

September 7, 2022 (/blogs/about-the-cost-of-hearing-aids)

About the Cost of Hearing Aids (/blogs/about-the-cost-of-hearing-aids)

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By Stephen O. Frazier

The reason most often given by people who could benefit from but choose not to buy hearing aids is that the devices are too expensive and they can't afford them. With the Food and Drug Administration (FDA) finally setting the standards for over-the-counter (OTC) hearing aids to treat mild to moderate hearing loss in adults, it appears this may apply to fewer people than in the past. Even so, for some \$1,000 for a pair of OTC hearing aids is still a lot of money but it's nowhere near the \$4,000 Forbes (<https://www.forbes.com/health/hearing-aids/actual-cost-of-hearing-aids/>) says is the average cost for a pair, or \$4,672 reported as the average on Hearing Tracker.com ([https://www.hearingtracker.com/hearing-aids#:~:text=And%20it's%20true%20that%20a%20pair%20of%20premium,price%20of%20a%20single%20hearing%20aid%20is%20\\$2,372.](https://www.hearingtracker.com/hearing-aids#:~:text=And%20it's%20true%20that%20a%20pair%20of%20premium,price%20of%20a%20single%20hearing%20aid%20is%20$2,372.)) or that Consumer Reports says is \$4,680 ([https://www.consumerreports.org/hearing-aids/ways-to-spend-less-on-a-hearing-aid-](https://www.consumerreports.org/hearing-aids/ways-to-spend-less-on-a-hearing-aid-1147744990/#:~:text=With%2060%20of%20income%20less%20of%20the%20average%20)

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a114/544800/#:~:text=with%20new%20insurance%20plans%20fully%20covering%20hearing%20aids,,reason%20respondents%20gave%20for%20putting%20off%20a%20purchase.).

Time will tell if the new FDA guidelines will increase treatment through self-fitting hearing aids bought at a Walmart or Walgreens, and whether as reported in The New York Times the OTC category will spur innovation as it drives down prices, as the FDA believes. (<https://www.nytimes.com/2022/08/16/health/fda-hearing-aids.html>) There are some who think the cost "reason" is just an excuse and the real reason is a combination of vanity and priorities. The \$4,000 price tag can also buy you a nice holiday or other piece of new technology.

Having recently had to replace my seven-year-old hearing aids (<https://hearinghealthfoundation.org/bl ogs/trying-out-hearing-aids-through-blended-distribution>) and experienced sticker shock at some of the prices being tossed about, I began a serious investigation of the business of selling hearing aids. As a former retailer, I think if electronic marvels like smartphones or smartwatches could be profitably sold at a fraction of the price of the average pair of hearing aids, someone somewhere had to be making a bundle while



"Hearing loss has a profound impact on daily communication, social interaction and the overall health and quality of life for millions of Americans," Dr. Califf said during an August 16, 2022, news briefing, reported by The New York Times.

(<https://www.nytimes.com/2022/08/16/health/fda-hearing-aids.html>) *"This is a tremendous worldwide problem where I think American ingenuity can make a huge difference."*

Credit: @jdiegoph/Unsplash

average pair of hearing aids, someone somewhere had to be making a bundle while serving the needs of people with hearing loss.

There are some oddities to this market, such as manufacturers paying to gain access to competitors' patents, (<https://hearinghealthmatters.org/hearingeconomics/2014/hearing-aid-patent-decisios/>) the use of multiple brand names under the one umbrella (<https://hearinghealthmatters.org/hearingeconomics/2014/hearing-aid-patent-decisios/>), and how hearing aid makers own not only brick-and-mortar clinics (<https://hearinghealthmatters.org/waynesworld/2015/u-s-hearing-aid-market/>) but also online hearing aid businesses (http://www.sofnabq.com/HH_Unusual_Business.pdf). But where does the money go?

Research and Development

About 80 percent of the hearing aid market is under the control of five international companies, according to the website Hearing Tracker.

(<https://www.hearingtracker.com/hearing-aids>) In terms of research and development, one of these big five, GN Nord, shows in its 2020 financial statement (<https://www.globenewswire.com/news-release/2021/02/11/2173690/0/en/Annual-Report-2020-Navigating-safely-through-rough-waters-GN-Hearing-24-GN-Audio-42-GN-Store-Nord-9-organic-revenue-growth-GN-Store-Nord-EBITA-of-DKK-1-866-million-and-Free-Cash-Fl.html>) that it spent under 10 percent of its gross income on R&D, while another big five, WS Audiology (WSA), in its 2020 statement (<https://www.wsa.com/-/media/html-references/files/financial-reports/fy2020-annual-report-ws-audiology-wsa-group-fs-auditreport-final.pdf>) showed it spent 5 percent.

By comparison, in 2021 healthcare technology firms spent 13.6 percent and software companies spent 19 percent on R&D.

(<https://einvestingforbeginners.com/rd-spending-as-a-percentage-of-revenue->

by-industry/)

GN Nord reported their net profit at 2021 to be 11.1 percent and Italian hearing care giant Amplifon has had a historical net profit margin of 8.1 percent. This is less than what's reported as the current net profit margin in the technology sector of about 12 percent, as reported by the CFA Institute.

Is it Markup?

David Lazarus, a business columnist at the Los Angeles Times, writes that hearing aid prices are "an example of manufacturers exploiting a captive market with excessively high list prices." (<https://www.latimes.com/business/story/2021-06-08/column-healthcare-medical-devices-hearing-aids>) But contrary to this assertion, I found it's retailers, not manufacturers, setting the prices and they're taking big markups most of the time.

BizFluent, a firm that mentors new business owners, reports that supermarkets have an average price markup of 15 percent (<https://bizfluent.com/info-12006023-normal-markup-percentage.html>) and New York magazine says retailer H&M uses a 50 to 70 percent markup on clothing.

(<https://nymag.com/news/features/2007/profit/32905/>) This would be consistent with the markup of 60 percent I took when I was a clothing buyer for a chain of department stores on Long Island, New York. That meant that 60 percent of the retail price was markup and 40 percent was cost.

Amy M. Amlani, Ph.D., the president of Otolithic Consulting, did an extensive multipart study of hearing aid pricing on the website Hearing Health and Technology Matters between September of 2020 and March 2021. (This link to Part 5 has links to all the prior sections.)

(<https://hearinghealthmatters.org/hearingeconomics/2021/us-hearing-aid-pricing-markup-ratio/>) Her study found that the increase in the unadjusted average wholesale price of a single unit hearing aid, between 2004 and 2019, exceeded the rate of inflation (back then) by 47.5 percent.

She also found that in 2004 the average wholesale invoice for a hearing aid was \$457 and the average retail price for that hearing aid was \$1,785. To a retailer that would be termed a roughly 75 percent markup but nonretailers would call it nearly 400 percent markup. It's substantial regardless of how you define markup. The lowest wholesale price of hearing aids averaged \$326 in 2019 and retailed at \$1,656, or a markup publicly perceived as 5 times its cost.

Salaries for Providers

What about salaries for the professionals who sell and fit the devices for consumers? As of March 2022 the Bureau of Labor Statistics (BLS) says annual pay for an audiologist (<https://www.bls.gov/oes/current/oes291127.htm>) ranges from \$58,920 to \$120,210; the median is \$78,950. Glass Door, the job search website, reports (https://www.glassdoor.com/Salary/WS-Audiology-Audiologist-Salaries-E3082730_D_KO13,24.htm#:~:text=The%20estimated%20total%20pay%20for,pay%20is%20%2470%2C458%20per%20year) an \$82,819 average salary for an audiologist at WSA and, by comparison, the mean annual wage for a speech-language pathologist is \$85,820.

That top audiologist figure is substantial, and the median figure is 36 percent more than the BLS figure of \$58,260 mean salary for *all* workers—but neither equates with great wealth. The \$59,950 figure the BLS shows for a hearing aid dispenser (or a hearing instrument specialist, HIS) is just slightly above the median for all workers.

The Costco Model

Big box stores like Costco entered the hearing aid market several years ago. Their buying power is such that they can buy hearing aids in huge quantities that qualify them for equally huge discounts on the wholesale cost of the devices.

This accounts for the popularity of Costco for buying hearing aids. The Hearing Review reports Costco now has 11 percent of all U.S. hearing aid sales

(<https://hearingreview.com/practice-building/costco-effect>) and annual growth exceeds 20 percent. They distribute almost as many hearing aids in the U.S. as the Veterans Administration, which has similar buying power and a clientele of current and past service members whose two major health concerns are hearing loss and tinnitus.

In addition to their private label Kirkland brand, Costco sells several well known and respected brands, some with older technology but others with the latest. Their actual markup is not known for hearing aids, but for other products Costco reportedly targets markup to be 15 percent.

Costco has 500-plus stores, while Miracle Ear and Beltone have 1,500 stores each. The parent company of Beltone is GN Nord. Miracle Ear is a subsidiary of Italian hearing care giant Amplifon, with some offices corporately owned and some franchised.

Independently owned and operated hearing care offices account for only about half of the total volume in hearing aid sales, with Costco being the largest of a handful of other companies that complete the other half. This is from 2015 data reported by Hearing Health and Technology Matters.

(<https://hearinghealthmatters.org/waynesworld/2015/u-s-hearing-aid-market/>)

Amplifon actually accounts for more business than Costco in the U.S. if you add its subsidiaries: 6 percent market share for Miracle Ear and 8 percent for Elite Hearing. GN's Beltone has 10 percent of the market.

It seems like for long established hearing aid chains like Beltone and Miracle Ear, their size would allow them to undersell independent hearing care offices and be competitive with Costco. But as Brad Ingrao, Au.D., writing on the website Senior Living, (<https://www.seniorliving.org/hearing-aids/>) points out, the retail prices at Beltone and Miracle Ear are no lower than those charged for comparable Widex or ReSound hearing aids.

So What's the Answer?

SO WHAT'S THE ANSWER?

I found that prices for the exact same pair of hearing aids can vary dramatically depending on where a buyer looks. A report from the National Academies of Science, Engineering, and Medicine (<https://hearingreview.com/inside-hearing/regulation/national-academies-sciences-release-report-hearing-aid-accessibility-affordability>)—that sparked the OTC movement—blamed high hearing aid cost on limited consumer choice and lack of transparency.

As a result of the current state of flux—where the realignment and reorganization of an entire industry is ongoing—the consumer is likely to soon find that the upper tier of devices (and the services that usually accompany their prescription) may not go down and, in fact, history predicts they'll go up, but prices on lower end prescription hearing aids are likely to go down.

It's an open question how much adult consumers will embrace OTC hearing aids for mild to moderate hearing loss, which almost by definition (OTC) will likely have less customization (<https://web.musc.edu/about/news-center/2022/09/06/otc-hearing-aids-are-otw>) compared with traditional hearing aids. As for the answer to my original question as to where all the money goes—well, we still don't know. And cost would not matter as much if there was better insurance coverage (<https://www.statnews.com/2022/09/06/the-fda-got-it-right-with-hearing-aids-updating-medicare-coverage-is-next/>) for those of us needing more powerful hearing aids fit by hearing care professionals.



Trained by the HLAA as a hearing loss support specialist, Hearing Health magazine staff writer and New Mexico resident Stephen O. Frazier has served HLAA and others at the local, state, and national levels as a volunteer in their efforts to improve communication access for people with hearing loss. For more, see loopnm.com (<http://loopnm.com>) or email him at hlaanm@juno.com



(mailto:hlaanm@juno.com). See his earlier blog post on the OTC announcement.

(<https://hearinghealthfoundation.org/blogs/a-hearing-care-consumers-thoughts-on-otc-hearing-aids>)

While HHF welcomes this new OTC category for bringing greater access and affordability (<https://hearinghealthfoundation.org/blogs/hearing-aids-coming-over-the-counter-to-you>) to adults experiencing mild to moderate hearing loss, we recommend seeing a hearing care professional to rule out any medical causes of hearing loss and/or tinnitus.

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As classrooms are nearly always inherently noisy, it's a



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As classrooms are nearly always inherently noisy, it's a challenge for children with hearing loss as well as typical hearing children to always be able to fully hear and understand what's being said in the classroom.

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[A Passion for Public Speaking \(/blogs/a-passion-for-public-speaking\)](#)

Aug 30, 2022

I went from being a severely hearing-impaired baby with an unsure future to being a state public speaking champion multiple times over. To share my passion for public speaking, during high school I hosted many workshops to inspire others to overcome their fear of public speaking.

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[A Hearing Care Consumer's Thoughts on OTC Hearing Aids \(/blogs/a-hearing-care-consumers-thoughts-on-otc-hearing-aids\)](#)

Aug 25, 2022

Logic would seem to say Americans, especially the young and seniors, will opt for OTC devices. On the other hand, logic does not seem to apply when comparing current adoption statistics from other countries where hearing aids are steeply discounted or even free.

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[My BAHA Is My Superpower \(/blogs/my-baha-is-my-superpower\)](#)



Aug 23, 2022

I was born with Nager syndrome. It is a rare genetic disorder that includes conductive hearing loss, which delays speech development and affects the structure of a face.

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