

STATE OF CALIFORNIA  
 Budget Change Proposal - Cover Sheet  
 DF-46 (REV 05/11)

*Done*

Fiscal Year 2012-13	BCP No. FL #3	Org. Code 4150	Department Department of Managed Health Care	Priority No. 1
Program Health Plan Program			Element 30.10	Component

Proposal Title  
 Medi-Cal Dental Managed Care Program

Proposal Summary

Request 3.0 positions and \$295,000 for FY 2012-13 to address increased workload associated with the department's expansion of oversight of licensed dental plans participating in the Medi-Cal Dental Managed Care program. This request also includes \$83,000 for consultant services to develop audit guides and survey tools for use in the medical audits of the participating dental plans.

Requires Legislation <input type="checkbox"/> Yes <input type="checkbox"/> No	Code Section(s) to be Added/Amended/Repealed		
Does this BCP contain information technology (IT) components? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i>	Department CIO	Date	
For IT requests, specify the date a Special Project Report (SPR) or Feasibility Study Report (FSR) was approved by the California Technology Agency, or previously by the Department of Finance. <input type="checkbox"/> FSR <input type="checkbox"/> SPR Project No. Date:			

If proposal affects another department, does other department concur with proposal?  Yes  No  
 Attach comments of affected department, signed and dated by the department director or designee.

Prepared By <i>[Signature]</i>	Date 3/16/12	Reviewed By <i>[Signature]</i>	Date 3/16/12
Department Director <i>[Signature]</i>	Date 3/16/12	Agency Secretary <i>[Signature]</i>	Date 3-16-12

Department of Finance Use Only

Additional Review:  Capital Outlay  ITCU  FSCU  OSAE  CALSTARS  Technology Agency

BCP Type:  Policy  Workload Budget per Government Code 13308.05

PPBA <i>[Signature]</i>	Date submitted to the Legislature 5-14-12
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## A. Proposal Summary

The Department of Managed Health Care (DMHC) requests 3.0 positions and \$295,000 for FY 2012-13 to address two critical components related to the expansion of DMHC oversight of licensed dental managed care plans participating in the Medi-Cal Dental Managed Care program.

The first component requested is the resources necessary for the planning, preparation and development of the tools and documents required to conduct annual financial audits and dental surveys in place of the normal three-year audit/survey schedule. These new annual audits and surveys of nine dental managed care plans are attributed to the expansion of DMHC oversight of eight dental managed care plans that participate in the Medi-Cal Dental Managed Care (DMC) program currently in two counties (Sacramento and Los Angeles). DMHC will absorb the workload associated with the March 2012 non-routine surveys of the five Medi-Cal DMC plans operating in Sacramento County using existing resources.

This request includes \$83,000 for consultant services to develop audit guides and survey tools for use in the medical surveys of the dental plans. The requested positions for the preparation and planning for the annual surveys and financial audits implementation are:

### *Preparation and Planning of Annual Financial Audits and Dental Surveys, 2.0 positions*

- 1.0 Health Program Specialist II (January 1, 2013)
- 1.0 Corporation Examiner (January 1, 2013)

The second component requested addresses the new workload that will be generated at the DMHC Help Center as HFP enrollees are transitioned into Medi-Cal DMC commencing October 1, 2012. It is expected there will be an increase in the number of enrollee inquiries, correspondence and complaints the Help Center receives and the resources requested will enable the DMHC to provide this consumer assistance to the HFP enrollees. DMHC requests the following position to support increased consumer assistance workload:

### *Consumer Assistance Workload Attributed to the Transition of the HFP, 1.0 position*

- 1.0 Staff Services Analyst (October 1, 2012)

The DMHC anticipates submitting a FY 2013-14 BCP to request the positions in this proposal and additional positions, *as needed*, as permanent resources. The positions requested in this BCP will be transitioned from the planning aspects to actually performing the financial audits and dental surveys as well as to provide ongoing consumer assistance needs of the HFP enrollees transitioned into the Medi-Cal DMC program.

## B. Background/History

The Department of Health Care Services (DHCS) Medi-Cal DMC Program contracts with five Geographic Managed Care (GMC) Plans and eight Prepaid Health Plans (PHP) that provide dental services to Medi-Cal beneficiaries in Sacramento and Los Angeles counties. Each dental plan receives a negotiated monthly per capita rate from the state for every Medi-Cal beneficiary enrolled in the plan. Medi-Cal DMC beneficiaries enrolled in contracting plans receive dental benefits from providers within the plan's provider network. All Medi-Cal DMC plans are licensed by the DMHC pursuant to the Knox-Keene Health Care Service Plan Act of 1975 (Knox-Keene Act).

The DMHC licenses dental managed care plans, including Medi-Cal Dental Health Maintenance Organizations (HMOs). The current Medi-Cal dental plans are already licensed by the DMHC. The DMHC Division of Licensing reviews all necessary information in order for a plan to get a license and also reviews any Material Modifications or Amendments that a health or dental plan may make to its license. The documentation reviewed includes Evidences of Coverage, provider contracts, service areas (and service area expansions), provider networks, and financial information. The DMHC will

absorb the workload associated with the review of Material Modifications or Amendments the nine Medi-Cal dental plans may submit to expand or change their service areas and networks as a result of the transition of HFP children to Medi-Cal.

Dental GMC is a mandatory program in Sacramento County. Certain populations of Medi-Cal recipients in Sacramento County who are eligible to receive dental services must select one of the five available GMC plans for their dental care. In addition to Sacramento, there is a voluntary dental PHP program operating in Los Angeles County. In February 2012, a Sacramento Bee article describing significant access and quality of care problems in the dental GMC program in Sacramento County generated an influx of consumer complaints to the DMHC Help Center and concern about the lack of access to dental care for children in that county. At the request of DHCS, the DMHC is initiating an immediate investigation (also known as a "non-routine audit") of the five GMC plans operating in Sacramento to evaluate enrollees' access to care and the sufficiency of the dental plans' provider networks. The DMHC will absorb this immediate workload using existing resources.

To address the concerns of access and quality on an ongoing basis, numerous individuals and organizations including the legislative staff and advocates want increased monitoring and oversight of the contract performance of the DMC plans. DHCS has requested the DMHC conduct annual on-site dental surveys and financial examinations of all nine dental plans participating in the Medi-Cal DMC program to ensure that children have access to appropriate dental care in a timely manner and that plans do not violate the Knox-Keene Act. The plans that will be reviewed are: Liberty Dental, Health Net, Access Dental, Western Dental, Community Dental, SafeGuard, Care First, American Health Guard and Delta Care USA.

Prior to commencing the March 2012 non-routine dental audits of the plans operating in Sacramento, the DMHC did not directly survey Medi-Cal DMC products. Although the DMHC did conduct previous surveys of these dental plans, the surveys concentrated on the plans' business overall and did not specifically focus on Medi-Cal. DMHC did not review, assess or evaluate the plans' performance of their Medi-Cal DMC contractual deliverables; nor did it request, review or evaluate DMC's enrollment data, quality issues, network adequacy, language assistance or any other potential barriers to care. Moreover, Knox-Keene required surveys are performed once every three years and focus on statutory deficiencies. Consequently, the preparation for, and performance of, the annual audits of the Medi-Cal DMC line of business will constitute an entirely new workload for the DMHC that will encompass the evaluation of each plan's contract performance, which will be a qualitative assessment rather than a strict statutory compliance determination. The scope of work contemplated for these surveys is significantly broader than the elements of a routine DMHC dental survey, including such new areas as beneficiary assignment, plan marketing practices and network adequacy.

Recent DHCS Trailer Bill language proposes to transition all Healthy Families Program (HFP) enrollees to Medi-Cal beginning October 1, 2012. This will result in the addition of approximately 875,000 HFP enrollees into the Medi-Cal dental program. DMHC indicates approximately 387,000 of HFP enrollees will enroll in a Fee-For-Service (FFS) dental program and approximately 488,000 HFP enrollees will enroll in the Medi-Cal DMC program in FY 2012-13. This HFP transition will expand the Medi-Cal DMC program to 34 counties. Attachment 1 shows the phased-in timeline for the transition of the HFP enrollees into Medi-Cal DMC by county. Attachment 2 displays a timeline of events to expand the DMHC oversight of the dental plans participating in the MEDI-Cal DMC program. With the transition of HFP enrollees into Medi-Cal there will be an additional Medi-Cal DMC plan operating in the program, which will expand to 34 additional counties. The anticipated transition of nearly half a million children enrolled in the HFP to Medi-Cal DMC in FY 2012-13, will significantly increase DMHC's workload with respect to:

- Providing oversight of quality of care and provider network adequacy through dental surveys of the participating dental plans;
- Providing oversight of the dental plans' financial solvency; and
- Responding to enrollee grievances, appeals, and complaints.

## C. State Level Considerations

This proposal supports efforts to investigate the alleged lack of access to dental care encountered by many Medi-Cal enrollees and provide consumer assistance to HFP enrollees who will start receiving Medi-Cal benefits effective October 1, 2012. This is a collaborative effort between DHCS and DMHC to better serve and improve care for Medi-Cal enrollees currently enrolled in MDC plans and HFP children to be enrolled in Medi-Cal DMC.

## D. Justification

### Help Center

#### *Division of Plan Surveys*

The DHCS' request to have DMHC conduct annual on-site dental and contract performance surveys and financial audits of all dental plans participating in the Medi-Cal DMC program to ensure that children have access to appropriate dental care in a timely manner, means there will be an increased number, frequency and expanded scope of dental plan surveys. In addition to the more frequent annual survey (as opposed to the DMHC's survey process required only every three (3) years), DHCS has also requested that DMHC significantly expand the scope of the survey to include:

- ✓ Provider/dentist network adequacy;
- ✓ Geographic and timely access to care;
- ✓ Grievance and appeals;
- ✓ Member complaints and customer service;
- ✓ Beneficiary assignment to a primary care dentist
- ✓ Utilization of dental services, including examination of encounter/claims payments in relation to beneficiary's assignments;
- ✓ Specialty dental network and specialty referrals;
- ✓ Preventive dental care services; and
- ✓ Plan marketing practices.

This proposal assumes DMHC will initiate annual dental plan surveys beginning July 2013. To prepare for these surveys the DMHC will require the addition of one Health Program Specialist II along with sufficient consulting services to develop technical assistance guides (TAGs) and a survey tool for use in the medical surveys of the dental plans. DMHC anticipates the Health Program Specialist II, needed January 1, 2013, will invest approximately 900 hours developing and revising TAGs and survey scoring materials while working in concert with the consultant. This workload is described in Attachment 3. Consulting services of approximately \$83,000 will be used to develop TAGs and audit scoring documentation and provide for survey tool maintenance in preparation for the survey process to begin in July 2013.

#### *Division of Consumer Assistance*

It is anticipated that approximately 488,000 HFP enrollees transitioning into DMC will generate an increase in the number of calls, correspondence, grievances and appeals to the DMHC Help Center. A conservative estimate of only one percent (1%, or 4,880 individuals) of these enrollees contacting the Help Center would result in an increase of over 400 contacts per month on average with an expected 360 resulting complaints. These requests take many forms – some are resolved with a quick call to a dental plan; others require numerous calls and contacts between the dental plan, the child's parents

and the dental office. Others may require clinical review. DMHC expects an increase of about 1400 hours in consumer assistance workload with the expansion of Dental Managed Care in FY 2012-13. Therefore, the Help Center requires one additional Staff Services Analyst beginning October 1, 2012 to respond to dental managed care enrollees' inquiries, complaints, grievances, appeals and correspondence. Refer to Attachment 4 for specific workload data.

### **Division of Financial Oversight**

In accordance with the Knox-Keene Act, DMHC performs routine financial examinations of plans at least once every five years. These financial exams relate to financial solvency and statutory compliance of the entire entity and do not target a specific line of business such as Medi-Cal DMC. While DMHC has been performing financial oversight activity of the DMC plans, additional workload is anticipated due to the increased frequency and depth of scope of the requested annual audits of the Medi-Cal DMC plans. DMHC will perform annual financial examinations of dental managed care plans beginning July 1, 2013. The financial examinations will monitor the plans' liquidity ratios, tangible net equity and cash flow projections, to ensure the dental plans remain solvent and therefore capable of providing dental services to the increased number of managed care enrollees.

The workload to prepare to conduct the annual financial examinations and to review the financial statements of a new license application requires the addition of one Corporation Examiner beginning January 1, 2013. DMHC assumes this preparatory workload will consist of approximately 790 hours of designing audit programs, developing Corporation Examiner training curriculum, including materials for examiners related to dental managed care, and establishing criteria for screening financial reports. DMHC Division of Financial Oversight also expects to spend 120 hours reviewing the financial statements of a new license application filing. The workload data is displayed in Attachment 5.

## **E. Outcomes and Accountability**

This proposal is intended to provide the resources necessary to promote accountability in the Medi-Cal DMC program, assess contract performance, and improve the utilization and quality of dental services to children enrolled in Medi-Cal DMC plans. Based on the DMHC's experience monitoring of the quality of care and network adequacy to ensure timely access and the department's activities in resolving enrollee grievances, appeals and complaints, the activities described in this proposal are expected to result in increased enrollee satisfaction and quality of dental care services provided to children. Enforcement activities will ensure quality standards issues are quickly addressed and compliance is maintained.

## **F. Analysis of All Feasible Alternatives**

Alternative #1: Approve the request for 3.0 permanent positions, one effective October 1, 2012 and the other two effective January 1, 2013, and \$295,000 for FY 2012-13 to address the planning and preparation for annual audits and surveys as well as the consumer assistance workload attributable to the oversight of the DMC plans and the transition of the HFP to the Medi-Cal DMC. Special Funds would support this proposal.

Alternative #2: Approve a similar request with similar resource needs to have DHCS perform the oversight of the DMC plans. While DHCS has familiarity with the DMC program, this alternative would add expense to the General Fund.

Alternative #3: Approve a request to have external contractors perform the oversight functions required of the DMC. Although exact costs are unknown, it is typical that external contractors in the financial auditing and medical survey fields charge three times the rate State employees earn.

**G. Implementation Plan**

The expansion of the Medi-Cal DMC program begins on October 1, 2012. Therefore, the requested Staff Services Analyst is needed to provide consumer assistance beginning October 1, 2012, while the Health Program Specialist II and Corporation Examiner are needed January 1, 2013 to prepare for the annual on-site audits of the DMC plans beginning in July 2013.

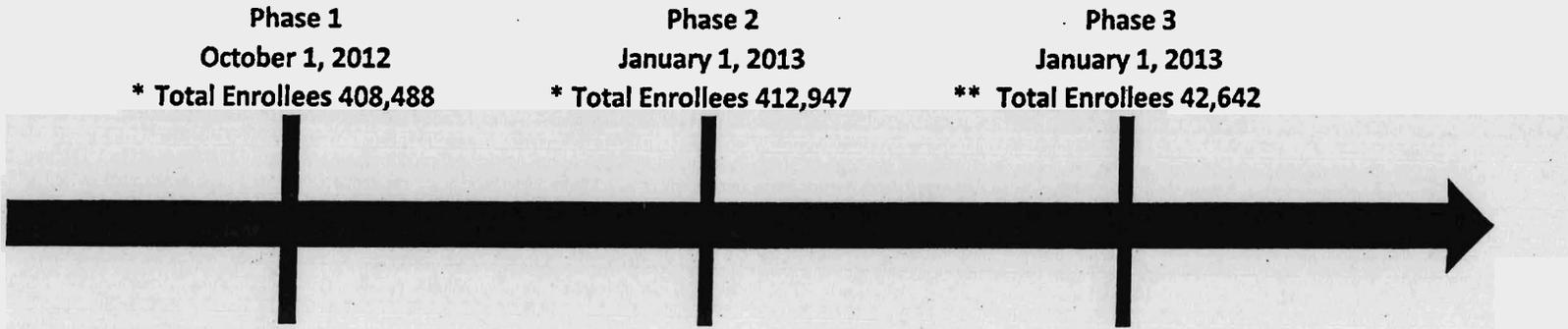
**H. Supplemental Information** *(Check box(es) below and provide additional descriptions.)*

None     Facility/Capital Costs     Equipment     Contracts     Other \_\_\_\_\_

**I. Recommendation**

Approve the request for 3.0 permanent positions and \$295,000 for FY 2012-13 to address the planning and preparation for annual audits and surveys as well as the new consumer assistance workload attributable to the oversight of Dental Managed Care plans and the transition of the HFP to the Medi-Cal DMC. If this request is denied, and appropriate oversight of the dental managed care plans does not occur, a vulnerable population – lower-income children – would continue to be in jeopardy of receiving insufficient dental care.

Healthy Families Transition  
 Counties by Phases  
 Dental Managed Care



Alameda  
 Contra Costa  
 Fresno  
 Kern  
 Kings  
 Los Angeles  
 Madera  
 Monterey  
 Napa  
 Orange  
 Riverside  
 Sacramento  
 San Bernardino  
 San Diego  
 San Francisco  
 San Joaquin  
 San Luis Obispo  
 San Mateo  
 Santa Barbara  
 Santa Clara  
 Santa Cruz  
 Solano  
 Sonoma  
 Stanislaus  
 Tulare

Alameda  
 Contra Costa  
 Fresno  
 Kern  
 Kings  
 Los Angeles  
 Madera  
 Marin  
 Merced  
 Monterey  
 Napa  
 Orange  
 Riverside  
 Sacramento  
 San Bernardino  
 San Diego  
 San Francisco  
 San Joaquin  
 San Luis Obispo  
 San Mateo  
 Santa Barbara  
 Santa Clara  
 Santa Cruz  
 Solano  
 Sonoma  
 Stanislaus  
 Tulare  
 Ventura

Butte  
 El Dorado  
 Imperial  
 Placer  
 San Benito  
 Shasta  
 Sutter  
 Yuba

\* Total Enrollees represent the number of HFP enrollees transitioning into the Medi-Cal dental program, including approx 488,000 HFP enrollees in the Dental Managed Care (DMC) program. The number of enrollees that will move into the DMC, by county and by phase will be determined in the next couple of months.

A County may be listed in more than one phase if its enrollees are transitioned over two phases.

\*\* 25,916 enrollees will be transitioned into DMC. The remaining population will be transferred to fee for service.

**Department of Managed Health Care  
FY 2012-13 Timeline of Events**

Attachment 2

Date	Activities
March 2012	<p>DMHC launches non-routine dental surveys for Health Net, Western Dental, Access Dental, Liberty Dental, and Community Dental that participate in the Medi-Cal Dental Managed Care (DMC) program in Sacramento County.</p> <p>Non-routine survey tools will be created.</p>
April 2012	Onsite survey activity commences for the five non-routine surveys.
June 2012	Onsite non-routine survey activity is completed.
July 2012	Draft preliminary non-routine survey reports.
August 2012	Preliminary non-routine survey reports issued to plans.
September - October 2012	Plan responses and corrective action plans are due 45 days after preliminary reports are issued.
October 2012	<p>Phase 1 of the Healthy Families Program (HFP) Transition begins for approximately 408,000 enrollees in 25 counties. (See Attachment 1)</p> <p>DMHC hires SSA to handle consumer inquiries/complaints from HFP enrollees who transition to Medi-Cal Dental Managed Care.</p>
November 2012 - January 2013	Evaluate and approve corrective action plans and draft final non-routine survey reports in consultation with DHCS.
January 2013	<p>Phase 2 and Phase 3 of the HFP Transition begins for approximately 456,000 enrollees in 11 new counties and the 25 counties started in Phase 1. (See Attachment 1)</p> <p>DMHC hires Corporation Examiner to design and prepare audit tools and screening materials for the annual financial examinations of nine Medi-Cal Dental Managed Care Plans starting July 2013.</p> <p>DMHC hires Health Program Specialist II and an external consultant to design and prepare Technical Assistance Guides and survey tools for the annual DMC plan audits commencing July 2013.</p>
March 2013	Final reports for non-routine dental survey are issued and posted to the public website.
Starting July 2013	<p>Begin Annual Surveys and Financial Examinations of the nine DMC Plans.</p> <p>FY 2013-14 BCP is anticipated for ongoing resources.</p>

Non-routine dental surveys of the five Sacramento Plans are noted in yellow. This workload will be absorbed by existing DMHC staff.

**Workload Analysis  
 Help Center Division of Plan Survey  
 Health Program Specialist II**

Activities/Tasks	Projected Hours FY 2012-13		
	Hours to Complete Task	Number of Tasks Per Year	Number of Hours Required Per Year
Conference with DHCS and Healthy Families staff to review, discuss, and prioritize contract deliverables.	20	1	20
Review, study and organize contract deliverables for DMC plans	35	1	35
Review, study and organize contract deliverables for Healthy Families	35	1	35
Review and compare contract deliverables against Knox- Keene Act (KKA)	35	1	35
Develop a crosswalk comparing the KKA to DMC contract language and Healthy Families contract language to assess compliance	20	1	20
Prepare draft contract requirement template and discuss with DHCS to confirm survey deliverables	30	1	30
Review the crosswalk with supervisors and legal staff	10	1	10
Draft 11 technical assistance guides (TAGs). <sup>1</sup> TAG sections include Statutory/Regulatory Citations, Contract Language, Individuals to be Interviewed, Documents to be Reviewed, Key Elements, Assessment Questions, and Guidance	48	11	528
Review the TAG with supervisors and legal staff	3	11	33
Receive legal feedback and approval	2	11	22
Finalize the TAG and post to the shared drive	12	11	132
<b>Total Hours Required Per Year</b>			<b>900</b>
<b>Hours Per Year That Equate to 1.0 PY</b>			<b>1,784</b>
<b>Number of Positions Required</b>			<b>0.5</b>

<sup>1</sup> Provider/Dentist Network Adequacy, Grievance and Appeals, Member Complaints and Customer Service, Beneficiary Assignment to Primary Care Dentist, Utilization of Dental Services, Specialty Dental Network and Specialty Referrals, Preventive Dental Care Services, Plan Marketing Practices, Quality Management, Continuity of Care, Geographic and Timely Access to Care.



**Workload Analysis**  
**Division of Financial Oversight**  
**Corporation Examiner**

Activities/Tasks	Projected Hours FY 2012-13		
	Hours to Complete Task	Number of Tasks Per Year	Number of Hours Required Per Year
Design targeted audit programs for DMC plan exams	250	1	250
Establish criteria for screening financial reports	200	1	200
Develop Examiner training curriculum	120	1	120
Implement necessary changes to databases	220	1	220
Review Plan financial statements for new application filings	120	1	120
<b>Total Hours Required Per Year</b>			<b>910</b>
<b>Hours Per Year That Equate to 1.0 PY</b>			<b>1784</b>
<b>Number of Positions Required</b>			<b>0.5</b>