



March 5, 2018

Commissioner Pedro Nava, Chairman
Little Hoover Commission
925 L Street, Suite 805
Sacramento, CA 95814

Chairman Nava and Commissioners:

Thank you for the extraordinary effort of the Little Hoover Commission and your staff in clearly and emphatically identifying the imperative to greatly improve the state's Denti-Cal program to best meet the needs of more than 13.5 million Californians, especially the oral health care needs of our children, and for the Commission's determination to follow up and review progress towards meeting those needs. Western Dental Services particularly appreciates the opportunity to present you with the perspective of the state's largest single business partner in carrying out the responsibilities of the Denti-Cal program.

Introduction and Background on Western Dental

Western Dental has been providing dental services for more than 100 years. We began with a single office in Los Angeles and a mission to make quality dental care affordable. We have since grown to be the largest dental provider in the West, with more than 190 offices in 37 California counties. Our offices span the entire state, from San Diego to Redding, with a significant presence in the Central Valley. From the beginning, we have located many of our offices in underserved communities, from California's more populous urban and suburban communities to rural areas.

We have been proud to welcome Denti-Cal patients to our California offices since dental services were first provided under Medi-Cal in the late 1960's. Over the years we have maintained an unbroken commitment to serving the state's Denti-Cal population, because we believe that all Californians deserve access to high-quality dental care.

As the largest Denti-Cal provider in California, Western Dental strives to be the state's most effective partner in achieving the goal of providing high-quality dental services for Medi-Cal's 13.5 million members, of which 5.6 million are children. That laudable goal remains a significant challenge, because more than 50 percent of children, and 80 percent of adults in Medi-Cal, did *not* have an annual dental visit in fiscal year 2016-2017.

Our offices provide the full range of dental services and are staffed with doctors and specialists from the top dental schools in the country. Besides general dentistry, our services include specialty care, including oral surgery, endodontics and orthodontics. Because of the importance

of good oral hygiene in maintaining overall health, each office team includes trained dental hygienists who provide complete oral hygiene services – from routine teeth cleanings to more comprehensive care. Western Dental also is proud of its state-of-the-art quality program, overseen by our Chief Dental Officer and a team of dentists that reviews clinical performance and enables high-quality care.

We are proud to offer a full suite of services and to serve as a Dental Home for patients across California. We are especially pleased to have recently expanded our pediatric practice with 24 offices now devoted exclusively to children. As a result of the Governor's and Legislature's investment in California's Denti-Cal program last year, we are planning additional investment in pediatric offices in areas of the State with significant need.

While the majority of our patients are covered through Denti-Cal, we also have a commercial and private patient practice.

Last year, we provided approximately 1 million dental visits for nearly 550,000 individual Denti-Cal members, of which 50 percent were children. We continue to be the state's largest single Denti-Cal provider and we estimate 70 percent of our patients this year will be Denti-Cal members.

Over the past five years, we have welcomed the expansion of coverage and invested significantly in growing our capacity to meet increasing Denti-Cal demand driven by the Affordable Care Act and the restoration of adult Denti-Cal benefits. Western Dental is beginning to be better positioned to increase access to care because of reimbursement rate increases supported by Proposition 56 revenues and Federal matching funds as well as incentive payments through the Dental Transformation Initiative.

In order to increase access to care for the state's Denti-Cal population and meet the goal of universal access and full utilization of necessary dental care, the state should further improve its support for Western Dental and other providers to ensure they are positioned to serve California's most vulnerable patients. This would require the state to:

- **Increase reimbursement rates more broadly** – We applaud recent rate increases as they have been moderately effective. For Western to expand and sustain capacity to serve more Denti-Cal beneficiaries, rate increases will need to be adequate, reliable and sustained over time.
 - The 40 percent supplemental payments for certain services, funded by Prop 56, are beginning to provide Western Dental some ability to expand services and treat more Denti-Cal patients. However, the 40 percent rate increase has so far made a relatively small difference in Denti-Cal rates as they compare to commercial rates. For example, by our calculation, for the 13 CDT code rates included among the 25 most common procedures, the 40 percent rate supplement has elevated these effective rates to 37 percent of commercial rates in the Pacific Region, up from 26 percent but still well behind other states.

- By contrast, for those children's preventive services that are eligible for full DTI incentive payments, the average effective Denti-Cal rates have increased to nearly 70% of commercial rates. Under the current structure of the DTI program, however, that incentive only applies to those preventive services that represent a 2% increase over the previous year. If such rate improvements were applied to all preventive services, Western and other providers would be able to hire more dentists, add more dental chairs and build new dental offices, which would undoubtedly accelerate achievement of improved access to, and utilization of, preventive services for Denti-Cal children.
- **Offer funding adequacy, consistency and reliability** – The last decade's multi-year history of rate and benefit reductions has been particularly challenging for the provider community, not to mention Medi-Cal beneficiaries. Such loss of financing frequently requires a contraction of our service capacity and makes future planning very difficult. The state now needs to use voter-enacted Proposition 56 to make a multi-year commitment to adequate and reliable rates to allow its business partners to invest in capital and staffing needed to treat the 1/3 of Californians who receive dental services through Medi-Cal.
- **Expand the demonstrated success of the DTI** – In addition to the demonstrated success of incentive payments for increasing preventive care for children (Domain 1), the state should expand incentive payments for continuity of care (Domain 3) to all counties.
- **Provide timely and complete Denti-Cal data** – All businesses require accurate, timely information to be successful and provide excellent service. The data reports provided by Denti-Cal tend not to be comprehensive and not very timely, with time lags typically a year or more. Meeting all the requirements of AB2207, including timeliness, would be a major step in the right direction.

Western Dental is optimistic about and grateful for the changes the state is making to improve Denti-Cal, including relatively substantial increases in provider reimbursements for care and also administrative simplification and other changes. Despite advances, we remain mindful of the need to keep these changes in perspective. According to the annual report of the Centers for Medicare and Medicaid Services, of the \$3.3 trillion spent for health care in the U.S. in 2016, 4 percent of that spending went for dental care.

According to the DHCS November 2017 Medi-Cal Estimate, Denti-Cal's share of all Medi-Cal spending in the current year's budget – even with the advent of Proposition 56 supplemental payments, Dental Transformation Initiative dollars, and the restoration of adult benefits – will be 1.66 percent. The Governor has made a welcome proposal to increase the Denti-Cal share by as much as 27 percent, again using Proposition 56 revenues to fund the increase. That change will bring state spending on dental care for Medi-Cal patients to 2.1 percent of the Medi-Cal budget - just over half of the national share of dental care dollars.

With the advent of Proposition 56 revenues and the Dental Transformation Initiative, California voters, the Legislature, the Governor and our Federal Medicaid partner have taken significant

steps to improve access to care for more than 13 million Medi-Cal children, seniors and low-income working families, and it's paying dividends, offering the promise of better health for millions of Californians, but these changes represents only beginning steps. California will need to continue to make further strides to increase access to dental services for the state's most vulnerable patients.

“A Day in the Life of Western Dental and Our Patients”

As requested by your staff, we are including some snapshots of the experience on a typical day for a company committed to providing care to Denti-Cal members and for our patients.

Western Dental Services(Systemwide):

- Western Dental will treat over 1,800 patients around the state today, and 1,300 of these patients, or 70 percent, will be Medi-Cal members. Of our Denti-Cal patients today (and every day), more than 650 will be children. But today's patients will also include a higher number of adults than this time last year – we had 51% more adults come into Western Dental for care in January 2018 than we did in in January 2017. We don't yet know if the influx of new adult patients will stay at that high rate, but we we're pretty sure we know why: Thanks to the restoration of full adult benefits on January 1, and after a 7-year wait for full Denti-Cal coverage, adults who couldn't afford the cost of treatment are now seeking it. That is great news for those who can find a Denti-Cal provider, but it also means that Western Dental is making a lot of adjustments to make sure we've got “chair time” for everyone who needs it.
- Today we'll be providing a higher percentage of preventive care services per visit to Denti-Cal children than we did a few years ago. Preventive care has always been a clinical priority for us. We have worked to fully align our business practices, outreach, training and service delivery with the state's preventive care goals in the Dental Transformation Initiative. In recent years, we have also prioritized growth in pediatric specialization as a key factor in our California business planning.
- We're proud to serve as the “dental home” for tens of thousands of Denti-Cal kids and families. Western Dental is able to provide continuity of care for families, even when they move to different cities or counties. We are trusted and accessible dentists for millions. We also employ hundreds of professional staff living in these same communities.
- Our call center will handle 7,800 requests for information and appointments across California. In planning staffing and care across 190 offices, we must consider “no-show” rates of close to 60% -- a little higher this year than last year for reasons we don't yet understand, but the rate is not a lot different for “commercial payers” vs. Denti-Cal. We don't overbook like the airlines – if you've got an appointment and you arrive on time, unless there's an emergency, we'll have you in the chair and starting your care within a few minutes – but we don't turn away patients who come to our offices without an

appointment. We understand our Denti-Cal patients well and have extended office hours into the evenings and weekends to accommodate their busy schedules.

Our “back office” will seek Treatment Authorization Requests (“TARs”) for about 2000 Medi-Cal services that require prior authorization, and they’ll seek payments for services from Denti-Cal, for more than 3,200 claims. This is a very significant part of our day throughout the organization, because TARs add a significant administrative burden for the organization, and add significantly to waiting times to complete a patient’s treatment, compounded each day by the “no-show” rate for treatment once it gets authorized.

- Administratively, except for improvements in signing up new Denti-Cal providers, not a whole lot has changed yet. We hope, and we think, that is changing with the new division of responsibilities between the FI and ASO. To handle the great expansion in eligibility and the oral health care goal of increased access and utilization, Denti-Cal’s claim and payment technology needs to take some big steps forward.

Western Dental Services (In a typical office):

- Western primarily operates family practices which provide a full spectrum of care regardless of age or type of insurance coverage. Western Dental doctors practice quality dentistry whether the patient is covered by Denti-Cal, commercial insurance or is paying themselves. As noted, we also now operate 24 offices that are limited exclusively to pediatric patients. Most new patients that call our offices can expect to get an appointment in under one week. In many cases, we can accommodate same day walk-in appointments. As you might expect, wait times at the office can vary significantly from day to day and even within a day. Also, wait times are understandably influenced by a variety of things:
 - Times that patients actually arrive for their scheduled appointments
 - Acuity of the patients that are seen for treatment in a given day
 - Unanticipated walk-in volume
 - Patients/families requiring additional assistance
 - Treatments that require pre-authorization from Denti-Cal
- Each day a typical pediatric dentist will see 14-16 patients. Western Dental uses a team approach and utilizes doctors, hygienists, dental assistants and technicians in the “back office” to care for our patients and their families. We try to accommodate the request of patients who desire to get all of their treatment completed in one visit, but in many instances this is difficult given the treatment plan.
- We routinely encounter patients who have trouble with transportation or getting more time off from work to bring their child back into the office. As noted, we do have extended hours into the evenings and on Saturdays to try to accommodate this, but it is difficult for many families to find the time. This is reflected in a no-show rate that hovers around 60%.
- Patients get information on their Denti-Cal coverage from Medi-Cal notices to beneficiaries which are mailed periodically, from limited additional state outreach

beneficiaries using phone calls and mail follow-up, and through commercial advertising, including radio, television, direct mail and website funded by providers such as ourselves.

Further LHC Policy and Implementation Questions Listed in Our Invitation to Provide Testimony

- **Please share how the recent increase in reimbursement rates has impacted your organization.**

Because of last year's budget decision, Western Dental is better positioned to increase access to care for vulnerable patient populations. In January Western Dental launched a new pediatric dentistry practice and hired a 30-year health care veteran as its pediatric director to ensure quality of care for children across Western Dental's 24 pediatric offices.

In keeping with its commitment to provide high-quality care to patients across the state, Western Dental has also opened several new offices in underserved communities. Over the last six months, Western Dental opened new offices in Ceres, Covina and Loma Linda.

We can also serve more children, as a result primarily of the Prop 56 supplemental payments, and it appears the DTI incentive payments will also support us in investing in expansion in the number of our offices and further aligning our service capacity to the state's oral health care priorities and objectives, including prevention, access and utilization. We are also funding outreach and education.

- **If more changes are still needed, please explain why.**

Foremost, all providers need to know that the state will commit to continue its investment in adequate rates in coming years. That kind of reliability is essential to convince California's dental providers to change their long-term business models and make the investment needed now and in coming years to treat millions more Denti-Cal members. We need a multi-year commitment to Prop 56 funding of basic rate adequacy.

It's equally important to build on last year's legislative action to further invest in expanding access to care.

Next, DTI incentive payments have increased Denti-Cal rates to nearly 90% of commercial rates for a few services, improving access to and utilization of preventive services for Denti-Cal children. The DTI incentive payments have increased those rates, on average, to nearly 70% of commercial rates in the Pacific Region, but only for the small percentage of treatments that represent the year-over-year increase in preventive care visits for each provider. The state now has two full years of experience with DTI, and it is time to consider and make important mid-course corrections to

improve performance for the full 5-year period of the Medi-Cal waiver and greatly exceed the 10% increase in preventive treatments for children.

To scale up, these rates should be increased as soon as possible for all Denti-Cal procedures, including those for adults as well as children, to levels close enough to commercial rates to get many more dentists to accept Denti-Cal patients and to convince existing dental providers to greatly increase the number of Denti-Cal patients they will serve.

- **Please describe any improvements you have seen within the Denti-Cal program to streamline administrative hurdles for approving treatment. How do these regulations impact the way your patients receive care? Are there opportunities for further improvements?**

As indicated above, it should not be necessary to require prior authorization for so many procedures, such as periodontal treatments, in order to maintain program integrity. Providers with a high success rate in getting TARs approved for procedures such as scaling and root planning for adults should be exempt from prior authorization requirements subject to random audits of claims which can identify fraud or abuse.

We are generally favorably impressed with the willingness of the Department to listen and respond to stakeholders, and with the team that Delta Dental has established to help the Department administer its provider relations over the last few years.

- **Please describe the typical process for billing the Denti-Cal program for services provided to your patients. What is working and what still needs improvement?**

While we believe it is urgent that the Department ensure that there is no disruption or delay in payments in the coming year by requesting prior approval from the Centers for Medicare and Medicaid Services for continued Proposition 56 supplemental payments, we are generally satisfied with the billing and payment process for Denti-Cal, with the caveat that Western Dental Services is a large care provider with a large and well-trained back office and significant experience in dealing with Denti-Cal and its fiscal intermediary. Smaller dental practices may find the same system more daunting or inconvenient, and given the low reimbursement rates, may find that the trade-off in time and staff to navigate Denti-Cal billing is not yet worthwhile.

Western Dental is currently reviewing utilization data and the November 2017 Medi-Cal Estimate and the Governor's January 2018 Budget Proposal before coming forward with more specific recommendations for the second year of Proposition 56 dental rates, and Years 3, 4, and 5 of the Dental Transformation Initiative, which will likely be considered later this year, after the state budget is enacted. We may have additional specific proposals to report to the Commission when Western Dental Services provides oral testimony for your hearing on Denti-Cal later this month.

Meantime, we thank you once more for the chance to share our experiences and thinking with you and your staff, we are available for questions or clarifications at any time, and I am looking forward to meeting with you on March 22.

Sincerely,

A handwritten signature in blue ink that reads "John Luther DDS". The signature is written in a cursive style.

Dr. John Luther
Chief Dental Officer
Western Dental Services

cc: Commissioner Sean Warner, Vice Chairman
Commissioner David Beier
Commissioner Iveta Brigis
Commissioner Anthony Cannella
Commissioner Joshua LaFarga
Commissioner Chad Mayes
Commissioner Don Perata
Commissioner Bill Quirk
Commissioner Richard Roth
Commissioner Janna Sidley
Commissioner Helen Torres