

**STATE
FISCAL IMPACT**

Drafting Number: LLS 13-0611
Prime Sponsor(s): Sen. Nicholson
 Rep. Primavera

Date: April 4, 2013
Bill Status: Senate Health and Human Services
Fiscal Analyst: Kerry White (303-866-3469)

TITLE: CONCERNING DENTAL SERVICES FOR ADULTS IN THE MEDICAID PROGRAM.

Fiscal Impact Summary	FY 2013-2014	FY 2014-2015
State Revenue		
State Transfers* Unclaimed Property Trust Fund to the Adult Dental Fund	\$10,409,467	\$22,001,744
State Expenditures** General Fund Cash Funds Hospital Provider Fee Cash Fund Adult Dental Fund Federal Funds	<u>at least \$26,678,289</u> (699,795) 84,138 at least 10,409,467 at least 16,884,479	<u>at least \$52,960,466</u> (1,563,172) 235,042 at least 22,001,744 at least 32,286,852
FTE Position Change	1.2 FTE	2.0 FTE
Effective Date: August 7, 2013, if the General Assembly adjourns on May 8, 2013, as scheduled, and no referendum petition is filed.		
Appropriation Summary for FY 2013-2014: See State Appropriations section.		
Local Government Impact: None.		

* As of this writing, the exact fund balance for the Unclaimed Property Trust was unavailable. As discussed in the State Transfers section, if there are insufficient moneys in the fund to pay the costs for this bill, this amount may be lowered and the costs for this bill may be paid with other fund sources, or General Fund backfill may be required.

** These totals do not include costs for clients that are not currently enrolled in Medicaid, but are expected to become enrolled if Senate Bill 13-200 becomes law. Further detail is included in the State Expenditures section.

Summary of Legislation

This bill adds dental services for adults to the list of optional services provided in Medicaid. It requires the Department of Health Care Policy and Financing to convene a group of stakeholders to design the dental benefit and implement services by April 1, 2014. The bill creates the Adult Dental Fund and allows the fund to retain interest earnings and unexpended moneys at the end of each fiscal year. The transfer of funds from the Unclaimed Property Trust Fund to the Adult Dental Fund is authorized to pay the costs of the bill.

Background

Colorado currently provides a dental benefit to children 21 years of age and younger in the Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) program. For most adults, reimbursement is provided for emergency dental services only. Clients with certain concurrent medical conditions are also allowed access to dental services for conditions related to oral cavities, but not preventative or restorative services. A number of national and state studies show that untreated dental conditions have led to increased use of hospital emergency departments, resulting in more costly care. A 2012 report from the Pew Center on the States found that preventable dental conditions were the primary diagnosis in 830,590 visits to emergency departments nationwide in 2009. For FY 2013-14, the Department of Health Care Policy and Financing anticipates emergency dental services costs will be \$12.7 million.

State Transfers

The fiscal note estimates that at least \$10.4 million in FY 2013-14 and \$22.0 million in FY 2014-15 will be transferred from the Unclaimed Property Trust Fund to the Adult Dental Fund under the bill. As of this writing, the amount available for transfer from the Unclaimed Property Trust Fund beginning in FY 2013-14 is not known. A recent budget briefing document shows that the projected fund balance after required reserves is \$8.3 million in FY 2013-14 and \$19.4 million in FY 2014-15. However, the projected fund balance in the budget briefing assumed a transfer of \$39 million to CoverColorado will occur in FY 2013-14. This transfer may not occur if House Bill 13-1115 to repeal CoverColorado becomes law.

In the absence of any other legislation affecting this fund and if HB13-1115 becomes law, the fiscal note assumes the required transfers will occur. However, if HB13-1115 bill does not pass and other legislation allocates moneys from the Unclaimed Property Trust Fund, there may be insufficient moneys to pay the costs identified in the fiscal note. In this scenario, either General Fund backfill is required or the costs shown in the State Expenditures section below will be paid with another funding source. Should this occur, this analysis assumes that the Department of Health Care Policy and Financing will request an adjustment in appropriations through the budget process.

State Expenditures

This bill will increase state expenditures for the Department of Health Care Policy and Financing by at least \$26.7 million and 1.2 FTE in FY 2013-14 and \$53.0 million and 2.0 FTE in FY 2014-15. Costs may also increase by at least an additional \$5.8 million in FY 2013-14 and \$30.0 million in FY 2014-15 if Senate Bill 13-200, which proposes to expand Medicaid coverage to adults and parents with incomes of up to 133 percent of the federal poverty level, becomes law. These costs are not included in the fiscal note, but are discussed as conditional costs below for informational purposes. Table 1 and the discussion that follows describe the costs under the bill.

Table 1. Expenditures Under SB13-242		
Cost Components	FY 2013-14	FY 2014-15
Personal Services	\$69,367	\$108,463
FTE	1.2	2.0
Operating Expenses and Capital Outlay	10,546	1,900
Computer System Changes (MMIS)	555,534	0
Contractor Costs	at least 355,000	at least 355,000
Medical Services Premiums	at least 25,687,842	at least 52,495,103
TOTAL	<u>at least \$26,678,289</u>	<u>\$52,960,466</u>
General Fund	(699,795)	(1,563,172)
Cash Funds	at least 10,493,605	at least 22,236,786
Federal Funds	at least 16,884,479	at least 32,286,852

Personal services, operating, and capital outlay costs. The Department of Health Care Policy and Financing is required to engage stakeholders in a collaborative process, design a limited dental benefit, write a state plan amendment for the Medicaid program, and adopt rules to implement the dental benefit. This analysis assumes that these tasks will be performed by a new 1.0 FTE General Professional IV, hired on July 1, 2013, who will also manage the adult dental program once it is implemented. Once the program is operational in April 2014, an additional 1.0 FTE General Professional II is required to assist with daily administrative tasks, including resolving complaints and researching client appeals and claims processing issues. Total salary costs are \$108,463, which are prorated to \$69,367 in the first year to account for the General Fund paydate shift and the delayed hire date of the second FTE. Capital outlay costs are \$9,406 in the first year. Annual operating costs are \$1,900, which are prorated to \$1,140 in the first year.

Computer system changes. One-time programming changes are required for the Medicaid Management Information System (MMIS) at a cost of \$555,534. These changes will allow claims to be paid and ensure that costs do not exceed the annual limit.

Contractor costs. The department will contract with a third-party administrative services organization (ASO) to track and monitor utilization of the dental benefit and coordinate care for clients. The administrative cost is assumed to be at least \$355,000 per year.

Medical services premiums. While the actual dental benefit will be designed through a collaborative stakeholder process, for the purposes of estimating costs, the fiscal note assumes that dental benefits will be capped at \$1,000 per client, but that clients will use an average of \$600 in dental benefits per year. Of the eligible population, approximately 27 percent of eligible clients will use dental benefits, which is prorated in the first year. As a result, caseload is 43,043 in FY 2013-14 and 82,072 in FY 2014-15. Total adult dental benefit costs are \$27.6 million in FY 2013-14 and \$56.5 million in FY 2014-15. However, a portion of the adult dental benefit costs are assumed to be offset by reduced emergency dental services. The fiscal note assumes savings of 15 percent, or \$1.9 million, in FY 2013-14 and 30 percent, or \$4.0 million, in FY 2014-15.

Conditional costs if Senate Bill 13-200 becomes law. If Senate Bill 13-200 becomes law, caseload will increase by at least 8,975 in FY 2013-14 and 43,587 in FY 2014-15. Including administrative costs and assuming an average benefit of \$600 per client, this will increase costs by at least \$5.8 million in FY 2013-14 and \$30.0 million in FY 2014-15. Because these clients are considered to be newly eligible under the federal Patient Protection and Affordable Care Act of 2010, the federal government will pay their entire cost for the first three years. Beginning in 2016, the federal share of costs is decreased gradually, until 2010, when it is 90 percent of costs. The fiscal note assumes that, beginning in FY 2016-17, the state's share of costs for these clients will be paid with cash funds from the Hospital Provider Fee Cash Fund.

Expenditures Not Included

Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. The centrally appropriated costs subject to this policy are summarized in Table 2.

Table 2. Expenditures Not Included Under SB13-242*		
Cost Components	FY 2013-14	FY 2014-15
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$8,067	\$13,433
Supplemental Employee Retirement Payments	4,258	7,532
TOTAL	\$12,325	\$20,965

*More information is available at: <http://colorado.gov/fiscalnotes>

Departmental Differences

The Department of Health Care Policy and Financing included existing eligible but not yet enrolled (EBNE) clients in its estimate of conditional costs that will be incurred if SB13-200 becomes law. This would increase caseload by 108 in FY 2013-14 and 1,242 in FY 2014-15. Including administrative costs, the department's estimate would increase the conditional costs listed as resulting from SB13-200 by \$69,228 in FY 2013-14 and \$855,600 in FY 2014-15. The fiscal note excludes those costs because it assumes that EBNE will only enroll in Medicaid if they have a medical event and that the dental benefit program will not cause new enrollment. Costs are shown in this fiscal note as "at least" because the analysis assumes it is possible Medicaid caseload as a whole will increase, or that utilization may exceed the 27 percent estimate. As with other unanticipated fluctuations in the Medicaid program, this analysis assumes any increase in costs will be addressed through the annual budget process.

State Appropriations

For FY 2013-14, the Department of Health Care Policy and Financing requires an appropriation of \$26,678,289, including (\$699,795) General Fund, \$84,138 from the Hospital Provider Fee Cash Fund, \$10,409,467 from the Adult Dental Fund, and \$16,884,479 federal funds. The department also requires an allocation of 1.2 FTE.

Departments Contacted

Health Care Policy and Financing
Treasury

Joint Budget Committee Staff