

Colorado Legislative Council Staff Fiscal Note

**FINAL**  
**FISCAL NOTE**

**Drafting Number:** LLS 13-0611  
**Prime Sponsor(s):** Sen. Nicholson  
Rep. Primavera

**Date:** July 22, 2013  
**Bill Status:** Signed into Law  
**Fiscal Analyst:** Kerry White (303-866-3469)

**TITLE:** CONCERNING DENTAL SERVICES FOR ADULTS IN THE MEDICAID PROGRAM, AND, IN CONNECTION THEREWITH, MAKING AND REDUCING AN APPROPRIATION.

Fiscal Impact Summary	FY 2013-2014	FY 2014-2015
<b>State Revenue</b>		
<b>State Transfers</b> Unclaimed Property Trust Fund to the Adult Dental Fund*	at least \$11.4 million	at least \$22.9 million
<b>State Expenditures*</b>	<b><u>\$33,786,960</u></b>	<b><u>\$85,800,144</u></b>
General Fund	(738,262)	(1,563,168)
Cash Funds		
Hospital Provider Fee Cash Fund	(213,659)	(458,520)
Adult Dental Fund	11,422,128	22,858,374
Federal Funds	23,316,753	64,963,458
<b>FTE Position Change</b>	1.3 FTE	2.0 FTE
<b>Effective Date:</b> The bill was signed into law by the Governor on May 11, 2013, and takes effect August 7, 2013, assuming no referendum petition is filed. Section 6, rather than Section 5, will take effect on this date due to the passage of Senate Bill 13-200.		
<b>Appropriation Summary for FY 2013-2014:</b> The appropriations clause for this bill includes items that are not included in the fiscal note. See the State Appropriations section for more information.		
<b>Local Government Impact:</b> None.		

\* These totals do not include costs for certain clients that are not currently enrolled in Medicaid, but are currently eligible for the program. Further detail is included in the State Transfers, State Expenditures, Departmental Differences, and State Appropriations sections.

**Summary of Legislation**

This bill adds dental services for adults to the list of optional services provided in Medicaid. It requires the Department of Health Care Policy and Financing to convene a group of stakeholders to design the dental benefit and implement services by April 1, 2014. The bill creates the Adult Dental Fund and allows the fund to retain interest earnings and unexpended moneys at the end of each fiscal year. The transfer of funds from the Unclaimed Property Trust Fund to the Adult Dental Fund is authorized to pay the costs of the bill.

**Background**

Colorado 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 most adults, reimbursement is provided for emergency dental services only. Clients with certain concurrent medical conditions are also allowed access to dental services for conditions related to oral cavities, but not preventative or restorative services. A number of national and state studies show that untreated dental conditions have led to increased use of hospital emergency departments, resulting in more costly care. A 2012 report from the Pew Center on the States found that preventable dental conditions were the primary diagnosis in 830,590 visits to emergency departments nationwide in 2009. For FY 2013-14, the Department of Health Care Policy and Financing anticipates emergency dental services costs will be \$12.7 million.

**State Transfers**

**The fiscal note estimates that at least \$11.4 million in FY 2013-14 and \$22.9 million in FY 2014-15 will transfer from the Unclaimed Property Trust Fund (UPTF) to the Adult Dental Fund.** The bill directs transfers from the UPTF be made to cover the costs of SB13-242 after meeting the UPTF's reserve requirements. Based on the bill's appropriation, which includes costs for certain existing clients currently eligible but not yet enrolled (EBNE), the required transfer could be up to \$11.5 million in FY 2013-14 and \$23.3 million in FY 2014-15. More detail is included in the State Expenditures, Departmental Differences, and State Appropriations sections, below.

**State Expenditures**

**This bill will increase state expenditures for the Department of Health Care Policy and Financing by at least \$33.8 million and 1.3 FTE in FY 2013-14 and \$85.8 million and 2.0 FTE in FY 2014-15.** Table 1 and the discussion that follows describe the costs under the bill.

<b>Table 1. Expenditures Under SB13-242</b>		
<b>Cost Components</b>	<b>FY 2013-14</b>	<b>FY 2014-15</b>
Personal Services	\$78,410	\$108,463
FTE	1.3	2.0
Operating Expenses and Capital Outlay	10,546	1,900
Computer System Changes (MMIS)	555,534	0
Contractor Costs	at least 355,000	at least 355,000
Medical Services Premiums	at least 26,850,004	at least 54,711,047
Costs due to the passage of SB13-200	5,937,466	30,623,734
<b>TOTAL</b>	<b>\$33,786,960</b>	<b>\$85,800,144</b>
<b>General Fund</b>	<b>(738,262)</b>	<b>(1,563,168)</b>
<b>Cash Funds*</b>	<b>11,208,469</b>	<b>22,399,854</b>
<b>Federal Funds*</b>	<b>23,316,753</b>	<b>64,963,458</b>

\* See note under refinancing of costs due to the passage of SB13-200, below.

***Personal services, operating, and capital outlay costs.*** The Department of Health Care Policy and Financing is required to engage stakeholders in a collaborative process, design a limited dental benefit, write a state plan amendment for the Medicaid program, and adopt rules to implement the dental benefit. This analysis assumes that these tasks will be performed by a new 1.0 FTE General Professional IV, hired on July 1, 2013, who will also manage the adult dental program once it is implemented. Beginning in March 2014, an additional 1.0 FTE General Professional II is required to assist with daily administrative tasks, including resolving complaints and researching client appeals and claims processing issues. Total salary costs are \$108,463, which are prorated to \$78,410 in the first year to account for the delayed hire date of the second FTE. Capital outlay costs are \$9,406 in the first year. Annual operating costs are \$1,900, which are prorated to \$1,140 in the first year.

***Computer system changes.*** One-time programming changes are required for the Medicaid Management Information System (MMIS) at a cost of \$555,534. These changes will allow claims to be paid and ensure that costs do not exceed the annual limit.

***Contractor costs.*** The department will contract with a third-party administrative services organization (ASO) to track and monitor utilization of the dental benefit and coordinate care for clients. The administrative cost is assumed to be at least \$355,000 per year.

***Medical services premiums.*** While the actual dental benefit will be designed through a collaborative stakeholder process, for the purposes of estimating costs, the fiscal note assumes that dental benefits will be capped at \$1,000 per client, but that clients will use an average of \$627 in dental benefits per year. Of the eligible population, approximately 27 percent of eligible clients will use dental benefits, which is prorated in the first year. As a result, caseload is 43,043 in FY 2013-14 and 82,072 in FY 2014-15. Total adult dental benefit costs are \$28.8 million in FY 2013-14 and \$58.8 million in FY 2014-15. However, a portion of the adult dental benefit costs are assumed to be offset by reduced emergency dental services. The fiscal note assumes savings of 15 percent, or \$1.9 million, in FY 2013-14 and 30 percent, or \$4.0 million, in FY 2014-15.

***Expansion costs under Senate Bill 13-200.*** SB13-200, which took effect May 13, 2013, expanded eligibility for Medicaid to include adults and parents with incomes of up to 133 percent of the federal poverty level. Under SB13-200, caseload is assumed to increase by at least 8,975 in FY 2013-14 and 43,587 in FY 2014-15. Including administrative costs, total costs are assumed to increase by at least \$5.9 million in FY 2013-14 and \$30.6 million in FY 2014-15. Because these clients are considered to be newly eligible under the federal Patient Protection and Affordable Care Act of 2010, the federal government will pay their entire cost for the first three years. Beginning in 2016, the federal share of costs is decreased gradually, until 2010, when it is 90 percent of costs. Beginning in FY 2016-17, the state's share of costs for these clients are assumed to be paid with cash funds from the Hospital Provider Fee Cash Fund.

This analysis uses assumptions consistent with the fiscal note for SB13-200 and excludes costs for existing EBNE clients. This is based on the assumption that these individuals will only enroll in Medicaid if they choose to apply for insurance under the forthcoming health benefit exchange or there is a medical event which causes them to become aware of their eligibility, rather than because of expansions to the Medicaid program. As with other unanticipated fluctuations in the Medicaid program, this analysis assumes any increase in costs arising from existing EBNE clients should be addressed through the annual budget process.

***Refinancing of certain costs due to the passage of SB13-200.*** In 2009, the state implemented legislation to collect hospital provider fees (credited to the Hospital Provider Fee Cash Fund), in part, to increase Medicaid eligibility for certain "optional groups." The expansion authorized in 2009 was only partially implemented and costs for those clients are currently split between the Hospital Provider Fee Cash Fund and federal funds. The passage of SB13-200 allows the state to complete the expansion begun in 2009 and to further expand the program to eligibility levels established under the federal Affordable Care Act (ACA). Under federal rules, the expansions begun in 2009, as well as those included in SB13-200, are eligible for enhanced federal participation. As a result, a portion of the medical services premiums costs for existing clients that would have otherwise been paid for with the Hospital Provider Fee Cash Fund are now paid with federal funds.

**Expenditures Not Included**

Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. The centrally appropriated costs subject to this policy are summarized in Table 2.

<b>Table 2. Expenditures Not Included Under SB13-242*</b>		
<b>Cost Components</b>	<b>FY 2013-14</b>	<b>FY 2014-15</b>
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$8,067	\$13,433
Supplemental Employee Retirement Payments	4,258	7,532
<b>TOTAL</b>	<b>\$12,325</b>	<b>\$20,965</b>

\*More information is available at: <http://colorado.gov/fiscalnotes>

**Departmental Differences**

The Department of Health Care Policy and Financing included existing EBNE clients in its estimate of costs that will be incurred due to SB13-200 becoming law. This would increase caseload by 738 in FY 2013-14 and 4,600 in FY 2014-15. Including administrative costs, the department's estimate increases costs by \$71,445 in FY 2013-14 and \$872,615 in FY 2014-15. Consistent with the analysis for SB13-200, the fiscal note excludes those costs because it assumes that EBNE will only enroll in Medicaid if they have a medical event or because they apply for insurance through the

forthcoming health benefit exchange and that neither the program expansion nor the dental benefit program will cause new enrollment. Costs are shown in this fiscal note as "at least" because the analysis assumes it is possible Medicaid caseload as a whole will increase, or that utilization may exceed the 27 percent estimate. This analysis assumes any additional increase in costs due to EBNE clients will be addressed through the annual budget process.

### **State Appropriations**

For FY 2013-14 and because SB13-200 became law, the Department of Health Care Policy and Financing is appropriated \$33,858,405, including (\$738,262) General Fund, (\$213,659) from the Hospital Provider Fee Cash Fund, \$11,457,830 from the Adult Dental Fund, and \$23,352,496 federal funds, and 1.3 FTE. The bill's appropriation includes \$71,445 in funding for EBNE, which as discussed in the State Expenditures and Departmental Differences sections, is not included in the fiscal note.

### **Departments Contacted**

Health Care Policy and Financing  
Treasury

Joint Budget Committee Staff