated large-group policies and $0.06 PMPM for DMHC-regulated individual plans.

For commercial and CalPERS enrollees, cost sharing would increase by $19,191,000 million and include an enrollee's cost share of the $750 benefit amount, as well as additional expenses should an enrollee purchase a medical wig that is more expensive than $750. On average, enrollee cost sharing would increase between $0.006 PMPM for enrollees in CDI-regulated large-group policies and $0.14 PMPM for enrollees in DMHC-regulated large-group plans. Expenses for noncovered benefits would decrease by $0.007 PMPM for enrollees in CDI-regulated large-group policies and $0.17 PMPM for enrollees in DMHC-regulated large-group plans.

Figure B. Expenditure Impacts of AB 2668



Source: California Health Benefits Review Program, 2024.
Key: DMHC = Department of Managed Health Care.

Medi-Cal

CHBRP assumes Medi-Cal beneficiaries with no baseline benefit coverage do not purchase medical wigs out of pocket at baseline. Therefore, utilization of medical wigs would increase from 6,400 beneficiaries obtaining medical wigs at baseline to 22,800 beneficiaries obtaining medical wigs postmandate. As a result, premiums for Medi-Cal (including COHS) would increase by $13,548,000 (0.04%) or by $0.11 PMPM. Covered services are not subject to cost sharing for beneficiaries in Medi-Cal and CHBRP assumes Medi-Cal beneficiaries would not purchase medical wigs that are above the $750 coverage amount.

CalPERS

For enrollees associated with CalPERS in DMHC-regulated plans, premiums would increase by 0.01% ($0.1042 per member per month, or $928,000 total increase in premiums). PMPM employer premiums would increase by $0.09 PMPM and enrollee premiums would increase by $0.02 PMPM. Enrollee cost sharing for CalPERS enrollees would increase by $0.12 PMPM and expenses for noncovered benefits would decrease by $0.13 PMPM.

Covered California – Individually Purchased

For enrollees in individual plans purchased through Covered California, premiums would increase by a total of $1,412,000. For enrollees in individual plans purchased outside Covered California, premiums would increase by a total of $360,000.

Number of Uninsured in California

Because the change in average premiums does not exceed 1% for any market segment, CHBRP would expect no measurable change in the number of uninsured persons due to the enactment of AB 2668.

Medical Effectiveness

CHBRP identified five studies that examined the impact of medical hair loss on quality of life. The findings from these studies consistently demonstrate a negative impact on quality of life for patients experiencing medical hair loss. The studies suggest that quality of life for these patients is most impaired from greater overall psychological distress and social anxiety. The majority of participants that were asked about concealment or wigs reported that they wore a wig to cope with the negative effects of their hair loss.

The identified studies that specifically examined the impact of medical wigs provided *limited evidence*[1] to suggest a positive improvement on quality of life. Using

[1] *Limited evidence* indicates that the studies have limited generalizability to the population of interest and/or the studies have a fatal flaw in research design or implementation.

a medical wig improves quality of life for some patients experiencing hair loss by reducing the impact that their condition has on their social well-being. However, many patients who use a wig and report benefits also report negative impacts or experiences with their wigs, often related to the quality or fit of the medical wig. This suggests that high-quality, well-fitting medical wigs would have the most positive impact on quality of life.

Public Health

AB 2668 would likely yield health improvements, such as improved quality of life and mental health among the additional 20,500 enrollees who would use medical wigs. Among enrollees purchasing medical wigs out of pocket at baseline, CHBRP assumes enrollees would use the new benefit coverage to obtain a higher cost medical wig. Thus, AB 2668 would not be expected to reduce the financial burden associated with medical wig use. However, should enrollees use the new benefit coverage to reduce their out-of-pocket costs, these enrollees would see a reduction in financial burden associated with medical wig use.

There are disparities in the underlying conditions that cause medical hair loss. Black women, in particular, have higher rates of some of the underlying conditions that lead to medical hair loss. While AB 2668 would be expected to expand access to medical wigs, it is not clear if this expanded access would specifically address the needs of Black women, especially as it has been reported that Black women are less likely to find medical wigs with the appropriate hair texture and hair styles. Therefore, it is unknown to what extent AB 2668 would reduce disparities either in the short or long term.

Long-Term Impacts

Utilization of medical wigs would likely be higher in the long term. For enrollees with alopecia medicamentosa, some enrollees will seek a new medical wig each year, while others will use one total. For enrollees with permanent or long-term hair loss due to alopecia areata or scarring alopecia, utilization of medical wigs may be greater than in the first year postmandate.

As a result of the increase in utilization in the long term, long-term cost impacts of AB 2668 would likely be higher than the first year postmandate. It is possible that unit cost of medical wigs would be impacted due to the increase in insurance coverage. Insurers may negotiate the unit cost of medical wigs, potentially driving down unit cost.

Essential Health Benefits and the Affordable Care Act

AB 2668 would require coverage for a new state benefit mandate that appears to exceed the definition of EHBs in California. A state that requires qualified health plans (QHPs) to offer benefits in excess of the EHBs must make payments to defray the cost of those additionally mandated benefits, either by paying the purchaser directly or by paying the QHP.

The impacts of AB 2668 on cost to the state would vary by market segment (and by market segment enrollment). CHBRP estimates that the state would potentially be required to defray the following amounts due to AB 2668:

- $0.13 PMPM for each QHP enrollee in a small-group DMHC-regulated plans;
- $0.11 PMPM for each QHP enrollee in an individual DMHC-regulated plan; and
- $0.11 PMPM for each QHP enrollee in a small-group CDI-regulated policy.

CHBRP estimates that this translates to a state responsibility of $6,264,000 total, which includes:

- $6,186,000 in payments to DMHC-regulated small-group and individual plans; and
- $78,000 in payments to CDI-regulated small-group policies.