SB12-108

Colorado Legislative Council Staff Fiscal Note

STATE
REVISED FISCAL IMPACT

(replaces fiscal note dated April 16, 2012)

Drafting Number:	LLS 12-0273	**Date:**	May 2, 2012
Prime Sponsor(s):	Sen. Nicholson	**Bill Status:**	House Health and Environment
	Rep. Summers; Kerr A.	**Fiscal Analyst:**	Kerry White (303-866-3469)

TITLE: CONCERNING PROVIDING ORAL HEALTH SERVICES TO PREGNANT WOMEN WHO ARE ENROLLED IN MEDICAID, AND, IN CONNECTION THEREWITH, MAKING AN APPROPRIATION.

Fiscal Impact Summary	FY 2012-2013	FY 2013-2014
State Revenue	Potential increase - see State Revenue section.	
State Expenditures	at least $911,231	$1,548,932
General Fund	416,710	743,061
Federal Funds	494,521	805,871
FTE Position Change		
Effective Date: August 8, 2012, if the General Assembly adjourns on May 9, 2012, as scheduled, and no referendum petition is filed.		
Appropriation Summary for FY 2012-2013: The Department of Health Care Policy and Financing requires an appropriation of $911,231, including $416,710 General Fund and $494,521 federal funds.		
Local Government Impact: None.		

Summary of Legislation

This reengrossed bill requires the Department of Health Care Policy and Financing (DHCPF) to provide certain dental benefits to pregnant women enrolled in Medicaid by January 1, 2014. Specifically, it requires pregnant women to be eligible for:

- an oral examination and diagnosis;
- the use of cariostatic agents (substances that inhibit or suppress dental caries);
- dental prophylaxis, including basic and deep cleaning, and topical fluoride treatment;
- radiographs, when indicated;
- debridement;
- dental restoration services; and
- extractions.

It directs the DHCPF to seek federal authorization, as necessary, to implement the bill. The DHCPF is also directed to report on the program to legislative committees and allowed to seek an independent evaluation of the health outcomes achieved as a result of the program. Finally, the bill grants the DHCPF authority to accept gifts, grants, and donations to make any required computer system modifications or to fund the independent evaluation.

Background

The DHCPF currently provides a dental benefit to children 21 years of age and younger in the Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) program. For clients over 21 years of age, reimbursement is provided for emergency dental services only. Pregnant women ages 21 and older are allowed access to dental services for conditions related to oral cavities, but not preventative or restorative services. For example, Medicaid currently covers extractions as an emergency dental service, and therefore, these costs are not included in the fiscal note.

In FY 2010-11, there were a total of 17,155 unique Medicaid births to clients that would be eligible for services under this bill. Of this number, approximately 695 were pre-term births that included a stay in the neo-natal intensive care unit (NICU) and 2,203 were identified as low-birth weight "needy newborns." Based on current claims data, the number of eligible pregnant women is anticipated to be 16,539 for FY 2012-13 and 17,264 in FY 2013-14.

State Revenue

This bill could increase state revenue as a result of the receipt of any gifts, grants, or donations to fund computer system changes or an independent evaluation of health outcomes. As of this writing, no funding sources have been identified and, therefore, no estimate of increased revenues is provided.

State Expenditures

This bill increases state expenditures in the Department of Health Care Policy and Financing by at least $911,231 in FY 2012-13 and $1,548,932 in FY 2013-14. Table 1 and the discussion that follows describe the costs under the bill.

Table 1. Expenditures Under SB12-108

Cost Components	FY 2012-13	FY 2013-14
Contractor costs	$155,625	$125,625
Dental benefits	616,413	1,930,296
Computer system changes	at least 252,000	0
Reduction in low-birth weight deliveries	(112,807)	(506,989)
TOTAL	**at least $911,231**	**$1,548,932**
General Fund	**416,710**	**743,061**
Federal Funds	**494,521**	**805,871**

Department of Health Care Policy and Financing. The DHCPF will be required to write a state plan amendment and adopt rules to implement the dental benefit. It is also directed to prepare reports for legislative committees and authorized to seek an independent evaluation of health

outcomes for the program. This analysis assumes these costs, except for the independent evaluation of health outcomes, can be accommodated within existing appropriations. Based on other program evaluations, the cost for a study of health outcomes could be up to $75,000, which would be incurred in FY 2015-16. This amount is not included in the above table because this analysis assumes DHCPF will bid the project out and request any funds not received as gifts, grants, and donations through the annual budget process in FY 2015-16.

Contractor costs. One-time costs of $155,625 are needed to make changes to the DHCPF's utilization management contractor's computer system. Because pregnancy is not a condition of enrollment in Medicaid and is not currently captured in state computer systems, this approach is more cost effective and timely than modifying the state's computer systems for eligibility purposes. Ongoing costs of approximately $125,625 per year are required to determine eligibility.

Computer systems changes. In order to limit benefit payments to providers, the DHCPF will be required to make changes to the Medicaid Management Information System (MMIS). As of this writing, the exact cost for these modifications was not available, but is anticipated to be at least $252,000 in one-time expenditures for FY 2012-13. If costs exceed the $252,000 identified in the fiscal note, this analysis assumes the DHCPF will request an increase in appropriations through the annual budget process.

Dental benefits. Based on current use levels in the Bright Smiles program operated by Dental Aid and Medicaid dental benefit participation rates in Oklahoma and Louisiana, the fiscal note assumes 20 percent of women will elect to receive benefits in each of the first two fiscal years. Participation may increase by up to 10 percent per year thereafter, but this analysis assumes it will not exceed 50 percent at any time.

Per capita costs are estimated at $559, which assumes each client will have one evaluation, one set of radiographs, one cleaning, and five restorative services. In addition, it is assumed that one in four clients will require full mouth debridement and one in two clients will receive a cariostatic agent. Use of services estimates are modeled upon the Bright Smiles program. Based on the assumption that the program will become available for enrollment in March 1, 2013, costs to provide dental benefits are $616,413 for FY 2012-13 and $1.9 million for FY 2013-14.

Reduction in low-birth weight deliveries. Based on a recent study in Boulder, which showed a reduction in the number of low-birth weight babies delivered by Medicaid women receiving dental services, the fiscal note assumes that some savings will be achieved. In addition, several national studies have found a relationship between periodontal therapy and the incidence of pre-term, low-birth weight babies, with reductions estimated as high as 30 percent. As it is unknown whether the women in the Boulder study are representative of the entire state or how national studies translate to Colorado, the fiscal note assumes a reduction of 10 percent in the number of babies that will be born with low-birth weights to women receiving dental services. Based on an estimated cost avoidance of $5,769 for NICU pre-term births and $9,472 for "needy newborns," the fiscal note shows an estimated savings of $506,989 per year, pro-rated to $112,807 for the first year.

Departmental Differences

The DHCPF estimates that state expenditures will increase by $1,951,252 in FY 2012-13 and $5,211,428 in FY 2013-14 and no savings will be achieved from reducing low-birth weight deliveries. The DHCPF acknowledges that many studies have shown an association between reduced oral bacteria in pregnant women and reductions in low-birth weight babies. However, the DHCPF asserts that this relationship is not established conclusively and therefore does not agree with the savings shown in the fiscal note. The DHCPF also indicates that to the extent a pregnant women receives dental benefits, the amount of dental procedures the child requires in the future could be reduced. According to the department, the average Medicaid child utilizes services for only nine months and therefore the program will not see savings from this change.

The department's costs are based upon the assumption that, from its inception, 50 percent of pregnant women may access dental services each year. The fiscal note assumes a 20 percent participation rate in the first two fiscal years, and that participation could grow by up to 10 percent per year thereafter. The participation rate shown in the fiscal note is lower than DHCPF's estimate because it relies on the following assumptions:

- it will take time for physicians to become aware of the program and, therefore, to make referrals to pregnant women in need of services;
- pregnant women are less likely to obtain dental services compared to other adult women given perceptions that dental services are unsafe during pregnancy and national data, which show that participation is 34 percent among all groups of adult pregnant women;
- many adults do not seek dental treatment until a problem presents itself;
- participation rates among similar programs in existence from between five and ten years is much lower than 50 percent and has been shown to escalate over time; and
- even if there is a pent-up demand for services, access to Medicaid providers of dental services may be limited depending on where the pregnant woman is located.

Finally, DHCPF requested $252,000 in FY 2013-14 for information technology projects. The DHCPF has not had an opportunity to price MMIS changes and included the $252,000 figure for both years based on an estimated manual workaround solution. The fiscal note does not include these costs in FY 2013-14 because it assumes one-time changes will be more cost effective. However, the fiscal note acknowledges that MMIS costs could be greater than $252,000, in which case the department should request additional appropriations through the annual budget process.

State Appropriations

For FY 2012, the Department of Health Care Policy and Financing requires an appropriation of $911,231 including $416,710 General Fund and $494,521 federal funds.

Departments Contacted

Health Care Policy and Financing