

  
*Colorado Legislative Council Staff Fiscal Note*  
**STATE**  
**FISCAL IMPACT**

<b>Drafting Number:</b> LLS 10-0169	<b>Date:</b> January 25, 2010
<b>Prime Sponsor(s):</b> Rep. McCann Sen. Foster; Schwartz	<b>Bill Status:</b> House Health and Human Services <b>Fiscal Analyst:</b> Bill Zepernick (303-866-4777)

**TITLE:** CONCERNING THE ADMINISTRATION OF DENTAL SERVICES PROVIDED UNDER MEDICAID.

Fiscal Impact Summary	FY 2010-2011	FY 2011-2012	FY 2012-2013
<b>State Revenue</b>			
<b>State Expenditures</b>			
General Fund		\$1,453,785	(\$475,316)
Federal Funds		<u>1,432,069</u>	<u>(518,750)</u>
<b>Total</b>		<b>\$2,885,854</b>	<b>(\$994,066)</b>
<b>FTE Position Change</b>			
<b>Effective Date:</b> August 11, 2010, assuming the General Assembly adjourns May 12, 2010, as scheduled and no referendum petition is filed.			
<b>Appropriation Summary for FY 2010-2011:</b> See State Appropriations section.			
<b>Local Government Impact:</b> None.			

**Summary of Legislation**

The bill, recommended by the Health Care Task Force, requires the Department of Health Care Policy and Financing (DHCPF) to contract with a single entity to administer dental services under Medicaid. Medicaid currently provides preventative and emergency dental services to eligible children, and emergency dental services to eligible adults. The bill does not change eligibility for Medicaid dental benefits or the type of dental services provided, and does not affect dental services provided through the Children's Basic Health Plan (CHP+).

**State Expenditures**

The bill is expected to increase costs in the DHCPF by \$2.9 million in FY 2011-12 and decrease costs by \$1.0 million in FY 2012-13. Of these costs and savings, about one-half is General Fund and one-half is federal funds. Table 1 provides a summary of these costs and savings to the department.

Costs will increase initially to pay for a statewide contract administrator for Medicaid dental services. But over time, savings are expected to be realized as the contractor reduces costs for dental services provided under Medicaid. Also, the contractor will take over prior authorization reviews (PARs) from the department's existing contractor. This analysis assumes that the contract will be awarded in June 2011 and take effect in July 2011. The contractor will develop program procedures and infrastructure during the first six months of FY 2011-12, and will begin administering dental services in January 2012.

<b>Cost Components</b>	<b>FY 2010-11</b>	<b>FY 2011-12</b>	<b>FY 2012-13</b>
Contract Services for Medicaid Dental Administration	\$0	\$4,662,871	\$6,692,747
Savings on Medicaid Dental Services	0	(1,670,991)	(7,474,762)
Contract Services for PARs	0	(106,026)	(212,052)
<b>TOTAL</b>	<b>\$0</b>	<b>\$2,885,854</b>	<b>(\$994,066)</b>

**Contract services for Medicaid dental administration.** The department requires \$4.7 million in FY 2011-12 and \$6.7 million in FY 2012-13 for contract services to administer Medicaid dental services. This analysis assumes that the contractor will be paid at a rate of \$1.13 per month per child and \$0.48 per month per adult. However, during the first six months of FY 2011-12 the rates will be half these amounts while the contractor is developing program procedures and infrastructure, but has not yet assumed administration of services. These rates are based on the costs of contracting for the administration of children's dental services under the Children's Basic Health Plan (CHP+) and other states' experience contracting for adult dental services. Table 2 provides a summary of these costs and projected dental caseload. This analysis assumes that the department can develop the contract solicitation and manage the contract within existing resources.

<b>Cost Components</b>	<b>FY 2011-12</b>		<b>FY 2012-13</b>
Projected Child Caseload	360,656		389,456
Cost per Month per Child	\$0.57	\$1.13	\$1.13
Months	6	6	12
<b>Subtotal - Administration of Children's Dental Services</b>	<b>\$3,667,871</b>		<b>\$5,281,023</b>
Projected Adult Caseload	230,324		245,091
Cost per Month per Adult	\$0.24	\$0.48	\$0.48
Months	6	6	12
<b>Subtotal - Administration of Adult Dental Services</b>	<b>\$995,000</b>		<b>\$1,411,724</b>
<b>TOTAL</b>	<b>\$4,662,871</b>		<b>\$6,692,747</b>

**Savings on Medicaid dental services.** The DHCPCF is expected to have savings of \$1.7 million in FY 2011-12 and \$7.5 million in FY 2012-13 from reductions in dental services costs. The contractor is expected to improve access to care and reduce costs in several ways, including:

- recruiting dental providers;
- coordinating care for patients;
- promoting preventative dental care for children;
- reducing costs for emergency care for children; and
- implementing prior authorization reviews and other utilization controls.

Based on the experience of other states, it is estimated that children's dental expenses will decrease by 8 percent per year, and adult costs will decrease by 5 percent. These savings will phase in over the last 6 months of FY 2011-12 and be fully realized in FY 2012-13. Therefore, savings are estimated to be 4 percent for children and 2.5 percent for adults over the 6-month period in FY 2011-12, and the full amount in FY 2012-13. Table 3 provides a summary of savings under the bill, based on the savings listed above and the projected per capita costs for adults and children projected in the department's current budget request.

<b>Cost Components</b>	<b>FY 2011-12*</b>	<b>FY 2012-13</b>
Annual Cost per Child	\$58.86	\$59.80
Estimated Reduction	-4.0%	-8.0%
Annual Savings per Child	(\$2.35)	(\$4.78)
Projected Child Caseload	360,656	389,456
<b>Subtotal - Annual Savings for Children</b>	<b>(\$424,564)</b>	<b>(\$1,863,158)</b>
Annual Cost per Adult	\$432.93	\$457.92
Estimated Reduction	-2.5%	-5.0%
Annual Savings per Adult	(\$10.82)	(\$22.90)
Projected Adult Caseload	230,324	245,091
<b>Subtotal - Annual Savings for Adults</b>	<b>(\$1,246,426)</b>	<b>(\$5,611,604)</b>
<b>TOTAL</b>	<b>(\$1,670,991)</b>	<b>(\$7,474,762)</b>

\* The annual savings for FY 2011-12 have been reduced by 50 percent to reflect the fact that the contractor will only administer the Medicaid dental benefit for half of the fiscal year, beginning in January 2012.

**Contract Services for Prior Authorization Reviews.** The department is expected to have savings of \$106,026 in FY 2011-12 and \$212,052 in FY 2012-13 from reduced payments to its current contractor that conducts PARs for dental services. The department currently pays \$212,052 per year for dental PARs. The new contractor is expected to take over this function beginning in January 2012, and the costs of PARs are included in its contract. These savings reflect the PARs cost for half of FY 2011-12 and all of FY 2012-13.

**State Appropriations**

The bill does not require an appropriation to the Department of Health Care Policy and Financing in FY 2010-11. Future costs and savings of the bill will be addressed during the annual budget process in the out years.

**Departments Contacted**

Health Care Policy and Financing