Report on:
Medicaid (Title 19) and SCHIP (Title 21) Dental Services:
Study on Fee-For-Service vs. Managed Care

Presented to:
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Medicaid (Title 19) and SCHIP (Title 21) Dental Services:
Study on Fee-For-Service vs. Managed Care

**Purpose**
The 2006 Budget Conference Committee directed the Kansas Health Policy Authority (KHPA) to conduct a study on a fee-for-service versus managed care basis for Medicaid (Title 19) and SCHIP (Title 21) dental services. As outlined in subsection (j) of section 35 of Chapter 216 of the 2006 Session Laws of Kansas, KHPA was directed:

“…to provide a report to the joint committee on health policy oversight prior to March 1, 2007, regarding the status of the title XIX and title XXI dental programs: Provided, That the Kansas health policy authority shall make recommendations for the long-term policy direction for the title XIX and title XXI dental programs regarding whether these programs will be administered as managed care or as fee-for-service programs.”

Individual managed care organizations in Kansas prior to 2001 subcontracted for dental services. On July 1, 2001, Doral Dental contracted to provide Title 21 dental services through a fully capitated managed care model. Doral began providing administrative services for the Title 19 dental program on October 16, 2003. Data was used from year 2001 and forward to provide the study and recommendations to the Committee.

**Dental Issues in Kansas**
Multiple issues complicate the provision of dental services to Title 19 and Title 21 beneficiaries in the state of Kansas. A nationwide dental provider shortage exists; predictions indicate more dentists will retire than graduate each year until 2031. Kansas’ ratio of dentists per population is less than the national average. Dentists are disproportionately located in Kansas, with most practicing in suburban areas; 23 Kansas counties do not have a dentist who will provide services to a Title 19 or Title 21 beneficiary client. The number of specialty areas of dentistry have contributed to reducing the number of dentists in a certain area of practice, causing long periods of waiting for appointments in that particular specialty. More than 70 percent of dentists are solo practitioners, and therefore, it is more difficult for them to absorb administrative and overhead costs. The average Kansas Title 19 and Title 21 dental reimbursement rates are less than half of providers’ usual and customary charges.

**Dental Studies Nationwide**
According to the American Dental Association (ADA), in the 1990s about 50 percent of all Title 19 programs in the country were using managed care programs to provide dental services to children. By 2004, 62 percent of states were operating their children’s dental programs on a fee-for-service reimbursement basis. The ADA supports direct reimbursement, a self-funded dental benefits plan that reimburses patients according to dollars spent on dental care, not type of treatment received.

Connecticut data from 1996 and 1997 indicated access to dental care, through the use of its managed care program, was a problem. Several factors such as low provider participation, administrative oversight, and provider reimbursement rates negatively affected beneficiary access. Public dental clinics served many children across the state and contributed to higher usage of preventive care and treatment services among children living in Hartford, Connecticut.

In 1998, the ADA conducted a telephone and mail survey of U.S. dentists in private practice to determine the extent of their participation in capitation and preferred provider organization (PPO) dental plans. The dentists reported participation in PPO dental plans was becoming more common, but such plans do not cover the majority of patients. Participation in capitated plans was decreasing. A large percentage of nonparticipating
dentists cited pricing and concerns about quality care as reasons for not joining these plans.

A dental managed care project recently attempted in Florida (June 2004 to June 2005) resulted in the number of low-income Miami-Dade County children who received Title 19 dental care dropping by 40 percent in the first year of the pilot project. The value of dental services provided during the first year was $2.1 million, down from $15.9 million the previous year under the fee-for-service program. Proponents of the program suggested this decrease may be due to under-reporting or possible fraud in the pre-existing fee-for-service program.

**Kansas Study Results**

For calendar year 2005, the state of Kansas paid Doral $7,821,957 for dental services to Title 21 beneficiaries through a capitated managed care model. This payment included administration costs and capitation premium payments. According to encounter data submitted, if the same dental services had been reimbursed on a fee-for-service basis, the cost would have been $6,658,140. The difference of $1,163,817 yields approximately a 15 percent administrative cost for the management of dental services for Title 21. At the same time, the state of Kansas paid Doral $1,294,648 for the administration of the Title 19 dental program. The fee-for-service reimbursement for Title 19 dental claims for the same time frame was $25,932,019, yielding a five percent administrative cost.

As of July 1, 2006, EDS (Electronic Data Systems), the current Title 19 fiscal agent, has administered the Title 19 and 21 dental services programs. EDS processes approximately 30,000 dental claims and 1.5 million total claims monthly. Based on this ratio of dental claims to total claims, EDS is paid approximately $583,514 to administer both the Title 19 and 21 dental programs for Kansas.

Due to the current national dental provider shortage and industry trend, it is imperative existing dental providers continue to see Title 19 and Title 21 beneficiaries. The State recommends continuing the fee-for-service structure based on significant, positive results realized by providers, beneficiaries, and the State since July 2006. A comparison of each delivery model is summarized in the following sections:

- Program Performance
- Provider Participation and Satisfaction
- Access to Care
- Billing and Reimbursement
- Administrative Costs
**Program Performance**

The Title 19 and Title 21 dental programs have experienced positive performance results, since transitioning both programs to fee-for-service with delivery through existing fiscal agent operations. The following metrics* compare program administration by EDS (fee-for-service and fiscal agent model) to delivery and management provided by Doral Dental (capitated and administrative service organization model):

<table>
<thead>
<tr>
<th>Delivery Model</th>
<th>Admin costs</th>
<th>Provider Participation</th>
<th>Beneficiary Services</th>
<th>Claims Processing</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Title 19</td>
<td>Title 21</td>
<td>Title 19</td>
<td>Title 21</td>
</tr>
<tr>
<td>Fee for Service</td>
<td>5%</td>
<td>316</td>
<td>253</td>
<td>384,000</td>
</tr>
<tr>
<td>Capitation</td>
<td>15%</td>
<td>169</td>
<td>222</td>
<td>359,000</td>
</tr>
<tr>
<td>Difference in Fee-for-service vs. Capitation</td>
<td>-10%</td>
<td>+147</td>
<td>+ 21</td>
<td>+ 25,000</td>
</tr>
</tbody>
</table>

* Information is based on fiscal year-to-date comparison of December 2005 to December 2006.

**Provider Participation and Satisfaction**

On November 30, 2006, 658 dentists were enrolled in Title 19, and 356 dentists were enrolled in Title 21. There are approximately 1,100 nonretired dentists in Kansas. The number of dentists actively billing for dental services since July 2006 has risen. A survey mailed to 520 Kansas dentists participating in both Title 19 and Title 21 during November 2006 had a 34 percent response rate. The following results were reported when rating overall program administration and operational performance:

<table>
<thead>
<tr>
<th>November 2006 Provider Survey</th>
<th>Percent of Respondents</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>89%</td>
<td>Superior or Satisfactory</td>
</tr>
<tr>
<td></td>
<td>6%</td>
<td>Fair</td>
</tr>
<tr>
<td></td>
<td>4%</td>
<td>No Opinion</td>
</tr>
</tbody>
</table>

Based on fiscal year-to-date comparisons of provider participation data between December 2006 and December 2005, the number of dental providers participating in Title 19 and Title 21 has increased steadily. Data for fiscal year 2007, through December 2006, includes participation in both Title 19 and Title 21 after Title 21 was changed from a capitated to a fee-for-service model.

— An average of 316 dental providers actively served patients through the traditional Title 19 program compared to 169 through December 2005.

— An average of 253 dental providers actively served patients through the Title 21 program compared to only 222 through December 2005.

* Information is based on fiscal year-to-date comparison of December 2005 to December 2006.
Access to Care

As a direct result of increased provider participation over the last year, the number of services provided to beneficiaries has also increased. Data for December 2006 includes participation in both Title 19 and Title 21 after Title 21 was changed from a capitated to a fee-for-service model.

![Beneficiary Services](image_url)

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More than 113,000 services were provided to Title 21 beneficiaries by December 2006 compared to 77,000 by December 2005.

More than 384,000 services were provided to Title 19 beneficiaries by December 2006 compared to 359,000 by December 2005.

Billing and Reimbursement

Between 2004 and early 2006, the Medicaid and SCHIP dental provider community encountered payment delays as a result of removing the dental program from the current fee-for-service payment infrastructure administered by EDS as the Medicaid and SCHIP fiscal agent. The interChange MMIS secure provider Web portal is one of the most notable benefits to the provider community. The Web portal reduces providers’ administrative burdens by supporting real-time claims processing, beneficiary dental history profiles, claims inquiries, and eligibility verification. Claims that are billed correctly and do not require further review literally adjudicate in seconds. Information accessed through the secure Web portal is truly real-time and is as accurate as the most recent transaction performed.

Removing the dental program from the Medicaid and SCHIP fiscal agent delivery infrastructure kept providers from using technology the State of Kansas already purchased for all other Medicaid and SCHIP participating providers. Additionally, adding another intermediary into the delivery infrastructure added to provider confusion and processing delays.

Dental providers began using the secure provider Web portal in May 2006. In July 2006, KHPA transitioned Title 19 and Title 21 dental claims processing and operations from Doral’s offices in Wisconsin to the existing EDS fiscal agent operations in Topeka, Kansas. Participating dental providers have hailed this transition as the most successful and seamless in their history with the program. The smooth transition and significantly improved ongoing operations are directly attributed to the new technology dental providers can now access through the secure web portal for Kansas’ medical assistance programs (KMAP).

Billing and reimbursement issues have been eliminated for most all participating providers. Anecdotally, we can report that many of the providers who were the most critical of the previous delivery model are now praising the current delivery model and access to technology.

The data below profiles that the current fee-for-service delivery model coupled with access to the secure KMAP Web portal have increased the volume of dental claims adjudicated in fewer than two days by nearly 40 percent.
Delivery Model | Claims Processing |  
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>&lt; 2 Days</td>
</tr>
<tr>
<td>Fee for Service</td>
<td>82.19%</td>
</tr>
<tr>
<td>Capitation</td>
<td>42.99%</td>
</tr>
<tr>
<td>Difference in Fee-for-service vs. Capitation</td>
<td>+ 39.2%</td>
</tr>
</tbody>
</table>

— Under EDS’ management of the Title 19 and Title 21 fee-for-service delivery model in December 2006:

- 82.19 percent of all dental claims were adjudicated in two days or less.
- 7 percent of all claims were processed between 7 and 14 days.
- 1.93 percent of all claims processed in more than 14 days.
- Average claims processing time was 1.90 days.

— During Doral’s administration of the Title 19 fee-for-service and capitated Title 21 delivery model in December 2005:

- 42.99 percent of claims were adjudicated in two days or less.
- 20 percent of claims were processed in seven or more days.
- Average claims processing time was 4.34 days.

**Administrative Costs**

Administrative costs to the State of Kansas for the fee-for-service structure averaged five percent, while administrative costs on the managed care basis averaged 15 percent. The following improved performance indicators, achieved in conjunction with a 10 percent reduction in administrative costs, support the current fee-for-service delivery model as the most efficient approach to provide greater access to quality dental care for Medicaid and SCHIP beneficiaries:

- 10 percent reduction in administrative costs
- 147 more dental professionals participating in traditional Title 19
- 21 more dental professionals participating in Title 21
- 25,000 additional services provided to Title 19 beneficiaries
- 36,000 additional services provided to Title 21 beneficiaries
- 39.2 percent more claims processed in fewer than two days
- 2.4 day reduction in average time for claims processing

**Recommendations**

Program data demonstrates convincingly the advantages of the current fee-for-service model for Medicaid and SCHIP dental services. In addition to its higher administrative costs, it is clear that some providers chose not to participate in a capitated program but are willing to participate on a fee-for-service basis. The net gains in access to dental services for beneficiaries strongly support the continuation of the current fee-for-service fiscal agent. KHPA plans to continue indefinitely with the current fee-for-service model and to remain open to changes in the market for dental services that would cause us to reevaluate that approach.