SGD Funding Solutions from Assistive Technology Law Center

SGD Funding Fast Facts

SGD or AAC Device?

For funding purposes, the phrases: ***Speech Generating Devices*** (SGDs), ***Augmentative and Alternative Communication*** (AAC) Devices, and ***Voice Output Communication Aids*** (VOCA) all refer to the same things. SGD or AAC devices can be used interchangeably in documents and conversations related to funding (VOCA is an historic phrase that rarely is used today).

The phrase "***speech generating devices***" (SGDs) was coined by the Medicare Durable Medical Equipment Regional Carrier (DMERC) medical directors in 2000.

Demographics: SGD Need and Demand Estimates

There is no precise estimate of SGD need. A conservative estimate (based on professional literature) is that 0.12 percent (1.2/1,000) of the general population may have an SGD *need*. However, because of the small number of SLPs able to do SGD assessment, only 2-3 percent of all individuals with SGD needs are able to be served annually (based on funding data reported to ATLC by device suppliers). **Thus, a reasonable estimate of funding *demand* for SGDs in any given year (the number of people who will seek SGDs) is approximately 24-36/1,000,000 in the general population.**

It is estimated that approximately 11,000-12,000 SGDs are sold each year in the United States, by all suppliers and to all funding programs.

SGD Costs to Funding Programs

Funding sources frequently express concern about SGD costs, both of individual devices and overall costs of including SGDs as a covered benefit. These cost concerns are not justified. On September 19, 2006, Milliman, Inc., one of the nation's most respected health actuary consulting firms reported that the cost of covering SGDs in a typical commercial insurance policy or health benefits plan was at most 2 cents per member per month or 24 cents per member per year. Milliman concluded this amount was *"de minimis."* By comparison, the average monthly premium for individual insurance coverage is approximately $ 420.00, of which SGDs constitute less than 5/100,000th s or less than 0.005 (5/1,000th s) percent of the total.

SGD Funding Sources

Third party funding programs are responsible for almost all SGD purchases. Only the most simple digitized speech output devices (also the most inexpensive) are purchased by the device users or their families.

SGDs have been funded by third party funding programs since speech output devices were introduced in the late 1970's.

SGDs are funded by the following third party funding sources (systems of benefits):

- Medicare
- Medicaid
- Insurance & Health Benefits Plans
- Federal Employee Health Benefits Plan

- Tricare
- Department of Veterans Affairs
- Special Education & Early Intervention
- Vocational Rehabilitation
- Telecommunications Equipment Distribution Programs

Medicare is the largest single purchaser of SGDs. It is the only purchaser of more than 1,000 devices per year.

History of SGD Funding

The first funding programs known to cover SGDs were the Washington Medicaid program and insurance. This occurred in the late 1970s. New Jersey Medicaid also approved SGD funding in the late 1970s.

The first funding program known to adopt SGD coverage criteria was New York Medicaid. This occurred in 1980.

The first Medicaid program known to be sued for denial of SGD coverage was New York Medicaid. This occurred in 1982. By 2000, all Medicaid programs covered and provided SGDs.

No insurance provider ever has been brought to court for denial of SGD coverage.

More than 1,000 different insurers and health benefits plans have paid for SGDs.

The first known Medicare approval of an SGD was in 1981.

SGD Coverage Vocabulary

The Food & Drug Administration, FDA, recognized SGDs were medical devices, "used for medical purposes." This occurred in 1983. The FDA calls SGDs "***powered communication systems***."

SGDs are covered as ***items of durable medical equipment*** by Medicare, the overwhelming majority of Medicaid programs, and insurance and health benefits plans.

SGDs are covered as ***prosthetic devices*** by Tricare and the Department of Veterans Affairs and by some Medicaid programs, some insurers, and health benefits plans.

SGDs are covered as ***assistive technology devices*** by special education, early intervention, and vocational rehabilitation.

SGDs are covered as ***telecommunications devices*** or as ***specialized telecommunications equipment*** by Telecommunications Equipment Distribution Programs.

SGD Medical Need Facts

SGDs are recognized by the American Medical Association; American Academy of Neurology; and American Academy of Physical Medicine and Rehabilitation as an effective form of treatment for severe expressive communication disabilities, notably dysarthria, apraxia, aphasia and aphonia.

SGD need and SGD use is most common among individuals with (but not exclusively associated with):

ALS (amyotrophic lateral sclerosis or Lou Gehrig's Disease);

Cerebral Palsy;

Locked in syndrome;

Multiple Sclerosis;

Parkinson's disease;

Brain stem stroke;

Traumatic brain injury; and

Severe developmental communication impairments (e.g., autism, mental retardation and other developmental disabilities)

The "***medical purpose***" of SGDs and the "***medical need***" for SGDs, is to treat severe expressive communication impairment that precludes individuals from meeting all daily communication needs using natural communication methods.

All daily communication needs are considered equally in determining whether an SGD is required. There is no priority given to specific conversations. The medical need for an SGD is not determined by who the individual seeks to communicate with; what the individual seeks to say; or where the communication will occur.

SGDs serve as **a functional by-pass** of body parts that are not working due to illness, injury or disability. To generate speech, the brain must first formulate a message; then, code the message into language; code motor instructions for the message to be spoken; transmit the instructions to the diaphragm, lungs, larynx, vocal folds, tongue, teeth and lips (collectively the speech organs); and those instructions must be executed correctly. These five steps have been described as a "communication chain." If, due to disability, any link in that chain is broken (malfunctions or is non-functional), the person's speech will be impaired. In this circumstance, the brain can achieve the original intent to communicate by re-directing the instructions to the fingers, for example, which when aided by an SGD, can create or select the message, which the SGD will then speak. The original intent to communicate is thereby achieved, through a by-pass of the body parts that are not working and with the use of an SGD. This functional by-pass for speech is identical to the functional by-pass role served by wheelchairs for individuals with mobility impairments. The Food and Drug Administration as well as numerous funding program decisions recognize the functional equivalence of SGDs and wheelchairs.

SGD funding is not diagnosis dependent. No funding source – either public or private – limits SGD coverage to specific neurologic diagnoses by policy guidance or by practice. The list of common conditions (ALS, CP, etc) is illustrative, not exclusive.

^Top^

Home Page :: Site Map :: Links :: Contact Us