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May 21, 2015 Joint Committee on Finance Paper #351

Enhanced Dental Services Reimbursement Pilot Program (Health Services -- Medical Assistance -- General)

[LFB 2015-17 Budget Summary: Page 208, #9]

CURRENT LAW

The state's medical assistance (MA) program provides health care coverage for a variety of medical services. One of the covered services is dental care. Some dental services reimbursed under the MA program are provided by federally qualified health centers (FQHCs), which are reimbursed for their actual costs of providing services to individuals enrolled in MA. FQHCs primarily serve MA recipients and uninsured individuals. Dental services provided outside an FQHC, such as in a private office setting, are reimbursed by the MA program at the lesser of the provider's usual and customary charge or amounts prescribed under a maximum fee schedule established by the Department of Health Services (DHS).

GOVERNOR

Provide $4,530,000 GPR and $6,950,000 FED in 2016-17 to reflect the administration's estimate of additional MA benefits costs of implementing an enhanced dental services reimbursement pilot program.

Require DHS, subject to approval of the U.S. Department of Health and Human Services (HHS), to establish a pilot project under which moneys are distributed in each fiscal year to increase the MA reimbursement rate for pediatric dental care and adult emergency dental services, as defined by the Department, that are provided in Brown, Polk, and Racine Counties. Require DHS to request any waiver from, and submit any amendments to, the state MA plan to HHS necessary for the pilot project, and require the Department to implement the pilot project, beginning on the effective date of the waiver or amendment. Specify that the increased reimbursement rates would first apply to services provided on the effective date of the waiver or plan amendment.

DISCUSSION POINTS

1. The bill would increase MA benefits funding to reflect the impact of increased dental reimbursement rates paid for dental services provided in the pilot counties. The amount by which rates would be increased would not be specified, to allow the Department flexibility in negotiating with the Centers for Medicare and Medicaid Services (CMS) on a waiver agreement.

2. Although the bill would not specify the precise amount of the rate increase, the bill's fiscal effect is based on the assumption that rates would be increased for each dental procedure to a level equal to the median fee charged by dentists in Wisconsin and other regional states (Illinois, Indiana, Michigan, and Ohio), according to a 2013 survey conducted by the American Dental Association (ADA). In addition to the rate increase, it is assumed that the utilization of pediatric dental services would increase by 40% in the pilot counties as dentists increase their appointments for MA-funded patients. No increase was assumed in the utilization of adult emergency services, since emergency situations are currently treated in a hospital emergency room setting if the person experiencing an emergency does not have access to treatment in an office setting. It is assumed that the pilot project would begin with services provided on July 1, 2016.

3. According to ADA's 2013 survey, median dental fees for procedures in Wisconsin's region are generally two to four times higher than the MA program's reimbursement fee. As an example, the median fee for a periodic oral evaluation is $45, though MA pays just $15.92 for this service for a pediatric patient.

4. In 1999, dental reimbursement rates were set at 65% of 1998 billed amounts for adult procedures and 69% of billed amounts for pediatric procedures. Since that time, rates have been increased four times: by 1% annually between 2000 and 2002 and again by 1% in 2008. No other changes to dental fees have been enacted since 2008. Since few increases have been enacted since 1999, reimbursement rates have fallen well below the benchmark. Currently, the amount paid averages less than 40% of the ADA survey's median fees.

5. Because of low reimbursement rates, many dental providers do not accept MA patients or restrict the number of MA patients that they see. According to a recent DHS study, only 43% of Wisconsin dentists saw any MA patients in 2011, and only 23% saw more than MA 50 patients during the year. The purpose of the pilot program is to increase access to dental services for certain MA recipients by inducing providers to accept more MA patients.

6. Access to, and use of, dental services for children and adults in low-income households is a long-standing concern in Wisconsin and nationally. According to the U.S. Centers for Disease Control and Prevention, two-thirds of children in low-income families between the ages of 12 and 19 have experienced tooth decay. Tooth decay and other oral conditions are often the result of lack of access to dental care and, if untreated, may lead to more significant problems. Some of these problems reach the point of requiring costly emergency care.

7. It is anticipated that an increase in the number of providers who accept pediatric patients would increase the number of children and adolescents who receive regular, ongoing care, and thus fewer complications associated with untreated dental problems. Likewise, it is hoped that

an increase in reimbursement rates for adult emergency procedures would increase the chances that dental-related emergencies are addressed in an office setting, rather than in a more costly hospital emergency room setting.

8. The Department periodically collects data on the utilization of dental services among MA recipients. In 2009-10, which is the latest year for which data are reported, 36% of MA recipients who were continuously enrolled in the program received dental services. In the proposed pilot counties, the percentage of recipients who received services was 28% in Racine County, 34% in Brown County, and 45% in Polk County.

9. The bill would require the Department to seek any federal Medicaid waiver, or submit a Medicaid plan amendment, found to be necessary to implement the pilot program. Federal law generally requires that Medicaid benefits provided through the state must be provided on a statewide, uniform basis. Since the proposed pilot program is designed to provide increased access to dental services in certain counties, CMS may determine that a waiver would be required. In considering waiver applications, CMS must adhere to certain requirements, and so not all demonstration projects will be approved. If CMS finds that the proposed pilot program does not meet the criteria for waiver approval, the enhanced dental reimbursement program would not take effect.

10. Other states have conducted demonstrations similar to the proposed pilot program in an attempt to increase Medicaid participation by dental providers and increase utilization of dental services by low income families. A 2008 report from the National Academy for State Health Policy (NASHP) ["The Effects of Medicaid Reimbursement Rates on Access to Dental Care"] examined the experience of six states -- Alabama, Michigan, South Carolina, Tennessee, Virginia, and Washington -- that conducted such demonstrations. These states had varying approaches to establishing higher reimbursement rates, but generally the new rates were set near to, or even above prevailing dental procedure charges. Also, increased reimbursement rates were generally paired with other program changes, such as oral health education and outreach, and measures designed to streamline administrative processes. The NASHP evaluation found that provider participation increased by at least one-third in every state, and patient utilization increased by 30% to 40% within two years and by as much as 76% after six years.

11. Based on the results from dental reimbursement rate demonstrations in other states, it would appear likely that increasing the dental reimbursement rate in the pilot counties would increase the use of dental services by MA recipients in those counties. Furthermore, from various public health studies on the relationship between access to dental care and positive oral health outcomes, it can reasonably be concluded that an increase in dental services utilization in the pilot counties would be associated with better oral health. If the Committee decides that providing additional funding, as proposed under the bill, to achieve these outcomes in the three pilot counties is an important goal, then it could approve the provision [Alternative 1].

12. Pilot programs often have a sunset date, which requires the Legislature to later take action to extend, expand, or modify the policies if warranted, but which allow the policy changes to expire if continuing them is not warranted. The proposed enhanced dental reimbursement pilot project does not have a sunset date, nor does it have a mechanism to allow the Legislature to

evaluate the impact of enhanced reimbursement rates. One modification that could be made would be to enact the following changes: (a) limit the pilot program to the time period approved under the initial waiver agreement, if a waiver is required, or three years following the plan amendment, if no waiver is required; and (b) require DHS to produce a report on the impact of the enhanced reimbursement rate in the three counties no later than six months prior to the expiration of the pilot program [Alternative 2].

13. Typically, the intent of enacting a pilot program with limited scope is to determine the impact of policies that later could be expanded if they are determined to be effective. It should be noted that extending the proposed dental reimbursement program statewide would significantly increase MA dental services expenditures. Under the assumptions underlying the bill's fiscal estimate, dental services expenditures would increase in the three pilot counties by approximately 190%. If that rate of increase were applied to statewide, dental services expenditures would increase by approximately $130 million (all funds) on an annualized basis.

14. Since increasing dental procedure reimbursement rates has clearly been demonstrated to increase dental services utilization in other states, a case could be made that there is little to be learned regarding dental services utilization from a limited-scope pilot program in Wisconsin. In this case, the Committee may decide that targeting funding to the proposed dental reimbursement pilot counties is unjustified. Instead, the Committee could decide that providing funding to increase dental reimbursement rates more broadly would be warranted. An across-the-board rate increase for dental reimbursement using the pilot program funding would result in a relatively small rate increase and would not likely have a significant impact on dental services utilization. The GPR funding provided by the bill could be utilized, however, to target statewide rate increases for certain procedures in order to have a greater impact on access to vital services. For instance, if the principal concern is children's access to basic dental care, the rate increase could be targeted to pediatric procedures related to routine care, such as oral exams, teeth cleaning, and cavities. Typically MA reimbursement rates are not prescribed through legislation, but the Committee could adopt an alternative that directs the Department, through a nonstatutory provision, to: (a) implement a statewide increase to pediatric dental rates in 2016-17 that results in an increase in GPR expenditures for pediatric dental procedures of approximately $4,530,000 during the first year of implementation; and (b) maximizes the impact on access to routine dental care for children and adolescents covered under the medical assistance program, within available funding [Alternative 3].

15. In an environment in which many GPR-supported programs may be reduced due to an insufficiency of funds, the Committee could decide that providing funding to increase dental services utilization is unwarranted at this time [Alternative 4].

ALTERNATIVES

1. Approve the Governor's recommendation to provide $4,530,000 GPR and $6,950,000 FED in 2016-17 for an enhanced dental services reimbursement pilot program in Brown, Polk, and Racine counties.

2. Modify the Governor's recommendation by adopting the following: (a) establish a

sunset for the pilot program of the expiration date established under a waiver agreement, if a waiver is required, or three years following the effective date of a plan amendment, if no waiver is required; (b) require the Department to conduct an analysis of the pilot project that examines the impact of the increased dental reimbursement rates on any changes to the amount of pediatric and adult emergency dental services provided and any changes to the participation by dental providers in the MA program; and (c) require the Department to report the findings of this analysis to the Legislature not later than six months prior to the expiration of the pilot program.

3. Delete the enhanced dental services pilot program and instead direct the Department to implement a statewide increase to pediatric dental rates in 2016-17 that does the following: (a) results in an increase in GPR expenditures for pediatric dental procedures of approximately $4,530,000 during the first year of implementation; and (b) maximizes the impact on access to routine dental care for children and adolescents covered under the medical assistance program, within available funding.

4. Delete provision.

ALT 4	**Change to Bill**
GPR	- $4,530,000
FED	- 6,950,000
Total	- $11,480,000

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