

## Elimination of Dental Managed Care Will Not Save Money

A central assumption of Governor Newsom's budget proposal to eliminate the Dental Managed Care (DMC) program is that the State will experience a cost savings, based upon significantly higher healthcare and administrative costs in managed care. **This is factually incorrect and based on invalid assumptions.**

In state budget documents<sup>1</sup>, the Fee-for-Service (FFS) and DMC costs are shown as follows:

| Denti-Cal (FFS)<br>Base Policy Change 177 |                | DMC<br>Base Policy Change 102 |               |
|---|----------------|-------------------------------|---------------|
| Year                                      | Total Funds    | Year                          | Total Funds   |
| 2019-20                                   | \$979,819,000  | 2019-20                       | \$101,635,000 |
| 2020-21                                   | \$9985,240,000 | 2020-21                       | \$104,250,000 |

Note: 2019-20 data is the November 2019 estimate; 2020-21 data is the proposed appropriation.

## Comparing these costs is invalid because:

- **A comparison of statewide FFS costs with the costs of two county-based programs (PHP and GMC) is not appropriate because FFS costs appear to vary widely by county.** To compare the FFS cost to dental managed care, the comparison needs to be based on county specific FFS costs. Los Angeles specific FFS costs should be used to compare to PHP DMC and a representative county such as Fresno should be used as the basis for comparing to GMC DMC.
- **The FFS costs presented in Base Policy Change 177 are the cost of health care claims only and are incomplete because they exclude:**
  - DHHS costs to administer Denti-Cal, including the contract with the administrative services organization (ASO);
  - Administrative component of Dental Transformation Initiative (DTI) funding (claims were excluded); and,
  - Administrative component of Proposition 56 funding.
- **The DMC costs presented in Base Policy Change 102 include both health care claims and administrative costs, including:**
  - Dental plan administration costs for performing Claims Payment, Utilization Management, Case Management/Care Coordination, Quality Improvement, Grievances and Appeals, Network Access and Adequacy, and value-added services such as the Early Smiles Program.
  - Administrative costs also include the costs associated with performing many of the consumer protections required by Knox-Keene that either do not exist in FFS, or are incorporated in various administrative functions performed by DHCS and not reflected in the specific dental ASO and fiscal intermediary administrative totals included in the budget.
  - Administrative costs related to DTI and Proposition 56 funding (claims related to this funding are not included).

### To make a fair comparison of costs, either:

- ADD the excluded costs noted above to the FFS costs, or
- REDUCE the DMC costs to exclude the administrative costs and funding added to the rates for DTI and Proposition 56.

## DMC is a More Cost-Effective Model than FFS:

Starting in the 2018-19 year, the DMC dental plan rates were established based on actual plan costs (not FFS experience) and were set at 97.5% of the FFS rates. **This means DMC health care costs were designed to be lower (and the program more cost-effective) than the FFS rates.** In addition, the **DMC model provides ways to bend the cost curve over time**, which do not exist in the FFS model. DMC plans have the requirement and incentive to reduce costs through elimination of fraud, waste, and abuse, which may be as high as 25% in the Denti-Cal program, according to a 2016 federal Office of Inspector General report. In addition, through the contractual relationship between the plans and providers, plans can use value-based arrangements and other strategies to incentivize providers to shift toward preventive care and reduce the cost of care over time, while improving quality for beneficiaries.

<sup>1</sup> California Department of Health Care Services, "November 2019 Medi-Cal Estimate."