

**Schedule 13  
Funding Request for the 2013-14 Budget Cycle**

Department: Health Care Policy and Financing

Request Title: Dental ASO for Children

Priority Number: R-9

Dept. Approval by: John Bartholomew

Date

*JB 10/26/12*

OSPB Approval by:

Date

*Grant W. ... 10/30/12*

- Decision Item FY 2013-14
- Base Reduction Item FY 2013-14
- Supplemental FY 2012-13
- Budget Amendment FY 2013-14

Line Item Information		FY 2012-13		FY 2013-14		FY 2014-15
		1	2	3	4	5
Fund		Appropriation FY 2012-13	Supplemental Request FY 2012-13	Base Request FY 2013-14	Funding Change Request FY 2013-14	Continuation Amount FY 2014-15
<b>Total of All Line Items</b>	<b>Total</b>	\$4,022,439,721	\$0	\$4,061,167,999	\$576,072	\$0
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	\$1,059,359,976	\$0	\$1,101,323,301	\$0	\$0
	GFE	\$312,202,624	\$0	\$312,202,624	\$0	\$0
	CF	\$652,835,384	\$0	\$627,830,685	\$0	\$0
	RF	\$3,315,668	\$0	\$1,315,668	\$0	\$0
	FF	\$1,994,726,069	\$0	\$2,018,495,721	\$576,072	\$0
<b>(1) Executive Director's Office; (C) Information Technology Contracts and Projects, Information Technology Contracts</b>	<b>Total</b>	\$31,899,317	\$0	\$29,586,597	\$1,152,144	\$0
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	\$6,379,650	\$0	\$6,016,590	\$288,036	\$0
	GFE	\$0	\$0	\$0	\$0	\$0
	CF	\$1,566,666	\$0	\$1,660,853	\$0	\$0
	RF	\$100,328	\$0	\$100,328	\$0	\$0
	FF	\$23,852,673	\$0	\$21,808,826	\$864,108	\$0
<b>(2) Medical Services Premiums</b>	<b>Total</b>	\$3,985,613,386	\$0	\$4,026,532,673	(\$576,072)	\$0
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	\$1,050,603,677	\$0	\$1,092,869,207	(\$288,036)	\$0
	GFE	\$312,202,624	\$0	\$312,202,624	\$0	\$0
	CF	\$651,181,857	\$0	\$626,082,971	\$0	\$0
	RF	\$3,215,340	\$0	\$1,215,340	\$0	\$0
	FF	\$1,968,409,888	\$0	\$1,994,162,531	(\$288,036)	\$0

Letternote Text Revision Required? Yes: No:  If yes, describe the Letternote Text Revision:

Cash or Federal Fund Name and COFRS Fund Number: FF: Title XIX

Reappropriated Funds Source, by Department and Line Item Name:  
Approval by OIT? Yes: No: Not Required:

Schedule 13s from Affected Departments:

Other Information:



# DEPARTMENT OF HEALTH CARE POLICY AND FINANCING

John W. Hickenlooper  
Governor

*FY 2013-14 Funding Request  
November 1, 2012*

Susan E. Birch  
Executive Director

Signature

11/23/12  
Date

*Department Priority: R-9  
Dental ASO for Children*

Summary of Incremental Funding Change for FY 2013-14	Total Funds	General Fund	FTE
Dental ASO for Children	\$576,072	\$0	0.0

### Request Summary:

The Department requests permission in FY 2013-14 to implement a dental administrative services organization (ASO) for the Medicaid children's dental benefit. The Department would ensure that the cost to pay the provider would be offset by savings realized from the ASO's services, so that the program is at least General Fund neutral. This program would allow the Department to better deliver and manage dental services for children and increase the available provider network while increasing savings through the reduction of preventable and costly restorative services. In addition, the proposed change would align the Colorado dental benefit for children with the Department's care coordination efforts such as the Accountable Care Collaborative, and also with best practices in other state Medicaid programs. The Department estimates that the program would begin April 2014.

### Problem or Opportunity:

In FY 2011-12, the Department spent approximately \$109,050,000 on dental services through fee-for-service and payments to federally qualified health centers; this amount represents nearly a 93% increase in expenditure since FY 2007-08. Because dental services for children are federally mandated, the Department's only option

to reduce long term expenditure trends is through proper benefit management. The Department's dental benefit is currently managed only through utilization controls and a single program administrator. These resources are not sufficient to make outreach to clients to encourage proper utilization, recruit a provider network, or critically evaluate the program to make necessary programmatic changes.

### Brief Background:

Dental services for children are federally mandated as outlined in sections 1905(r)(3) and 1905(r)(5) of the Social Security Act. Improving oral health is also one of the Governor's 10 winnable battles; children are recognized as one of the most high-risk groups for poor dental care which can lead to missed school days and low achievement. In line with the Governor's objective, the Department has focused on improving the delivery of cost effective, appropriate dental services and benefits to clients.

The Department believes improvements to the program such as numerous dental policy work groups and the authorization of dental procedures to be performed by physicians during a child's routine check-up have improved the percentage of children receiving preventive care. For example, in FY 2010-11 approximately 50% of

Medicaid children received a preventive dental service; this percentage is higher than the national average of about 40% of Medicaid children receiving preventive dental care. Further, based on FY 2009-10 statistics, the percentage of Medicaid children receiving dental sealants in Colorado was about 16% while the national average was approximately 14% of clients. However, in FY 2010-11, nearly 180,000 Medicaid children in Colorado did not receive preventive care; this can eventually lead to more expensive costs as their teeth need restoration.

**Proposed Solution:**

The Department believes that in order to continue to improve the number of children receiving preventive dental services, thereby reducing costs in restoration, a dental administrative services organization (ASO) is needed to conduct outreach, evaluate data and make policy recommendations to the Department. This request would allow the Department to improve dental health outcomes and benefits management through a coordinated management framework. Through the competitive bid process, the Department would ensure that payments to the contractor are no more than the estimated savings to be achieved under the program, therefore ensuring a General Fund neutral implementation.

A number of states including Tennessee, Virginia, Illinois, and Kansas, have implemented dental ASO programs in an attempt to streamline burdensome administration and improve dental outcomes. Through connections with these states and research into best practices the Department believes implementing a dental ASO would continue Colorado's efforts to improve dental care for children while improving health outcomes and reducing costs. A dental ASO would align with other Department initiatives such as the Accountable Care Collaborative by coordinating care, improving preventive services and reducing costs.

An outside contractor would have the ability to assist the Department in policy review and outreach which in turn would improve dental health outcomes in Medicaid children and reduce costs. An ASO model would also assist the Department by having a vendor responsible for

data analytics to better monitor the dental program. Many current ASO providers in other states have access to sophisticated data analytics which enable them to see patterns per procedure code or tooth level to monitor outliers. The Department anticipates the advanced analytics of a dental ASO would allow the Department to better manage the benefit.

In selecting an ASO and making benefit changes the Department would utilize information gathered from a study to be conducted by the Caring for Colorado Foundation. The Department has agreed to an external independent and comprehensive review of Colorado's Medicaid dental program to provide guidance on benefit design, efficiencies and cost savings, optimal staffing, best practices, strategic direction and model design. The review will be facilitated by the Caring for Colorado Foundation and the reviewer will work under the direction and guidance of a stakeholder group of their selection with the cooperation and participation of the Department. The group anticipates completion of the review and recommendations to the Department by approximately November 2012.

In addition, the Department would continue to utilize the Benefits Collaborative process and build relationships with various dental stakeholder groups to make additional policy recommendations. The Benefits Collaborative serves as the Department's formal coverage standard development process. The Benefits Collaborative is a stakeholder driven process for ensuring that benefit coverage standards are: based on the best available clinical evidence; outline the appropriate amount, duration, and scope of Medicaid services; set reasonable limits upon those services; and, promote the health and functioning of Medicaid clients.

Benefits Collaborative groups focusing on dental began in 2008 and in order to be as transparent and inclusive as possible, the Department has made a dedicated commitment to identifying all possible stakeholders with an interest in helping Colorado Medicaid shape its coverage standards. Since the Benefits Collaborative aims to produce evidence-based policies guided by best practices, a diverse group of stakeholders including

providers, administrators, clients, advocates, and policy makers, have been invited to participate. The Department intends to continue to involve stakeholders in the Benefits Collaborative when reviewing the Caring for Colorado study results as well as in assistance in drafting a request for proposal (RFP) for the ASO.

Although the Department would solicit input on many program details through the stakeholder process, there would be a number of required features. Through the competitive bid process, the Department would procure a program administrator, which would be required to have efficient processes in place to ensure accurate processing of claims, authorizations, and appeals. Further, the administrator would be required to have programs in place to educate enrollees about their dental benefits and the importance of maintaining dental appointments with an emphasis on prevention. Finally, the administrator would be required to have adequate local presence to accommodate provider outreach initiatives, as well as relations staff who must be knowledgeable about Medicaid dental programs and can offer the support to both clients and providers.

Given the experience of other states, the Department anticipates that this type of ASO model would attract multiple bidders through the competitive procurement process. The Department would be able to score the vendors based on weights assigned to qualifications, experience, and price to ensure the purchase of services that best meet its needs and limited budget.

The Department believes that given the outreach and benefits management responsibility of the vendor, the Department would be able to realize savings. The costs of providing a client with preventive services such as dental prophylaxis and sealants are significantly less than the costs of fillings, extractions, and crowns. The Department anticipates that the ASO vendor would be able to increase the number of clients receiving preventive services and therefore reduce costly restorative work or emergency room visits. Therefore, the Department intends to set the monthly payment amount to the vendor

based on proposed savings likely achieved through the reduction in restorative and intervention services as well as hospital visits for dental purposes. The Department would require that the savings achieved through these reductions directly offset the costs associated with vendor payment and necessary administrative costs, resulting in budget neutrality. Any further savings achieved would be accounted for during the regular budget process.

Additionally, an ASO structure is conducive to the deployment of both incentives and penalties. Through implementation of performance incentives such as shared savings, with payments linked to outcomes, the state and the administrator have aligned goals. This approach reduces risk of service overutilization as an ASO would encourage its provider network to only utilize necessary and proper services while trying to provide the most comprehensive and cost effective care.

Operationally, in order to implement a dental ASO program, the Department would be required to make changes to the Medicaid Management Information System (MMIS) at the cost of \$1,152,144 in FY 2013-14. These changes would be necessary to pay the ASO contractor a monthly premium per client. Because the program would be required to be budget neutral, the Department would take these costs into consideration when determining the monthly payment to the contractor.

The Department requests \$576,072 total funds for implementation. Because the administrative budget and services budgets are contained in different appropriations and receive different federal match rates, the Department requests an increase of \$1,152,144 to its appropriation for Information Technology Contracts and a decrease of \$576,072 to its appropriation for Medical Services Premiums. While the resulting total funds request is \$576,072, the total request is General Fund neutral.

After reviewing feedback from the Caring for Colorado Study and Benefits Collaborative process and making necessary system changes,

the Department anticipates a new program could be implemented by April 2014. However, the Benefits Collaborative process would begin immediately, so that when the ASO vendor begins providing services, savings to offset the administrative and system change costs can still occur within the first year of the request.

Once clients are enrolled, the Department anticipates the cost associated with reimbursing an administrative vendor and enrolling clients in the program would be offset by savings. Should the Department determine that implementing a dental ASO for Medicaid children would incur additional costs, the Department would go through the regular budget process to request additional funding prior to implementing the program.

Notably, the Department has not requested an FTE to administer this program. This is because the Department has requested additional dental staff in request R-8, "Medicaid Dental Benefit for Adults" and additional staff to address other Department needs in R-6, "Additional FTE to Restore Functionality." With those resources, the Department would be able to absorb the additional workload from this program. However, without the additional resources, it is unlikely the Department would be able to implement this program on the timeframe identified in this request.

**Anticipated Outcomes:**

The Department anticipates a dental ASO for Medicaid children would improve dental health outcomes for children through outreach and benefits management while decreasing costs for restorative and intervention care. The Department believes the additional cost of providing administrative services would be offset by savings realized through benefits management. Further, the Department believes that by encouraging preventive services, there will also be long-term savings to the state through reduced Medicaid costs, and also long-term benefits to the affected clients.

**Assumptions for Calculations:**

The Department assumes that the program implementation would be at least General Fund neutral. This would be achieved through the RFP process, where any administrative costs including system changes and the payment to the ASO would be required to be offset with proposed savings. The Department would use the calculated administrative costs and estimated savings to determine the maximum payment that could be made to the vendor.

**Consequences if not Funded:**

Should the proposal not be funded, the Department would continue to operate the program with its current resources. Under this framework, the Department does not believe that it would be able to encourage positive outcomes, or avoid unnecessary long terms costs that could be avoided with proper benefit management. Without intervention the Department believes dental expenditure could continue to grow an average of 21% a year, as was observed from FY 2007-08 through FY 2011-12.

**Relation to Performance Measures:**

This request will assist the Department in meeting its performance measures to improve health outcomes and contain health care costs. For example, an ASO would be able to improve the percentage of Medicaid children receiving preventive dental services which would improve health outcomes as well as reduce costs associated with restorative work.

**Current Statutory Authority or Needed Statutory Change:**

Medicaid dental services for children are mandated in Section 1905(r)(3) and 1905(r)(5) of the Social Security Act. These sections specifically require both dental preventive care and coverage of medically necessary services whether or not such services are covered under the state plan.