

Monday, August 16, 2010 NEWSFEEDS RSS

E-mail

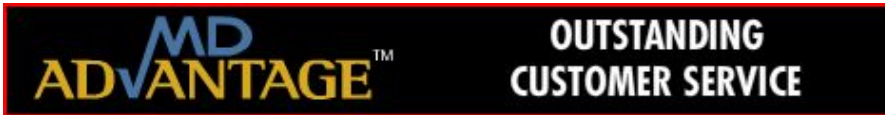
Password




Password? | Sign Up

News and Information for Healthcare Executives

# HealthcareDigital



TOP STORIES IN  
Healthcare Digital



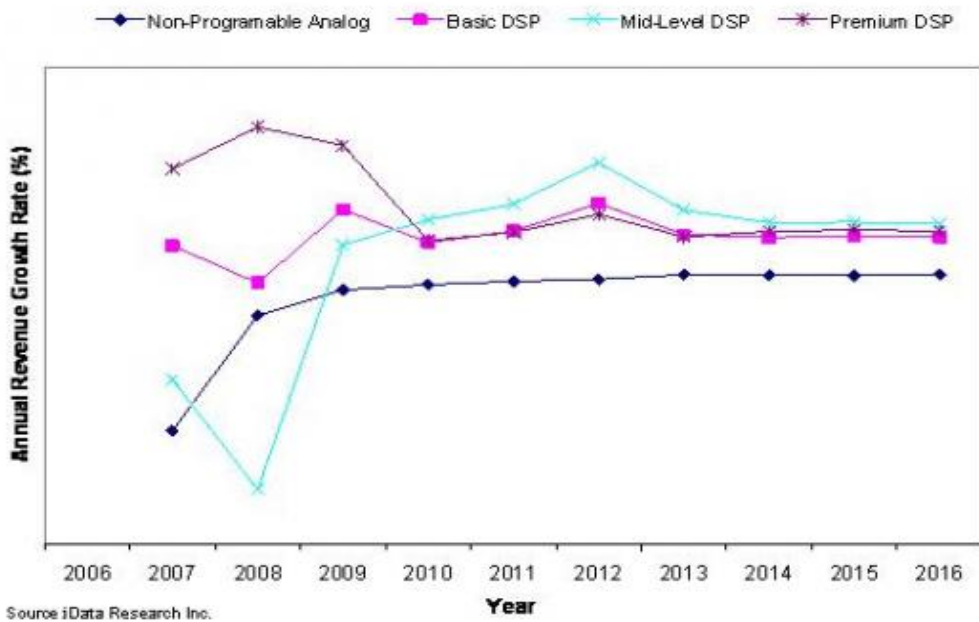
Search Healthcare Digital

## Patient Income Strongly Drives Hearing Aid Preference

The U.S. market for hearing aids and audiology devices, which includes a wide array of products designed to diagnose and treat hearing loss, was valued at over \$5.2 billion in 2009.

Dr. Kamran Zamanian And Alfred Pechisker, M.Sc | Tue Aug 10, 2010

TAGS: Hearing Aid (/categories/hearing-aid) , iData Research (/categories/idata-research) , medical devices and products (/categories/medical-devices-and-products)



1 (#) 2 (#)

#### Hearing Aid Annual Revenue Growth by Market Segment, U.S.

Hearing aids accounted for over 90% of this market, and hearing aid revenues are expected to grow due to demand from aging baby boomers. In addition, approximately 33.4 million people in the U.S. suffer from hearing loss; however, only 17% of this population has purchased hearing aids as a treatment. Therefore, this market remains at only a fraction of its potential size as the industry has found it difficult to increase device penetration.

#### Hearing Aid Styles

The hearing aid market includes a range of devices designed to suit style, function and price preferences. Hearing aid styles include traditional behind-the-ear (BTE), in-the-ear, in-the-canal, completely-in-the-canal, and open-fit (receiver-in-canal (Open-fit/RIC). Traditional BTE consists of a plastic body that houses the processor and receiver and fits behind the ear. In-the-ear is similar in appearance to in-the-ear earphones and contains the processor, receiver and transducer within a custom-molded ear piece. Both in-the-canal and completely-in-the-canal fit further into the canal and consist of a custom-molded ear piece that houses the processor, receiver and transducer. Furthermore, completely-in-the-canal devices include a small plastic string for removal of the hearing aid. Open-fit/RIC is similar to traditional BTE, except that the size of the plastic piece behind the ear is reduced because the receiver is housed in an earpiece within the canal. The benefit of hearing aids with this style is that they are designed to be open-fit, meaning no custom-molded ear piece is required. In addition, the occlusion effect is greatly reduced in this style.

#### Hearing Aid Circuit Types

Hearing aids can be segmented by circuit type, such as non-programmable analog, as well as basic, economy, mid-level and premium digital signal processing (DSP). Non-programmable analog circuits are successful at treating limited hearing loss, where more sophisticated circuits or digital signal processing are not required. Basic digital signal processing circuits are the most cost-effective digital circuit type. These circuits are often aimed at price-sensitive consumers, particularly Medicaid patients and Department of Veterans Affairs (VA) buying groups. Patients on Medicaid often have their selection of hearing aids limited to this circuit type. Economy circuit types are the lowest price point aimed at patients who are not receiving Medicaid or VA assistance, and mid-level circuits have the second highest price point. Moreover, the economy and mid-level digital signal processing circuits do not feature the latest technology and typically receive technological improvements only after they have been featured on premium circuits. Premium digital signal processing circuits are the most advanced and expensive category of hearing aids, often serving as a company's flagship hearing aid product. This circuit type is aimed at patients who are willing to pay a substantial premium for the latest technology.

Chart 1 illustrates growth in total market revenue for each of the main circuit categories. While revenues from non-programmable analog devices decline steadily, mid-level DSP revenues will be the fastest growing between 2009 and 2016. During the recession of 2009, revenue growth from premium DSP devices slowed, while revenue

growth from basic DSP devices increased.

### **Hearing Aid Limitations Due to Reimbursement**

Hearing aids are currently not covered by most private healthcare insurance plans and only have limited coverage by Medicaid. This means that there is no reimbursement given for most hearing aids purchases, which limits growth as patients bear the full cost of the device. Any future reimbursement for hearing aids would significantly enhance the growth of this market, and a limited level of coverage seems possible. In October 2009, a bill that would establish Medicare coverage for hearing aids was introduced by Senator Sherrod Brown (D) of Ohio. If this bill, or a similar provision, is made into law, it will help more than a third of seniors with purchasing hearing aids. Such legislation would make hearing aids easier to afford and enhance growth in the overall hearing aid market.

Lower income patients receiving Medicaid are often limited to hearing aids with certain types of circuits and styles. This is typically the traditional BTE style with either a non-programmable analog or basic DSP circuit. As a result, Medicaid and VA policies drive unit sales for these types of relatively inexpensive hearing aids. Therefore, marketing for the basic DSP circuit type is largely aimed at Medicaid patients and Department of VA groups. This circuit type is typically the most cost-effective DSP circuit available from a given manufacturer and, as its capabilities are relatively modest, is aimed at patients for whom price is the most significant factor.

### **Potential Hearing Aid Customer Population Correlates with Age**

The potential hearing aid customer population is expected to grow in the near future as more baby boomers enter the over 65 year old age bracket, which is associated with both moderate hearing loss and hearing aid purchases. Of the 33.4 million people who reported hearing difficulty in 2009, 57.8% (19.3 million) had mild hearing loss, 33.2% (11.1 million) had moderate hearing loss and 9% (3 million) had severe hearing loss. The potential hearing aid customer population is closely correlated with the over 65 year old age group, because this demographic is most likely to receive diagnosis and treatment.

Historically, the adoption rate of hearing aids by hearing impaired individuals has been low. In terms of age groups, the 50 to 60 age group has had the lowest adoption rates despite many marketing attempts to capture this particular demographic. Adoption rates are highest among patients with moderate to profound hearing loss. Even so, the 65 and above age group, who are more likely to suffer from moderate to profound levels of hearing loss, have an adoption rate of only 6.4%. That is, only 6.4% of those over 65 years of age have purchased hearing aids, even though as many as 33% of those over 65 years of age have impaired hearing. In the U.S., current trends suggest that the baby boomer generation, once they pass 65, will have a higher hearing aid adoption rate than people of previous generations. Therefore, as baby boomers age, the hearing aid adoption rate is expected to increase.

During an audiologist focus group that was conducted by iData Research in 2009, the average age of their adult patients reported by audiologists was 66. This is consistent with the general trend that individuals often do not seek treatment until their hearing loss has progressed to a moderate or severe level, which correlates strongly with age above 60. This also indicates that the target demographic for hearing aid marketing campaigns should be those 60 years of age and above.

In addition, audiologists reported that, on average, less than 10% of their patients were pediatric, with only 38% of audiologists reporting that pediatrics accounted for more than 10% of their patients. This is consistent with the low proportion of patients who seek treatment for hearing loss related to diseases or conditions compared to those who seek treatment for age-related hearing loss.

Audiologists also reported that the median patient household income level was between \$50,001 and \$60,000, with an average of \$53,137. This income level was slightly above average for the U.S. population (approximately \$51,000) and significantly higher than the average household income for those over 65 years old (approximately \$25,000). The higher household income level suggests that patients with higher education and income are often more aware of treatment options for hearing loss and more likely to seek treatment for a condition. This could also suggest that lower income level individuals avoid hearing evaluations as they perceive hearing aids to be too expensive to be a feasible treatment option.

### **Hearing Aid Preference Driven by Audiologists and Patient Income**

The type of hearing aid sold to a patient often depends on three main factors: the nature of the patient's hearing loss, the audiologist's preference and the patient's economic means. In the majority of cases, audiologists choose a patient's hearing aid circuit type; however, patients are more involved with choosing the style of hearing aid they purchase.

Within the audiologist focus group, the majority of audiologists reported choosing the manufacturer and circuit type of the hearing aid sold to their patients. A small percentage of audiologists opted to give their patients the option select both the circuit type and manufacturer.

Nearly three quarters of audiologists reported that control over style selection varied from patient to patient, depending partly on whether or not the patient had a strong preference. Only 10% of audiologists preferred to always choose the style for the patient. Because choice of style appears to be influenced by both the audiologist and the patient, it is beneficial for manufacturers to advertise the advantages of specific styles to both potential patients and audiologists.

The income level of a patient's household also has a surprisingly large effect on hearing aid preference. In the focus group, patients were subdivided into three categories of annual income. Patients in the lower income group seemed to prefer traditional BTE models over any other style. This is likely due to the limited style options available to Medicaid recipients as a result of reimbursement guidelines. On the other hand, patients in the middle and high income groups seemed to prefer open-fit/RIC styles. In addition, the high immediate post-fit satisfaction level of open-fit/RIC hearing aids, which is spreading by word of mouth, is helping to promote this style. In-the-canal styles also seem to be most popular with higher income patients.

Patients who decide to purchase hearing aids can choose from a large variety of devices. One of the main factor that influence the type of hearing aid a patient purchases is the patient's household income. Patients with lower household incomes, such as those who rely on support from Medicaid or the VA are more likely to purchase relatively inexpensive hearing aids that typically feature a basic DSP circuit and have the traditional BTE style. However, patients with higher incomes choose far more expensive hearing aids that often feature high-end DSP circuits and have the open-fit/RIC style. The large price differences between hearing aid styles enable more patients to obtain hearing devices. In addition, hearing aid manufacturers are able to maximize revenues from patients of various income groups, increasing patient population and market size.

***The information contained in this article is taken from a detailed and comprehensive report published by iData Research ([www.idataresearch.net](http://www.idataresearch.net) (<http://www.idataresearch.net>) ) on the "U.S. Market for Hearing Aids at Audiology Devices," which is available for purchase from iData Research. iData Research is an international market research and consulting firm focused on providing market intelligence for the medical device, dental and pharmaceutical industries. For a free synopsis of the above report, please contact iData Research at: [hearing@idataresearch.net](mailto:hearing@idataresearch.net) (<mailto:hearing@idataresearch.net>) or +1-866-964-3292***

- [SIGN UP \(/user/register?destination=\)](/user/register?destination=) to join the Healthcare Community
- [More Healthcare News \(/news\)](/news)

## Bookmark

 **Buzz Up!** (<http://buzz.yahoo.com/buzz?targetUrl=http%3A%2F%2Fwww.healthcare-digital.com%2Fsectors%2Fmedical-devices-products%2Fpatient-income-strongly-drives-hearing-aid-preference&headline=Patient+Income+Strongly+Drives+Hearing+Aid+Preference&summary=>)

 **del.icio.us** (<http://del.icio.us/post?url=http%3A%2F%2Fwww.healthcare-digital.com%2Fsectors%2Fmedical-devices-products%2Fpatient-income-strongly-drives-hearing-aid-preference&title=Patient+Income+Strongly+Drives+Hearing+Aid+Preference>)

 **Digg** (<http://digg.com/submit?phase=2&url=http%3A%2F%2Fwww.healthcare-digital.com%2Fsectors%2Fmedical-devices-products%2Fpatient-income-strongly-drives-hearing-aid-preference&title=Patient+Income+Strongly+Drives+Hearing+Aid+Preference>)

 **Ping This!** (<http://ping.fm/ref/?link=http%3A%2F%2Fwww.healthcare-digital.com%2Fsectors%2Fmedical-devices-products%2Fpatient-income-strongly-drives-hearing-aid-preference&title=Patient+Income+Strongly+Drives+Hearing+Aid+Preference&body=>)

 **Reddit** (<http://reddit.com/submit?url=http%3A%2F%2Fwww.healthcare-digital.com%2Fsectors%2Fmedical-devices-products%2Fpatient-income-strongly-drives-hearing-aid-preference&title=Patient+Income+Strongly+Drives+Hearing+Aid+Preference>)

 **Technorati** (<http://technorati.com/search/http%3A%2F%2Fwww.healthcare-digital.com%2Fsectors%2Fmedical-devices-products%2Fpatient-income-strongly-drives-hearing-aid-preference>)

 **Twitter** (<http://twitter.com/home/?status=http%3A%2F%2Fwww.healthcare-digital.com%2Fsectors%2Fmedical-devices-products%2Fpatient-income-strongly-drives-hearing-aid-preference+---+Patient+Income+Strongly+Drives+Hearing+Aid+Preference>)

 **Facebook** (<http://www.facebook.com/sharer.php?u=http%3A%2F%2Fwww.healthcare-digital.com%2Fsectors%2Fmedical-devices-products%2Fpatient-income-strongly-drives-hearing-aid-preference&t=Patient+Income+Strongly+Drives+Hearing+Aid+Preference>)

 **Furl** (<http://www.furl.net>)