SB 590

Department of Legislative Services

Maryland General Assembly

FISCAL NOTE

Revised

Senate Bill 590 (Senator Lawlah, *et al.*)
Finance

Medical Assistance and Other State Programs - Dental Services

This bill adds dental services as a benefit for pregnant women in the Medicaid program. The bill also requires the Department of Health and Mental Hygiene (DHMH) to issue a request for proposals for the administration of dental services for program recipients for the purpose of comparing and evaluating the performance and cost of dental services provided by a Medicaid managed care organization (MCO) and by a dental MCO that is separate from a Medicaid MCO. DHMH must provide Medicaid recipients with access to dental services in order to increase utilization in accordance with utilization targets established by DHMH through either a Medicaid MCO or a dental MCO.

The bill directs DHMH to establish, by regulation, a Five Year Oral Health Care Plan for Medicaid MCOs and dental MCOs, which includes specified utilization targets. DHMH must also establish an Office of Oral Health to ensure MCO compliance with the bill, promote the participation of dentists in the Medicaid program, oversee the survey and assessment process, and establish demonstration projects.

Fiscal Summary

State Effect: Administrative expenditures for the Office of Oral Health could increase by $27,600 in FY 1999, of which $13,800 is general funds and $13,800 is federal funds. Future year expenditures include the cost of a survey in FY 2000, annualization, and inflation. The FY 1999 second supplemental budget includes $500,000 ($250,000 general funds and $250,000 federal funds) for dental coverage of pregnant women in the Medicaid program, $1,200,000 ($600,000 general funds and $600,000 federal funds) for increased payments to MCOs for dental coverage for children, and $450,000 in general funds to fund dental outreach, prevention, and demonstration projects for children. No effect on revenues.

(in dollars)	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
GF Revenues	$0	$0	$0	$0	$0

GF Expenditures	13,800	116,300	17,800	19,400	21,000
FF Expenditures*	13,800	15,300	15,800	16,400	17,000
Net Effect	($27,600)	($131,600)	($33,600)	($35,800)	($38,000)

Note: ( ) - decrease; GF - general funds; FF - federal funds; SF - special funds
* federal fund expenditures are reimbursable by the federal government

Local Effect: None.

Small Business Effect: Potential meaningful.

Fiscal Analysis

Bill Summary: The Five Year Oral Health Care Plan must also: (1) include an assessment process to determine if the targets are being met and corrective measures if they are not; and (2) require a statewide follow-up survey of the oral health of school children in the year 2000.

In addition, DHMH must: (1) assess the availability and accessibility of dentists throughout the State participating in the Medicaid fee-for-service and managed care programs; and (2) develop and implement a strategy for increasing the participation of dentists in the program.

DHMH must submit an annual report to the General Assembly concerning the availability and accessibility of dentists in the Medicaid program, outcomes, loss ratios, corrective actions, and allocation and use of funds relating to dental care provided by Medicaid MCOs and dental MCOs. In addition, DHMH must ensure that dental services equivalent to those provided under the Medicaid program be provided to any portion of the Medicaid or dental MCO enrollees who may be moved into a private health insurance program. DHMH must apply for a Medicaid waiver to receive the enhanced federal matching rate of 65% (for children) under Title 21 of the Social Security Act by December 1, 1999.

Background: Children under 21 years of age who qualify for Medicaid are currently covered for oral health care services. The level of utilization of dental services by children enrolled in Medicaid MCOs amounts to about $3 million a year. Although Medicaid does not cover dental care for adults, all the MCOs participating in Maryland Medicaid managed care ("HealthChoice") voluntarily provide dental coverage. The level of coverage for adults varies by the MCO.

State Expenditures: The fiscal 1999 second supplemental budget includes $2,150,000 ($1,300,000 in general funds and $850,000 in federal funds) to fund oral health services. These are detailed below:

- $500,000 to the Medicaid program ($250,000 in general funds and $250,000 in federal funds) for dental coverage for pregnant women;

- $1,200,000 to the Medicaid program ($600,000 in general funds and $600,000 in federal funds) to increase payments to MCOs for dental coverage for children;

- $200,000 in general funds to the Office of Oral Health for Statewide Preventions and Outreach Oral Health Services for children; and

- $250,000 in general funds to the Office of Oral Health to fund School Oral Health Demonstration Projects.

There currently exists an Office of Oral Health within the Community and Public Health Administration (CPHA) of DHMH. General fund administrative expenditures for the Office of Oral Health could increase by an estimated $27,682 in fiscal 1999, of which $13,841 is general funds and $13,841 is federal funds. The estimate accounts for the bill's October 1, 1998 effective date. It accounts for one Dental Hygienist to ensure MCO compliance with the bill, oversee the survey and assessment process, and establish demonstration projects. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Future year expenditures include additional general fund expenditures of $100,000 in fiscal 2000 for the dental-needs survey. Out-year expenditures also reflect (1) a full salary with 3.5% annual increases and 3% employee turnover; (2) annualization; and (3) 1% annual increases in ongoing operating expenses.

Future Medicaid expenditures could increase if Medicaid MCO capitation rates are increased to accommodate the increased spending by MCOs in order to meet the dental utilization targets.

Improving oral care would ultimately lead to an improvement in overall health status. This could, in turn, result in lower health care expenditures for Medicaid MCOs and the Medicaid program.

If a federal waiver for the enhanced federal Medicaid matching rate of 65% (instead of the current 50%) is approved, costs for the Medicaid program would be reduced by the amount of the additional federal reimbursement.

The bill requires DHMH to issue a request for proposals (RFP) for the administration of dental services for Medicaid recipients for purposes of comparing and evaluating the performance of Medicaid MCOs and dental MCOs. It is not clear from the language if the bill requires DHMH to award the RFP. Currently, the Medicaid program does not issue RFPs for Medicaid services. Instead, DHMH establishes rates and MCOs could elect to

participate in the program. The Medicaid regulations require DHMH to issue RFPs for the administration of dental services for Medicaid recipients, and to hold the responses to the RFPs for the purpose of comparing and evaluating the performance and cost of dental services providers by Medicaid MCOs in the first year of the program. DHMH has yet to issue such an RFP.

If the bill requires DHMH to issue and award an RFP for dental services, then the funds included in HealthChoice for dental services could be carved-out of the MCO capitation rates for the RFP. DHMH could set a maximum cost for which an RFP would be considered in order to keep total Medicaid expenditures unchanged. It is unclear at this point if federal Medicaid requirements would necessitate that an RFP and a carve-out apply to all Medicaid recipients, or if it could apply to a portion (such as in a demonstration project).

Small Business Effect: There are about 330,000 enrollees in HealthChoice. To the extent that more enrollees would be receiving dental services as a result of this bill, small business dental providers that participate in Medicaid could experience a significant increase in business activity. The extent of the impact on small business providers would depend on the reimbursement rates that these dental providers receive for serving HealthChoice recipients.

Information Source(s): Department of Health and Mental Hygiene (Medical Care Policy Administration, Community and Public Health Administration, Board of Dental Examiners); Insurance Administration; Department of Legislative Services; Total Dental Plan of OHCD Management Systems

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