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**DATE:** July 21, 2022

**TO:** ALL MEDI-CAL DENTAL MANAGED CARE PLANS

**SUBJECT:** APL 22-007: Payment Withhold for Performance Measures, Quality Metrics and Benchmarks (Supersedes APL 16-009)

**PURPOSE:**

The purpose of this All Plan Letter (APL) is to inform Dental Managed Care (DMC) Plans of the re-establishment of payment withholds related to performance measures, quality metrics and benchmarks. This APL supersedes APL 16-009<sup>1</sup> and amends the DMC Contracts<sup>2</sup> to withhold 3 percent of the monthly capitation payment for performance measures.

**BACKGROUND:**

Pursuant to Exhibit B, Provision 3. Payment Withhold of the DMC contract,<sup>3</sup> the Department of Health Care Services (DHCS) is authorized to withhold monthly capitation payments and release the withheld capitation to the DMC plan following the end of the calendar year based upon the DMC plan's ability to meet or exceed established quality metrics and benchmarks for specific performance measures during the measurement year. In accordance with the DMC contract,<sup>4</sup> Welfare and Institutions Code (WIC) section 14459.6<sup>5</sup> and California's federally approved 1915(b) CalAIM Waiver Special Terms and Conditions<sup>6</sup> (STC), DHCS has established updated performance measures, quality metrics and benchmarks to assess DMC plans' ability to meet quality criteria and demonstrate performance improvement. Additionally, as required in STC C. Dental Program, #25 Payment Withholds, and in accordance with the Medicaid and Children's Health Insurance Program (CHIP) Managed Care Final

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<sup>1</sup> All DMC APLs can be found at:

<https://www.dhcs.ca.gov/services/Pages/DentalAllPlanLetters.aspx>

<sup>2</sup> Exhibit B, Provision C, 3 – 5.

<sup>3</sup> The DMC boilerplate contract can be found at:

[https://www.dhcs.ca.gov/services/Documents/DMC\\_Boilerplate.pdf](https://www.dhcs.ca.gov/services/Documents/DMC_Boilerplate.pdf)

<sup>4</sup> Exhibit A, Attachment 6, Provision D. Performance Measures and Benchmarks

<sup>5</sup> The WIC is searchable at:

<https://leginfo.legislature.ca.gov/faces/codesTOCSelected.xhtml?tocCode=wic>

<sup>6</sup> CalAIM 1915(b) Waiver STCs: <https://www.dhcs.ca.gov/provgovpart/Documents/CalAIM-1915b-STCs.pdf>

Rule,<sup>7</sup> DHCS has established an updated actuarially sound payment withhold methodology linked to performance improvement benchmarks which are reasonable and attainable. This APL supersedes APL 16-009, which previously waived the capitation withhold for performance measures, quality metrics, and benchmarks.

**POLICY:**

In accordance with the STC C. Dental Program, #22 Monitor Plan Performance and APL 22-002 Medi-Cal Dental Managed Care Plan Performance Measures, DMC plans are required to demonstrate improvement in the following dental utilization performance measures:

Children – Age under 21	Adults – Age 21+
Annual Dental Visit	Annual Dental Visit
Preventive Dental Services	Preventive Dental Services
Use of Sealants	

In compliance with STC C. Dental Program, #25 Payment Withhold, DHCS has established the following requirements for performance measures, quality metrics and benchmarks by plan and county, in addition to a payment withhold arrangement linked to each performance measure per plan. DMC plans must demonstrate performance improvement for each measure in order to be issued the performance withhold following the end of each calendar year (CY).<sup>8</sup>

**REQUIREMENT:**

Performance Benchmarks

DMC plans must demonstrate performance improvement in measures for utilization of “Annual Dental Visits” for children and adults, “Use of Preventive Services” for children and adults, and “Use of Sealants” for children ages 6 – 9 and 10 – 14.<sup>9</sup>

DHCS developed reasonably attainable performance benchmarks that DMC plans must achieve using the state’s fee-for-service delivery system and other dental managed care systems’ utilization metrics throughout the United States as benchmarks to compare DMC. DMC plans must demonstrate, at minimum, a 3.33 percentage point annual increase from the baseline benchmark for each measure, with a target total improvement of 10 percentage points over three years. DHCS established the baseline and target performance benchmarks in the enclosed, “DMC Performance Measures, Quality Metrics and Benchmarks” for each measure using CY 2021<sup>10</sup> data for each plan,

<sup>7</sup> Medicaid and CHIP Managed Care Final Rules: <https://www.medicaid.gov/medicaid/managed-care/guidance/medicaid-and-chip-managed-care-final-rules/index.html>

<sup>8</sup> Calendar year means January 1 – December 31 of each year.

<sup>9</sup> Definitions of each measure can be found at:

<https://www.dhcs.ca.gov/services/Pages/DMCPerformanceMeasures.aspx>

<sup>10</sup> Data includes only members with 90 days continuous enrollment in a DMC plan from January 1, 2021 – December 31, 2021.

as posted in the Dental Managed Care Performance Measure reports<sup>11</sup> on the Medi-Cal Dental webpage.

#### Performance Withhold Methodology

In 2016, DHCS waived the capitation payment withhold for performance measures and benchmarks in order to re-evaluate the previous methodology and comply with the Managed Care Final Rule requiring withholds to be actuarially sound for reasonable and attainable performance benchmarks. DHCS has now established an actuarially sound 3 percent total performance withhold arrangement for the above performance measures and enclosed quality metrics and benchmarks which replaces the previous 10 percent withhold related to performance measures, quality metrics and benchmarks contained within the DMC contract. If a DMC plan fails to meet or exceed all annual benchmarks for the performance measures and quality metrics identified for each CY, the DMC plan will be subject to the entire 3 percent performance withhold. To ensure an encounter is included towards each measure for the performance withhold, DMC plans must submit all necessary encounter data to capture the above measures within six (6) months of the date of service.<sup>12</sup> Encounter data submitted after six (6) months will not be included as part of DHCS evaluation of a plan in meeting performance benchmarks.

If a plan does not meet the required annual utilization benchmarks for any one or more of the performance measures and quality metrics at the end of each CY, a portion of the 3 percent performance withhold, as indicated in the table below, will be withheld.<sup>13</sup> For each performance measure and quality metric, a plan must meet or exceed the target benchmark for each specified measure set for the CY; if not, then the DMC plan will be subject to a partial performance withhold for any such benchmarks not met, in accordance with the table below.

<b>Measure</b>	<b>Percent of 3% Withhold Amount</b>
Children: Annual Dental Visits	0.6%
Children: Use of Preventive Services	0.6%
Children (Ages 6 – 9): Use of Sealants	0.3%
Children (Ages 10 – 14): Use of Sealants	0.3%
Adults (21+): Annual Dental Visits	0.6%
Adults (21+): Use of Preventive Services	0.6%
<b>Total Performance Withhold</b>	<b>3.0%</b>

The appropriate performance withhold amount will be released to DMC plans following the end of the measurement year, upon completion of DHCS' annual evaluation of the applicable performance measures. The annual evaluation will commence six (6) months

<sup>11</sup> Dental Managed Care Performance Measures:

<https://www.dhcs.ca.gov/services/Pages/DMCPerformanceMeasures.aspx>

<sup>12</sup> DMC Boilerplate Contract, Exhibit A, Attachment 6, Provision C, 2.

<sup>13</sup> DMC Boilerplate Contract, Exhibit B, Provision C, 4 – 5.

following the end of the measurement year.<sup>14</sup> DHCS will notify plans in writing within ten (10) business days of the evaluation results.<sup>15</sup>

Dispute Rights

A DMC plan has the right to dispute an action DHCS takes in the administration of the DMC contract,<sup>16</sup> including administering the payment withhold for performance measures, quality metrics and benchmarks that have not been met. DMC Plans must utilize the Dispute Resolution Process outlined in the DMC contract, any subsequent APLs, and in accordance with all applicable federal and state regulations.

If you have any questions regarding this APL, please contact MDSD at [dmcdeliverables@dhcs.ca.gov](mailto:dmcdeliverables@dhcs.ca.gov).

Sincerely,

*Original signed by:*

Adrianna Alcalá-Beshara, JD, MBA  
Chief, Medi-Cal Dental Services Division  
Department of Health Care Services

Enclosure

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<sup>14</sup> DMC Boilerplate Contract, Exhibit B, Provision C, 4, a. and Exhibit B, Provision C, 5, a.

<sup>15</sup> DMC Boilerplate Contract, Exhibit B, Provision C, 4, a.

<sup>16</sup> DMC Boilerplate Contract, Exhibit E, Provision 4.; see also Exhibit E, Provision 1.