OFFICIAL STATE CABINET AGENCY RESPONSE TO PERFORMANCE AUDIT ON MEDICAID FLUORIDE COST SAVINGS– JULY 26, 2019

This management response to the State Auditor's Office performance audit report received on July 26, 2019, is provided by the Office of Financial Management and the Health Care Authority.

SAO PERFORMANCE AUDIT OBJECTIVES:

The SAO designed the audit to answer:

1. Could Washington's Medicaid program save money by following leading practices for the number of beneficial dental fluoride treatments?

SAO Recommendation 1: Limit the total number of fluoride services provided to clients to what is recommended by leading practice by removing the "per provider or clinic" clause, and establishing separate limits for school-based dental services.

STATE RESPONSE: We appreciate the creative thinking of separating limits for different types of locations, but don't think it is prudent to make this change for several reasons. First, the small annual cost savings proposed ($130,000) does not seem realistic after additional evaluation of what would be required to make the changes in the system, tracking the savings, educating providers and recouping payments. Second, implementing treatment limits when we do not always have up-to-date information on the number of treatments already provided can have an adverse impact on patient access. If providers are going to be penalized and carry the cost burden, they may discontinue the service, thereby compromising the child's dental health and a key oral health preventive service.

Finally, there is likely benefit from and no harm done to someone receiving more than the recommended number identified by the SAO. Billing limits are not put in place to determine clinical practice, which is based on individual risk factors and clinical judgment. The additional fluoride treatments identified in this report are provided mainly to children seven years and older, when the limit drops from three per year to two. A significant number of these treatments would be expected to fall under leading practice guidelines, as many of these children are at elevated risk for dental decay.

Action Steps and Time Frame: *Not applicable.*

SAO Recommendation 2: If the Medicaid dental program moves to a managed-care model, establish contractual fluoride allowances only "per patient," rather than "per provider or clinic."

STATE RESPONSE: The report identified an opportunity for the HCA to base a future managed care organization (MCO) contract on a "per patient" basis for payment methodology, but allow additional fluoride treatments based on the MCO's internal practices, if it so chooses, at no cost to the state. In practice, this would be a difficult recommendation to implement or enforce, and unlikely to lead to efficiencies that would lower treatment costs. It may be faulty to assume that requiring the MCOs to enforce "per patient" methodology in their payment systems would be easier to track or result in a less expensive administrative burden. Dental MCOs would face complexities in sharing data on additional claims as compared to the current fee-for-service system, as claims from physical health MCOs and other dental MCOs would need to be managed to enforce a "per patient" limit.

In practice, the dental MCOs will receive a capitated rate based on fee-for-service experience with the ability to set higher limits for services, if they choose. MCOs may believe it is more cost-effective not to set limits on this preventive service to offset future costs. Enforcing a “per patient” methodology with the MCOs could add an administrative burden that disincentivizes innovative strategies for promoting prevention. Additionally, contract monitoring and enforcement efforts to achieve such small potential savings would likely not be cost-effective.

Action Steps and Time Frame: *Not applicable at this time.*