Government of the District of Columbia
Office of the Chief Financial Officer

Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO:	**The Honorable Kwame R. Brown** **Chairman, Council of the District of Columbia**
FROM:	**Natwar M. Gandhi** **Chief Financial Officer**
DATE:	**July 1, 2011**
SUBJECT:	**Fiscal Impact Statement – "Medicaid Dental Program State Plan Amendment Approval Resolution of 2011"**
REFERENCE:	**No Bill Number Available—Draft Resolution Shared with OCFO on June 22, 2011**

Conclusion

Funds are sufficient in the proposed FY 2012 through FY 2015 budget and financial plan to implement the provisions of the proposed resolution.

Background

The proposed resolution would approve[1] the proposed amendment to the District of Columbia State Plan for Medical Assistance ("State Plan") that would:

1) Eliminate State Plan limitations on dental services in favor of general, more flexible language;
2) Establish the revised Department of Health Care Finance (DHCF) fee schedule as the standard for dental services reimbursement. This revised fee schedule is the result of several program modifications, including rate cuts and the addition of new services and deletion of current services based on best clinical practices; and
3) Implement a prior authorization policy for orthodontic services for children.

As a result of these changes, DHCF would no longer have to amend the State Plan for subsequent modifications to dental services and rates.[2] Instead, they could make any rate adjustments through rulemakings.

[1] Pursuant to section 1(a) of An Act to Enable the District of Columbia to receive federal financial assistance under Title XIX of the Social Security Act for a medical assistance program, and for other purposes, approved December 27, 1967 (81 Stat. 744; D.C. Official Code § 1-307.02).

Financial Plan Impact

Funds are sufficient in the proposed FY 2012 through FY 2015 budget and financial plan to implement the provisions of the proposed legislation. Implementing the proposed resolution is estimated to reduce *local* expenditures by approximately $476,000 each year.[3] Because federal rules allow the states to make the effective date of State Plan amendments the first day of the quarter during which the amendment is submitted,[4] local expenditures could be reduced in FY 2011.

Thus, the proposed resolution is estimated to reduce local expenditures by $119,000 in FY 2011 and by $1.9 million over the FY 2012 through FY 2015 financial plan period.

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[2] Such modifications must first be submitted to the Council for review and approval and then submitted to the federal government for its approval.
[3] This only represents the 30 percent share the District government pays for these Medicaid services. Total expenditures (federal plus local) would be reduced by approximately $1.6 million each year.
[4] This represents one-quarter of the annual savings, as the amendment would be effective as of July 1, 2011. July 1 would be the effective date as long as DHCF submits the amendment to the federal government by September 30, 2011, which it plans to do. Once approved by the federal government, DHCF will retroactively reprocess claims since July 1 to reflect the changes in rates.