

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4708-01  
Bill No.: HB 1538  
Subject: Dentists; Health Care; Health Department  
Type: Original  
Date: February 20, 2006

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**FISCAL SUMMARY**

| <b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>                   |                    |                    |                    |
|---|--------------------|--------------------|--------------------|
| FUND AFFECTED   | FY 2007            | FY 2008            | FY 2009            |
| General Revenue   | (\$106,363)        | (\$106,363)        | (\$106,363)        |
|   |                    |                    |                    |
| <b>Total Estimated<br/>Net Effect on<br/>General Revenue<br/>Fund</b> | <b>(\$106,363)</b> | <b>(\$106,363)</b> | <b>(\$106,363)</b> |

| <b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>                      |            |            |            |
|---|------------|------------|------------|
| FUND AFFECTED   | FY 2007    | FY 2008    | FY 2009    |
|   |            |            |            |
|   |            |            |            |
| <b>Total Estimated<br/>Net Effect on <u>Other</u><br/>State Funds</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> |

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

| <b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>                          |                |                |                |
|---|----------------|----------------|----------------|
| <b>FUND AFFECTED</b>  | <b>FY 2007</b> | <b>FY 2008</b> | <b>FY 2009</b> |
| Federal*  | \$0            | \$0            | \$0            |
|   |                |                |                |
| <b>Total Estimated<br/>Net Effect on <u>All</u><br/>Federal Funds</b> | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     |

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

| <b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b> |                |                |                |
|--|----------------|----------------|----------------|
| <b>FUND AFFECTED</b>                       | <b>FY 2007</b> | <b>FY 2008</b> | <b>FY 2009</b> |
| <b>Local Government</b>                    | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     |

## FISCAL ANALYSIS

### ASSUMPTION

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

Officials from the **Department of Health and Senior Services (DOH)** assume this proposal would not be expected to fiscally impact the operations of the DOH. DOH states if a fiscal impact were to result, funds to support the program would be sought through the appropriations process.

Officials from the **Office of Secretary (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the proposal. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to SOS for Administrative Rules is less than \$1,500. The SOS office recognizes that is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, SOS reserves the right to request funding for the cost of supporting

ASSUMPTION (continued)

administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Office of Attorney General (AGO)** assume that AGO would require .5 FTE (Assistant Attorney General III) to investigate and prosecute recipient dental fraud. AGO assumes \$39,566, \$43,865, and \$44,990 would be needed in FY 07, FY 08, and FY 09.

Oversight assumes the AGO could absorb a .5 FTE.

Officials from the **Department of Social Services - Division of Medical Services (DMS)** state the proposed legislation establishes the "Dental Carve Out Act of 2006" 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 single 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. Information obtained from three states, which currently have dental programs administered by an ASO, indicate a range of \$0.35 to \$0.75 per member per month (PMPM) for administrative services. The average PMPM was \$0.59. The number of Medicaid recipients eligible for dental services in November 2005 was 562,801. This includes children and eligible adults - pregnant women, blind persons and nursing facility residents. Assuming all of these current Medicaid eligibles would continue receiving dental services and utilizing the average PMPM, the cost would be \$4.0 million annually (562,801 x \$0.59 x 12).

The dental providers would submit a bill to the DMS for payment under a fee-for-service program. It is assumed 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 \$36 million (\$32.7 million for children and \$3.3 million for adults -pregnant women, blind persons and nursing facility residents).

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

ASSUMPTION (continued)

reduced for dental services and the funds would be used to offset the dental capitated rate. It is assumed that the DMS 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 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.

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.

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 \$40.3 million.

**The Oversight Subcommittee met on March 31, 2004 regarding a similar proposal, HB 400, L.R. 0214-01, and voted to reflect the cost to be \$278,000 (\$106,363 General Revenue and \$171,637 Federal Funds).**

| <u>FISCAL IMPACT - State Government</u> | FY 2007<br>(10 Mo.) | FY 2008 | FY 2009 |
|---|---------------------|---------|---------|
|---|---------------------|---------|---------|

**GENERAL REVENUE**

Costs - Department of Social Services -  
Division of Medical Services

|               |                    |                    |                    |
|---------------|--------------------|--------------------|--------------------|
| Program Costs | <u>(\$106,363)</u> | <u>(\$106,363)</u> | <u>(\$106,363)</u> |
|---------------|--------------------|--------------------|--------------------|

**ESTIMATED NET EFFECT TO  
GENERAL REVENUE**

|  |                           |                           |                           |
|--|---------------------------|---------------------------|---------------------------|
|  | <u><b>(\$106,363)</b></u> | <u><b>(\$106,363)</b></u> | <u><b>(\$106,363)</b></u> |
|--|---------------------------|---------------------------|---------------------------|

## **FEDERAL**

### Income - Department of Social Services

|                        |           |           |           |
|------------------------|-----------|-----------|-----------|
| Program reimbursements | \$171,637 | \$171,637 | \$171,637 |
|------------------------|-----------|-----------|-----------|

### Costs - Department of Social Services - Division of Medical Services

|               |             |             |             |
|---------------|-------------|-------------|-------------|
| Program Costs | (\$171,637) | (\$171,637) | (\$171,637) |
|---------------|-------------|-------------|-------------|

### **ESTIMATED NET EFFECT TO FEDERAL**

|                   |                   |                   |
|-------------------|-------------------|-------------------|
| <b><u>\$0</u></b> | <b><u>\$0</u></b> | <b><u>\$0</u></b> |
|-------------------|-------------------|-------------------|

### FISCAL IMPACT - Local Government

|                     |         |         |
|---------------------|---------|---------|
| FY 2007<br>(10 Mo.) | FY 2008 | FY 2009 |
|---------------------|---------|---------|

|                   |                   |                   |
|-------------------|-------------------|-------------------|
| <b><u>\$0</u></b> | <b><u>\$0</u></b> | <b><u>\$0</u></b> |
|-------------------|-------------------|-------------------|

### FISCAL IMPACT - Small Business

Dentists who operate as small businesses could be impacted as a result of this proposal.

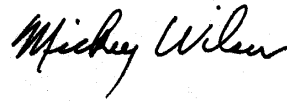
### DESCRIPTION

This proposal establishes the Dental Carve-Out Act of 2006 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 will establish a statewide uniform dental program administered by a private entity. The division is allowed to place coverage limits on dental services and the frequency of services. 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. The Attorney General will have full prosecutorial authority over any provider or recipient in the program.

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

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA  
Director  
February 20, 2006