C E N T E R  F O R  D E N T A L  H E A L T H
B U S I N E S S  P L A N

S U B M I T T E D  D E C E M B E R  6 T H ,  2 0 1 2

A P P L E  T R E E  D E N T A L

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Executive Summary

Background
The Peninsula Health Care District (“PHCD”) funded an Eldercare Dental Needs Assessment to identify unmet needs for dental care among a rapidly growing population of older adults living in the PHCD and surrounding region. That needs assessment identified significant gaps in the availability of comprehensive on-site dental care services for nursing facility residents and other underserved population groups. The need to establish a Center for Dental Health and a new on-site program targeting these population groups led the PHCD to fund the development of this Business Plan.

Space Plan
Apple Tree Dental (“Apple Tree”) has created a sustainable non-profit delivery model that has been adapted to fit five urban and rural communities in Minnesota, two regions in North Carolina, and one program in Louisiana. These programs have been financially sustainable for nearly thirty years, meeting a variety of unmet needs, filling gaps in care across the lifespan, and partnering with educational and research organizations both locally and nationally.

To meet the PHCD’s needs a new Center for Dental Health is proposed that will serve as the “Hub” for both general dentistry and advanced dentistry services needed by underserved populations including those with disabilities and mobility impairments. The Center for Dental Health includes a Community Care Coordination Center with staff who manage the on-site delivery of year-round dental and oral health services at “Spoke” sites including nursing facilities, assisted living facilities, group homes, schools, Head Start Centers and other sites where underserved people live, work, go to school or receive other health and social services.

The proposed Center for Dental Health would have a total of 14,000 square feet, ideally on two floors of a multi-story building located on the PHCD’s campus. In addition to the Center for Dental Health, a nearby 2,500 square foot garage would house two MDV Trucks, Apple Tree Mobile Dental Offices and an equipment maintenance shop.

Costs and Timeline
The cost to build a new Center for Dental Health is about $5.6 Million. Equipping and furnishing the building would cost an additional $3.4 Million. The working capital required to launch the program would range from $600,000 to $1 million. The total costs for building, equipping and launching the new program approach $10 Million. Building a new clinic is projected to take approximately three years to complete. By the fifth year of operation more than 8,500 individuals will be receiving care and more than 30,000 dental visits will be provided annually.

Next Steps and Recommendations
Apple Tree recommends that the PHCD’s Long Term Planning committee make the inclusion of the Center for Dental Health a high priority in plans for its campus. The PHCD would own the building and equipment. Apple Tree would operate the program in collaboration with the PHCD. Apple Tree recommends that the PHCD request a proposal from Apple Tree to enter into an agreement with PHCD to establish a Center for Dental Health on the PHCD’s campus.
Background

Eldercare Dental Needs Assessment Report
The Peninsula Health Care District (“PHCD”) and the San Mateo County service area has one of the nation’s fastest growing populations of older adults, seniors, and frail elders according to Health Management Associates’ 2008 Assessment of Strategic Priorities for San Mateo Health Services report. Older populations are typically high consumers of health care services, yet significant gaps in the availability of geriatric and special needs dental services are leaving many older adults without access to necessary dental care. This problem is increasingly significant given the growing body of medical and dental research demonstrating strong links between untreated mouth infections and costly complications from diabetes, increased risks for aspiration pneumonia among nursing facility residents, and other health consequences. At the same time, there is very strong evidence that mouth infections can be dramatically reduced or prevented by proactive new oral health care delivery programs.

Due to the rapidly growing number of elderly individuals living in the San Mateo County service area, the Eldercare Dental Needs Assessment Report (Needs Assessment) focused on the older adult population and its access to age appropriate dental services. The elderly population living in the area faces economic barriers to dental care because many older adults lose private dental insurance when they retire, live on fixed incomes, and must make out-of-pocket payments for medications and other medical services. Many older adults become dependent on Medi-Cal and Denti-Cal, particularly when they need home health services or long-term care. In addition to these economic barriers, many older adults experience chronic diseases that impair daily living activities and lead to increasing reliance upon caregivers. Senior housing, assisted living facilities, and skilled nursing facilities provide a range of residential services for older adults and frail elders. And because frail elders living in nursing facilities face the greatest barriers to dental care, their unmet needs were the central focus of the Needs Assessment.

The older adult population in San Mateo County currently totals 91,000, and the region includes 575,000 older adults. These older adult populations, particularly the “Old-Old” populations, are projected to increase rapidly over the next few decades. There are 61,000 people over 85 years of age in the San Mateo County service area, including the PHCD. San Mateo County itself has 12 large skilled nursing facilities with 100 or more beds with a total of 2,153 residents. In addition, there are 309 smaller nursing facilities with fewer than 100 beds with another 3,074 residents. The surrounding area includes four counties. These counties have a total of 65 large skilled nursing facilities with 100 or more beds with a total of 13,463 residents. In addition, there are 1,057 smaller nursing facilities with less than 100 beds with another 11,754 residents.

The Needs Assessment concluded that with a current population of 575,000 people over 65 in the San Mateo County service area, and increased growth projected in the next few decades, particularly for the “old-old” age group over 85 years, there is clearly a growing need for geriatric and special care dental services in the area. Since the majority of older adults are community dwelling and not living in nursing facilities, there is a need in the PHCD for a conveniently located center for dental health with geriatric and special needs expertise. Meetings with local stakeholders and the survey results did not identify any dental clinics located in the San Mateo County service area that offer a full
range of dental services to geriatric and special needs patients. As older adults age, they increasingly receive home health services and move into various senior living settings, including assisted living and skilled nursing facilities. The San Mateo County service area lacks an integrated program located in the PHCD that offers continuous services to older adults, both through clinics and on-site care delivery.

Nursing Facility and Dentists Survey findings include:

- 69% of the responding facilities did not have any contracted dental provider. (Having a contracted dental provider is a federal requirement.)
- 78% of the responding facilities did not have on-site dental care available for their residents.
- 89% of the responding facilities reported needing to transport residents to dental offices for dental care.
- 22% of facilities reported having some type of on-site dental care, and 88% of reported that their on-site dental provider brought only limited dental supplies.
- 62% of facilities report that on-site providers do not assess or triage patients at the time of admission.
- 25% of facilities report that contracted dental providers do not assist with routine care (periodic dental examinations, x-rays and cleanings, fillings, crowns, root canals, periodontal therapy, dentures and partial dentures, extractions and other surgical services).
- 50% of on-site providers offer educational information for patients and families.
- 58% of respondents reported that some or all of their residents on Denti-Cal face challenges to care. These challenges were reported to include long waiting periods for an appointment, very limited coverage of services, Treatment Authorization Report process takes a long time and many requests for treatment are denied.
- 45% of the dental providers responding to the survey report that they neither treat nor refer special needs patients.
- The only two “Special Care” dental clinics available for referral of special needs patients were the UCSF School of Dentistry and the University of Pacific Arthur A. Dugoni School of Dentistry, both located in San Francisco.
- No special care dentistry clinic located in the Peninsula Health Care District was identified by respondents.

Finally, the gaps in the availability of comprehensive on-site dental care services for nursing facility residents make it clear that a new on-site program targeting these population groups, and designed to address a range of dental access problems in a financially sustainable way, is needed in the PHCD and surrounding service area.

Apple Tree’s Community Collaborative Practice Model

Apple Tree Dental (“Apple Tree”) is a non-profit community clinic and critical access provider created in 1985 in Minnesota to address the unmet dental needs of nursing facility residents in the Twin Cities. Apple Tree currently has approximately 150 employees, most working in clinical settings. Apple Tree developed new methods to deliver on-site dental services to nursing facility residents who were unable to travel to a traditional dental office.

As a result of these successful efforts, other populations facing access barriers sought Apple Tree’s help. In response to their needs, Apple Tree now serves low-income children, underserved families in rural and urban areas, and adults with disabilities, along with frail elders living in nursing and long-term care facilities. Today, Apple Tree provides dental care at clinics in the Twin Cities, Hawley, Madelia, and Fergus Falls, as well as at an outreach clinic and provides on-site care at assisted living and nursing facilities in Rochester. Apple Tree also offers on-site
dental services at more than 130 community oral health care sites including Head Start centers, schools, nursing facilities, and other long-term care settings.

The mission of Apple Tree is to improve the oral health of people with special dental access needs who face barriers to care. We envision a future without barriers, where all vulnerable people, from the very young to the very old, are able to obtain the care they need. Apple Tree’s staff works to achieve its mission by designing, testing, and scaling innovative oral health delivery models for underserved populations, partnering with educational programs and researchers to advance the practice of special care and community dentistry, and carrying out policy development and advocacy programs to create equity in access to dental care across the lifespan in our communities and in the nation.

Apple Tree provides comprehensive oral health care services to vulnerable populations, including diagnostic consultations, preventive, educational, and restorative services, as well as advanced services including periodontics, endodontics, prosthodontics, and oral surgery. In 2011, Apple Tree provided almost 68,000 dental visits and screenings to 21,400 patients at four community clinics and 130 collaborating community sites, including Head Start centers, schools, and long-term care facilities. The value of dental services delivered in 2011 reached nearly $14 Million.

**Hub and Spoke Delivery System**

Apple Tree’s delivery system infrastructure includes at its “Hub” a Center for Dental Health. At the Center for Dental Health, a team of Community Care Coordinators manage the schedules of On-Site Oral Health Teams of dental hygienists who are the front-line clinicians, providing health assessments, education, preventive services, and who triage follow-up dental care for patients who have active dental problems. Community Care Coordinators also manage the schedules of On-Site Dental Care Teams, that include dentists, hygienists, and dental assistants and are equipped with complete Apple Tree Mobile Dental Offices. The “Spokes” of the delivery system include dozens of collaborating community sites including nursing facilities, assisted living facilities, group homes, schools, and Head Start Centers. At these “Spoke” sites, both oral health and dental care services are delivered on a regular basis creating year-round dental care homes.
Center for Dental Health: Space Design

The Space Planning Process

Apple Tree’s Innovations Center team led the planning process in collaboration with space planning and design firm HGA. The five-month planning effort engaged dozens of participants with clinical expertise in community care coordination, advanced dentistry services, dental and surgery center equipment specialists, health care facility design, and general contracting experts. HGA facilitated a set of four user groups through a series of nine meetings, beginning with Apple Tree’s leadership to clearly articulate values and the specific outcomes for patients and staff in an Apple Tree Center for Dental Health program on PHCD’s campus. Each user group included key providers, equipment specialists, construction experts, and management. In addition, Dr. Gregory, with his educator and private practice experience in California, participated in all General and Advanced Dentistry and Navigation group meetings and in the development of the Innovations Center space program.

Focusing on Patient and Staff Experiences

We have designed the Center for Dental Health spaces using our patient-centered and collaborative practice values based on research in health care best practices to deliver quality, value, and personalized patient experiences. Both the physical spaces and the team delivery model have been carefully designed and documented to provide world class outpatient experiences, improved health outcomes, and reductions in spending across the lifespan.

The PHCD’s Apple Tree Center for Dental Health

The planning effort completed in the Spring and Summer of 2012 at Apple Tree headquarters in Minnesota, and remotely with HGA San Francisco, produced the ideal conceptual design for patient flow, general and advanced dentistry service delivery, in-house dental lab, and the necessary mobile delivery support functions in addition to sufficient education and management space to advance collaborations with local partners in education and research. To date, the design has been translated into the space plans for PHCD’s future Center and for clinic expansions in Rochester and the Twin Cities in Minnesota.

The District’s Center for Dental Health space plan includes:

- Two floors in a multi-story building with approximately 7,000 square feet per floor
- The first floor is the General Dentistry Clinic
- The second floor is the Advanced Dentistry Clinic and Care Coordination Center
- An off-site garage is needed for two Multi-site Delivery Vehicle trucks and equipment maintenance shop
- Education and program management offices and meeting spaces
General Dentistry Clinic and Dental Lab

Unique features of the General Dentistry clinic include team navigation spaces, a dedicated imaging and diagnostic area, dental lab, and sixteen larger than average dental operatories organized in groups of four called “quads.” Each quad includes one specially dental treatment room (#1 in the diagram) that includes a ceiling mounted wheelchair transfer lift and a unique “hover” dental chair that can be quickly moved on a cushion of compressed air to accommodate large electric wheelchairs, geri-chairs, and even gurneys. The waiting area doesn’t have a traditional “reception desk” so the patient’s experience begins when they are greeted at a podium when they arrive at the clinic and are escorted to one of the quad treatment rooms or to a navigation room for initial consultation, health history review, and discussion of insurance and other private matters. None of this occurs at a public reception desk, but rather in private rooms where the patient can sit and meet with the navigator or clinician across a small table.

Navigation and treatment rooms have sufficient space for caregivers and family members and are equipped to accommodate patients in wheelchairs or who may need assistance in being transferred to the dental chair. The dedicated imaging and diagnostic area brings clinical excellence to every visit by ensuring that patients x-rays are taken and interpreted by calibrated clinicians who are part of a team process that ensures accurate diagnosis before treatment options are recommended. Whether it is at the first visit or at follow-up visits where the quality of treatment outcomes is reviewed, the calibrated staff in the imaging and diagnosis area will play a key role in increasing the accountability for the highest quality patient care. The quad design
allows dental teams to work efficiently and maximize the flexibility of the spaces to accommodate changing patient needs and visit types, while providing comfortable and confidential spaces for patients, caregivers, and family members for treatment and consultations with their clinical care team.

The in-house dental lab provides seamless and cost-effective denture and crown and bridge services for all of the patients at the Center for Dental Health. Clinical staff who serve patients both in the clinic and at community sites will have the lab team members and resources on-site which allows for direct collaboration, improved quality, and more timely services for patients.

**Advanced Dentistry and Community Care Coordination Center**

The second floor of the Center for Dental Health includes the Advanced Dentistry Clinic, which is designed to meet ambulatory surgery standards and to provide a resource for serving patients who would otherwise need to be treated in a hospital setting with intravenous (“IV”) sedation or general anesthesia. Special care services will include pediatric, adult special needs, and geriatric dental care as well as more advanced oral surgery, endodontics, and periodontal care.

The Advanced Dentistry Clinic design includes two operating room type surgery suites with three pre-op and post-op rooms. With the two-floor design, the Advanced Dentistry Clinic has a more private entrance and “sub” waiting room adjacent to the surgery suites to accommodate patients with special needs and their caregivers.

Also located on the second floor is the Community Care Coordination Center which serves as the hub for the management of on-site dental services. Staff assist with patient scheduling, communication, and coordination with long-term care facility staff, and also assist with billing and maintenance of electronic health records. Care coordinators
ensure that patients have successful dental visits and that the on-site oral health and dental care teams have well-planned and productive schedules when working at community sites.

**Off-Site Garage and Mobile Equipment Maintenance Facility**

At a separate location, within 5-10 minutes of the Center for Dental Health, a 2,500 square foot garage space will house two Multi-site Mobile Delivery trucks and also a mobile equipment maintenance shop. This space may be either a leased or purchased space. Mobile equipment delivery, pickup, and maintenance functions are supervised by staff at the Community Care Coordination Center.

**Education Center, Local and Executive Management**

The Center plays a key role in furthering the practice of special care dentistry with student rotations from schools of dentistry, hygiene, and dental assistants as described in the next section. Local managers for the staff at the Center for Dental Health will receive executive and corporate management support from Apple Tree’s Twin Cities Executive Office.

Apple Tree’s Executive Staff is lead by Dr. Michael Helgeson, the Chief Executive Officer, Nancy Schumacher, the Chief Financial Officer and Director of Administration, Karen Engstrom, the Oral Health Care Director, and Cathy Jacobson, the Innovations Center Director. They are supported by a leadership team of staff with expertise in Human Resources, Information Systems, Fundraising and Development, Marketing and Communications, Policy and Advocacy, and others. This team provides corporate management support for all of Apple Tree’s program locations.

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**Summary**

- 14,000 square feet, two floors in a multi-story building
- 2,500 square foot (off-site) garage
- 21 operatories and surgical suites
- 2 MDV trucks with six complete mobile offices and six portable dental offices
- Care coordination, education and management spaces
Education, Research and Policy Development

Why Bother with Education?

The new Center for Dental Health offers a unique opportunity to build on existing relationships with both the University of Pacific, Arthur A. Dugoni, School of Dentistry (UoP) and the University of California San Francisco School of Dentistry (UCSF) in providing undergraduate and post-doctoral dental rotations focused on underserved and special needs populations in the District and region.

University of the Pacific and UCSF Schools of Dentistry

Dental students at UCSF and the UoP currently learn about the Apple Tree Dental model in lectures focused on geriatric and community dentistry. It is presented as a successful and sustainable community collaborative practice providing care to underserved populations in collaboration with local dentists safety net clinics and other organizations providing oral health care. Students learn that access to dental care is a significant problem for more than a third of the population. Many dental students are intrigued by the opportunity to provide care in a staff model with expertise in special care dentistry and express interest in joining Apple Tree’s staff after they graduate.

Administration and faculty at both UCSF and the UoP have offered support for a new Center for Dental Health located on the PHCD’s campus. Dr. Paul Glassman, Director of the Pacific Center for Special Care continues to collaborate with Apple Tree to expand the reach of his Virtual Dental Home beyond the pilot projects currently providing oral health assessment and care in Head Start and school-based settings. At UCSF, Dr. George Taylor, Chair of the Department of Preventive and Restorative Dental Sciences, anticipates the opportunity to affiliate with Apple Tree to provide advanced training rotations for dentists treating frail older adults and special needs patients. Preliminary system dynamics modeling research is being initiated at the UCSF Multidisciplinary Geriatric Fellowship to better understand how the Apple Tree model achieves success and sustainability over nearly three decades of operation.

Continuing Education for Local Dentists

Patients who are unable to access dental care will be served not only by the Center for Dental Health, but by the entire dental community. Local dentists will increase their own capacity to treat the underserved through continuing education and clinical rotation opportunities at the Center for Dental Health.

Clinical Innovations and Research

The Virtual Dental Home (“VDH”) is an innovative system of care developed by the Pacific Center for Special Care at the UoP, and is currently being piloted in nine sites across the state of California. The VDH uses allied dental personnel working in community sites, such as Head Start centers, schools, residential facilities for people with disabilities, and long-term care facilities for frail elders, as the location to provide intensive prevention and early intervention
oral health services. Dentists who are not on site review electronic health records captured on site by the community based allied dental personnel and determine what dental treatment will be provided and the best location to provide such care. Up to half of the high-risk individuals served in this program can receive all the dental care they need in the community location and do not need to see a dentist in-person. Those with disease that need to be treated by dentists are referred and case managed into dental offices and clinics. In some cases, dentists provide the advanced treatment that is needed in the community site using movable or portable equipment.

This unique, geographically distributed, collaborative, tele-health facilitated system of care emphasizes prevention and early intervention services performed by allied dental personnel in community settings. This is a significantly lower cost system of care than the traditional oral health delivery system. Prevention and early intervention services, delivered in community settings where vulnerable populations receive social, educational, and general health services have the highest potential to drive down the significant cost of neglect of oral health problems. Costs of neglect include the need for complex and expensive dental treatment, transportation costs to fixed facilities for people with mobility challenges, very costly treatment performed by dentists and physicians in hospital emergency departments and operating rooms, and the costs associated with missed school days and work.

Policy Development

Apple Tree plans to develop policy and regulatory recommendations based on the work of the Center for Dental Health. This program has the potential to demonstrate how a unique oral health delivery system can improve oral health for traditionally underserved and high-risk populations. This new PHCD program will develop recommendations for payment and administrative system reforms in Denti-Cal that will allow value-based delivery systems to spread more rapidly. In addition, by documenting the outcomes of on-site care interventions, including more effective prevention services, both long-term care and dental professionals will have new evidence that improved prevention and on-site services can help decrease health care failures and costly outcomes.
Business and Financial Plans

Introduction

Plans to establish a new Center for Dental Health located on the PHCD’s health focused campus required analysis of several important local factors that helped determine the total startup costs and also ongoing viability of a new program. Apple Tree worked with HGA and other local experts to review local building codes and building costs, the local costs of dental equipment, office furniture, and several other key startup costs. Apple Tree’s Innovations Center staff also analyzed the legal and regulatory environment in the PHCD as it applies to conducting business as a non-profit organization, establishing a new dental clinic, creating an ambulatory care center, and providing on-site dental services in long-term care facilities and other targeted settings.

Building and Equipment Costs

The following table shows the costs to build a new building, or alternatively to remodel an existing building. The building core, mechanical, and electrical costs are somewhat higher than costs for a typical dental space because they include the unique costs affiliated with the second floor Advanced Dentistry Clinic (see previous section for more details). These costs are similar to an Ambulatory Surgery Center.

<table>
<thead>
<tr>
<th>BUILDING COSTS</th>
<th>NEW BUILDING</th>
<th>EXISTING BUILDING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Site Work</td>
<td>$495,000</td>
<td>$0</td>
</tr>
<tr>
<td>Building Core and Shell</td>
<td>$1,615,828</td>
<td>$220,000</td>
</tr>
<tr>
<td>Interior Fit-out</td>
<td>$1,143,925</td>
<td>$1,265,800</td>
</tr>
<tr>
<td>Mechanical</td>
<td>$1,015,625</td>
<td>$524,500</td>
</tr>
<tr>
<td>Electrical</td>
<td>$577,813</td>
<td>$349,688</td>
</tr>
<tr>
<td>Contingency &amp; Escalator (15%)</td>
<td>$727,229</td>
<td>$353,998</td>
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<tr>
<td><strong>BUILDING TOTAL</strong></td>
<td><strong>$5,575,420</strong></td>
<td><strong>$2,713,986</strong></td>
</tr>
</tbody>
</table>

The dental equipment costs are predominantly for dental equipment, but also include specialized medical and anesthesia equipment for the Advanced Dentistry Clinic. The costs of the MDV Trucks and Apple Tree Mobile Dental Offices are listed in the following table:
### Staffing Costs

Apple Tree analyzed the local salaries of all the types of employees that would work at the new Center for Dental Health. This includes the salaries of employee dentists, hygienists, RDHAP’s, dental assistants, office workers, truckers, etc. This analysis concluded that the total salaries of staff in the PHCD region would be 17% higher than the corresponding salaries in the Twin Cities in Minnesota. Dental supplies and equipment and other costs vary in comparison, but are generally about 10% higher than in Minnesota. These adjustments were made to the staffing cost budgets.

### Dental Services Revenues

Dental services revenues are generated from two broad categories, public and private revenues. Apple Tree analyzed the prevailing usual dental fees in the PHCD area using available fee survey data. These were compared with Apple Tree’s fees in the Twin Cities, and those in the PHCD are 30% higher based on the utilization patterns for similar types of patients served in the Twin Cities. As a result the “Gross” services revenues, which reflect private fees for all services, are projected to be 30% higher as illustrated in the table below. Public services revenues are primarily from services to Denti-Cal enrollees. Detailed analysis of the rules, covered services, exclusions, reimbursement rates, and other program factors in Denti-Cal was completed by Apple Tree. This analysis was factored into service utilization tables to determine the total aggregate reimbursements for the same mix of services if provided in the PHCD. As shown in the table below, the uncompensated care in Denti-Cal is 77% of “gross charges,” which represents a significantly lower reimbursement level than for Medicaid in Minnesota. The combination of higher private fees and lower public reimbursements in the PHCD means that a higher percentage of revenues must come from private sources in order to sustain the operating costs of a new program. As a result, about 55% of total services are provided to Denti-Cal recipients and 45% of services to others.
Proposed Startup Timeline

It has been determined that time required to obtain approvals and permits and to construct a new building on the PHCD’s campus is approximately three years. The proposed timeline has been recommended so that services can be started on an accelerated basis. The PHCD owns an existing and vacant building located at 430 El Camino Real, which may be suitable for a first phase startup that could occur at the same time planning and construction are moving forward on the new Center for Dental Health building.

<table>
<thead>
<tr>
<th>Time Frame</th>
<th>Task</th>
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</thead>
<tbody>
<tr>
<td>Early 2013</td>
<td>Apple Tree submits an implementation proposal to the PHCD Board, including a recommended operating agreement to launch and operate a new Center for Dental Health on the PHCD’s campus in approximately three years, and first phase implementation plan to be operated out of the 430 El Camino Real property.</td>
</tr>
<tr>
<td>Middle of 2013</td>
<td>Pending an analysis of the suitability of the 430 El Camino Real property, Apple Tree proposes a phased startup plan, allowing startup to occur on an accelerated timeline.</td>
</tr>
<tr>
<td>Middle of 2013</td>
<td>The PHCD’s Long Term Planning Committee selects a site for construction of the building that will house the new Center for Dental Health.</td>
</tr>
<tr>
<td>Late 2013</td>
<td>First phases of the new program are launched at the 430 El Camino location. This will include legal and regulatory steps, initial hiring and training, pre-marketing and other steps.</td>
</tr>
<tr>
<td>Late 2013</td>
<td>Detailed planning for the new Center for Dental Health is launched as Apple Tree and the PHCD collaborate on the detailed planning effort.</td>
</tr>
<tr>
<td>2014 to 2016</td>
<td>Approvals are obtained and the new Center for Dental Health building is built and equipped. This process will take about 3 years.</td>
</tr>
<tr>
<td>2014 to 2016</td>
<td>The first phase of the program is launched and operated out of the 430 El Camino location, with preliminary staff hired, training completed, smaller scale services in place, and the marketing done to expand the program quickly when the new building has been completed.</td>
</tr>
</tbody>
</table>

Startup Budget Summary

Total costs to launch a new program include building costs, for the Center for Dental Health, equipment costs, primarily dental equipment and supplies for the Center for Dental Health and trucks and equipment for the on-site care program, and finally working capital that funds the implementation of the program, including cash flow needs dur-
ing the first two to three years. The startup budgets for the building were developed in collaboration with HGA and are based on detailed planning and local building and construction costs in the PHCD. Equipment and furniture costs were developed in collaboration with Patterson Dental and Henricksen and other equipment vendors.

The working capital budget was based on prior experience at Apple Tree launching new programs with a six month, pre-launch period without income generation, a one-year period of ramp up to an optimal production as staff and partnering organizations improve their operating efficiency, and an expected two to three month delay in cash flow during the first year as payments from Denti-Cal and other sources are generated. A total of $600,000 to $1 Million is anticipated for this need.

<table>
<thead>
<tr>
<th>TOTAL COSTS</th>
<th>NEW BUILDING</th>
<th>EXISTING BUILDING</th>
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<tr>
<td>Building Subtotal</td>
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<tr>
<td>Equipment Total</td>
<td>$3,412,000</td>
<td>$3,412,000</td>
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<tr>
<td>Working Capital</td>
<td>$600,000</td>
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<td><strong>TOTAL</strong></td>
<td><strong>$9,587,420</strong></td>
<td><strong>$6,725,986</strong></td>
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**Three-Year Budget Narrative**

Once the Center for Dental Health has been completed and the MDV Trucks and Apple Tree Mobile Dental Offices have been built and completed, the first three years of operations begin. Revenues include both earned program income, which is shown at the top of the income and expense budget, and grant and gift income, which is shown after all the program expenses to reflect the income(deficit) of the programs without considering grant and gift income. Ideally, the ongoing clinical programs are financially self-sustaining with a viable mix of public and private dental services. Grant and gift income can then be used to support new projects, educational collaborations, research, and policy development, or to fill intermittent gaps in program costs.

Program revenues are driven by the number of “FTE Dentist Teams”, which include not only a full-time equivalent dentist, but also hygienists, dental assistants, and support staff members for that team, or about six full-time employees per team. During the first year, 2.05 FTE Dental Teams are hired and this grows to 3.28 FTE teams in year two and 6.15 in year three. The total program revenue for each FTE team is based on the revenues of similar teams serving similar patients in Minnesota, but adjusted to the usual dental fees charged by dentists in the PHCD. For the purpose of budgeting, these charges are held constant during the three years, as are the related expenses. There are two categories of revenues, public revenues and private revenues. Public revenues are primarily from Denti-Cal, but may also include other government funded programs or services. Private revenues include revenues from uninsured or privately insured patients as well as “affordable plan” patients who are uninsured and low-income and who qualify for charitable discounts based on family size and household income. Private revenues also include any other non-publicly funded income.

Uncompensated care is broken down by public and private revenues, with the majority associated with deep discounts that are required under Denti-Cal. Uncompensated care also includes discounted services to uninsured patients enrolled in “affordable plans” and charity care provided when no other source of funding is available. For a non-profit organization, uncompensated care can be considered a measure of the “return on investment” of a community in the non-profit. During the first three years of the PHCD’s Center for Dental Health, the uncompensated care totals over $7 Million, while the total value of dental services approaches $15 Million.
Personnel account for 76% of the operating expenses, with dental supplies and lab expenses accounting for 18% of the budget. Each year, the program generates a very small operating excess, which is supplemented with grant and gift income.

### Three-Year Operating Budget

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Totals</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td># FTE Dentists</td>
<td>2.05</td>
<td>3.28</td>
<td>6.15</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total revenue/FTE</td>
<td>$1,297,400</td>
<td>$1,297,400</td>
<td>$1,297,400</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Services</td>
<td>$1,462,819</td>
<td>$2,340,510</td>
<td>$4,388,456</td>
<td>$8,191,784</td>
<td>55%</td>
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<tr>
<td>Private Services</td>
<td>$1,196,852</td>
<td>$1,914,962</td>
<td>$3,590,555</td>
<td>$6,702,368</td>
<td>45%</td>
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<tr>
<td>Total program revenue</td>
<td>$2,659,670</td>
<td>$4,255,472</td>
<td>$7,979,010</td>
<td>$14,891,552</td>
<td>100%</td>
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<tr>
<td>Uncomp. Public</td>
<td>-$1,126,370</td>
<td>-$1,802,192</td>
<td>-$3,379,111</td>
<td>-$6,307,673</td>
<td>-77%</td>
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<tr>
<td>Uncomp. Private</td>
<td>-$143,622</td>
<td>-$229,795</td>
<td>-$430,867</td>
<td>-$804,284</td>
<td>-12%</td>
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<tr>
<td>Total program revenue</td>
<td>$1,389,678</td>
<td>$2,223,484</td>
<td>$4,169,033</td>
<td>$7,782,194</td>
<td>52%</td>
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<tr>
<td>Expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel</td>
<td>$1,061,499</td>
<td>$1,698,399</td>
<td>$3,184,498</td>
<td>$5,944,396</td>
<td>76%</td>
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<tr>
<td>Supplies &amp; Lab</td>
<td>$245,796</td>
<td>$393,274</td>
<td>$737,389</td>
<td>$1,376,459</td>
<td>18%</td>
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<td>Rent and Occupancy</td>
<td>$38,251</td>
<td>$61,202</td>
<td>$114,754</td>
<td>$214,207</td>
<td>3%</td>
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<td>Depreciation</td>
<td>$26,725</td>
<td>$42,761</td>
<td>$80,176</td>
<td>$149,662</td>
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<td>Other expenses</td>
<td>$16,032</td>
<td>$25,651</td>
<td>$48,095</td>
<td>$89,777</td>
<td>1%</td>
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<tr>
<td>Total expenses</td>
<td>$1,388,304</td>
<td>$2,221,286</td>
<td>$4,164,911</td>
<td>$7,774,501</td>
<td>100%</td>
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<tr>
<td>Excess (Deficiency)</td>
<td>$1,374</td>
<td>$2,198</td>
<td>$4,122</td>
<td>$7,694</td>
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<tr>
<td>Grants and Gifts</td>
<td>$70,755</td>
<td>$113,209</td>
<td>$212,266</td>
<td>$396,230</td>
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<tr>
<td>Excess (Deficiency)</td>
<td>$72,129</td>
<td>$115,407</td>
<td>$216,388</td>
<td>$403,924</td>
<td>5%</td>
</tr>
</tbody>
</table>
Summary and Recommendations

Program Location and Total Costs

Based on the Eldercare Dental Needs Assessment, and the PHCD’s long-term planning goals and objectives, Apple tree recommends locating the PHCD’s Apple Tree Center for Dental Health on its campus. PHCD’s campus is ideally located to extend the new program’s reach throughout the PHCD and the surrounding region. As detailed in earlier sections, the total cost to startup this new program is approximately $10 Million. This cost includes a new building and equipment, trucks and mobile delivery systems, and the working capital costs to implement the program.

Relationship between Apple Tree and PHCD

Apple Tree is an independent, non-profit organization with expertise establishing and managing oral health care programs. We recommend that the PHCD build, equip, and own the Center for Dental Health property. A formal relationship would need to be established with Apple Tree to collaborate with the PHCD during the construction and startup period, and then to operate the program once launched.

Next Steps

Apple Tree recommends that the PHCD Board issue a Request for Proposal to Apple Tree for an implementation plan formalizing a proposed relationship between the two organizations during the pre-launch and three-year startup period. The funding for the implementation plan is already included in the working capital portion of the total cost of startup. Based on the accepted implementation plan, the PHCD Board would enter into an operating agreement with Apple Tree and begin to launch the new program.

By the 5th Year…..

About 8,500 individual patients will be receiving care each year
And about 30,000 annual dental visits will be delivered at the Center for Dental Health and at about 100 collaborating community sites like nursing facilities, assisted living centers, group homes, schools and Head Start Centers depending on existing gaps