STATE OF WASHINGTON

September 10, 2019

The Honorable Pat McCarthy
Washington State Auditor
P.O. Box 40021
Olympia, WA 98504-0021

Dear Auditor McCarthy:

Thank you for the opportunity to respond to the State Auditor's Office performance audit on cost savings in Medicaid fluoride treatment payments. The Office of Financial Management worked with the Health Care Authority to provide this response.

The audit was intended to determine whether the Medicaid program could save money by following leading practices for the number of fluoride treatments. This was prompted, in part, by the law allowing the number of treatments on a "per provider or clinic" basis, rather than a limited number of treatments per client.

Although potential cost savings were identified, as pointed out in the audit report, the additional treatments and payments identified do not appear to be a significant issue. We appreciate the Auditor's Office recognizing the policy and system changes made by the Health Care Authority to reduce the number of excess treatments, which have already resulted in major cost savings. Additional changes to the system for fluoride treatment under the current fee-for-service model would bring additional costs, including potentially negative downstream impacts on provider access, patient treatment, and higher costs due to provider disputes and recovery services.

Similar impacts would also be true for the recommended changes with managed care, if or when the Medicaid dental program moves to a managed-care model. Additional challenges under this model, such as higher contract monitoring and enforcement efforts, would further reduce and likely eliminate any potential cost savings. It is important to note that additional treatments do not cause harm and may prevent more costly cavities in a group at higher risk for developing them.

We will continue to look for ways to effectively reduce costs while ensuring our clients have access to the services and providers necessary to live their healthiest lives.

Sincerely,

Sue Birch
Director
Health Care Authority

David Schumacher
Director
Office of Financial Management

cc: David Postman, Chief of Staff, Office of the Governor
Kelly Wicker, Deputy Chief of Staff, Office of the Governor
Drew Shirk, Executive Director of Legislative Affairs, Office of the Governor
Pat Lashway, Deputy Director, Office of Financial Management
Scott Merriman, Legislative Liaison, Office of Financial Management
Keith Phillips, Director of Policy, Office of the Governor
Inger Brinck, Director, Results Washington, Office of the Governor
Tammy Firkins, Performance Audit Liaison, Results Washington, Office of the Governor
Scott Frank, Director of Performance Audit, Office of the Washington State Auditor

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.*