

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0214-02
Bill No.: HCS for HB 400
Subject: Dentists; Health Care; Public Assistance
Type: Original
Date: April 5, 2005

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
General Revenue	(\$106,363)	(\$106,363)	(\$106,363)
Total Estimated Net Effect on General Revenue Fund	(\$106,363)	(\$106,363)	(\$106,363)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Federal*	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

*Income and costs of approximately \$171,637 would net to \$0.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Health and Senior Services** and the **Department of Economic Development - Division of Professional Registration** assume this proposal would not fiscally impact their agencies.

Officials from the **Office of the Secretary of State (SOS)** state this proposal creates the Dental Carve-Out Act of 2005 which gives authority to the Department of Social Services - Division of Medical Services to promulgate rules. Based on experience with other divisions, the rules, regulations and forms issued by the Department of Social Services could require as many as 12 pages in the Code of State Regulations. For any given rule, roughly one-half again as many pages are published in the Missouri Register as are published in the Code because cost statements, fiscal notes and notices are not published in the Code. The estimated cost of a page in the Missouri Register is \$23.00. The estimated cost of a page in the Code of State Regulations is \$27.00. The actual costs could be more or less than the numbers given. The fiscal impact of this legislation in future years is unknown and depends upon the frequency and length of rules filed, amended, rescinded and withdrawn. The SOS estimates the cost of this legislation to be \$738 in FY 06.

ASSUMPTION (continued)

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Department of Social Services - Division of Medical Services (DMS)** state this proposal establishes the "Dental Carve Out Act of 2005" in which the DMS must maintain and implement a process for managing dental benefits to public assistance recipients. The dental benefit management program could be structured in either of two ways: as an administrative services organization (ASO) model or a prepaid ambulatory health plan (PAHP) program with a capitated rate.

Under the ASO model, a private entity would enter into an agreement with the DMS to administer the program. The contractor would be responsible and reimbursed for setting up a network of dental providers, fielding provider and client complaints, providing quality assurance, and handling other administrative work. This arrangement would be a new cost to the DMS. DMS states information obtained from three states, which currently have dental programs administered by an ASO, indicate a range of \$0.35 to \$.075 per member per month (PMPM) for administrative services. The average PMPM was \$0.59. DMS states the number of Medicaid recipients eligible for dental services in FY 04 was 951,343. Applying 3% for caseload growth, the number of eligibles would be 979,883. Assuming all of these current Medicaid eligibles would continue receiving dental services and utilizing the average PMPM, the cost would be \$6.9 million annually ($979,883 \times \0.59×12). However, DMS states if the proposed eligibility changes in the current legislative session are implemented, the number of eligibles would decrease thus reducing the cost.

The dental providers would submit a bill to the DMS for payment under a fee-for-service program. DMS assumes the fee-for-service dental rates would be increased to encourage provider participation. An analysis based on FY 2004 data to raise dental rates to 75% of usual, customary and reasonable (UCR) charges yielded an estimated cost of \$62.5 million.

The PAHP program would require the contractor to be responsible for administration of the program as well as payment to providers. This type of program puts the contractor at risk. The DMS would establish a dental capitated rate per eligible. Current managed care rates would be reduced for dental services and the funds would be used to offset the dental capitated rate. DMS assumes that it would pay a higher dental capitated rate than what is currently included in the managed care rate for dental and administrative costs. Under the managed care program, the

administrative fixed costs are spread over more services than that of a single service managed

ASSUMPTION (continued)

care program. An increase in program costs would also be expected. The capitated rates would need to be certified as actuarially sound per federal rules. Based upon prior experience, the cost for certifying the rate as actuarially sound is \$100,000. The DMS would also need a waiver from the Centers of Medicare and Medicaid Services (CMS) to allow a single entity to serve the entire Medicaid program.

DMS states current dental fee-for-services funds would also be used to fund the dental capitated rate. It is believed higher costs would be seen from this group of recipients because of an increase in utilization from greater access to services. The contractor would be required to have a network which would increase access to care.

DMS states additional costs would be incurred by the DMS for required system work and recipient notification. Medicaid recipients are required to be notified of changes. The material and mailings of the notifications would be an additional \$200,000. The cost for the additional system work would not be as significant. Therefore, the total fiscal impact to DMS is unknown but greater than \$69,700,000.

The Oversight Subcommittee met on March 31, 2004, and voted to reflect the cost to be \$278,000 (\$106,363 General Revenue and \$171,637 Federal Funds) on HB 400.

Officials from the **Department of Mental Health (DMH)** assume unless the DMH's dentists in Division of Mental Retardation and Developmental Disabilities Habilitation Centers become part of the plan and could bill Medicaid on the current population they are serving, there would be no fiscal impact to the DMH.

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
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GENERAL REVENUE

<u>Costs</u> - Department of Social Services - Division of Medical Services Program Costs	<u>(\$106,363)</u>	<u>(\$106,363)</u>	<u>(\$106,363)</u>
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ESTIMATED NET EFFECT TO GENERAL REVENUE	<u>\$106,363</u>	<u>(\$106,363)</u>	<u>(\$106,363)</u>
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FEDERAL

<u>Income</u> - Department of Social Services Program reimbursements	\$171,637	\$171,637	\$171,637
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<u>Costs</u> - Department of Social Services - Division of Medical Services Program Costs	<u>(\$171,637)</u>	<u>(\$171,637)</u>	<u>(\$171,637)</u>
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ESTIMATED NET EFFECT TO FEDERAL	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Dentists who operate as a small business could be affected by this proposal.

DESCRIPTION

This proposal establishes the Dental Carve-Out Act of 2005 and requires the Division of Medical Services in the Department of Social Services to maintain and implement a process for managing dental benefits for public assistance recipients. The division must contract with a single-source, private entity to provide dental program management services in coordination with the division.

DESCRIPTION (continued)

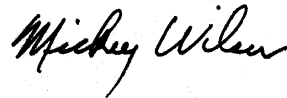
The single source private entity which receives the contract to provide the dental program management services shall not discriminate against any licesed dentist willing to meet terms and conditions.

The division is allowed to place coverage limits on dental services and must establish a statewide uniform dental program administered by a single, private entity. The division, however, may not require a dentist to alter a patient's previously authorized course of treatment unless warranted by the patient's condition.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Social Services
Department of Mental Health
Department of Health and Senior Services
Secretary of State
Department of Economic Development



Mickey Wilson, CPA
Director
April 5, 2005