



President's Report

Jeff Album

► I'm back in the office after a satisfying annual conference, and am still basking in the afterglow of a productive meeting. Or maybe that glow is from the lagers I enjoyed afterwards in San Diego's Gas Lamp quarter in the company of Dr. Chuck Stirewalt and Jane - most likely, some combination of both.

I know we all tend to hear what we want to hear, but I heard word that our 20th annual conference, the QM course and the anti-fraud workshop were all big hits with you and your "peeps." The Founders' luncheon too was reported as both entertaining and informative. Many thanks to Bob Schur, Frank Pellkofer, Dr. Chris Kamen, Dr. Dennis Fratt and James Lindsey for coming, and bringing such good cheer along with them. Steve Casey as MC added the perfect touch.

But back to the conference, I would say the tone was established at the outset with Gary Radine's thoughtful keynote speech about how to manage through an economic downturn. He challenged us as companies and managers to think creatively, to think long-term, and implored us not to sacrifice our vision or our future in the name of cost savings and quarterly dividends or profits. These are my clichés, however, which fail to capture the depth of what Mr. Radine had to say; his metaphors, personal examples and folksy style of delivery all served to highlight a recitation of lessons drawn from such timely events as the GM bankruptcy, the excesses of the American financial

sector and the mortgage meltdown that kicked off the current economic malaise.

From that keynote, the conference moved toward uncovering how the economy has impacted several key stakeholders within our industry. From dentists to brokers to players in the federal healthcare reform debate, we left few stones unturned. Many of my personal conversations with several of you, both between and after the sessions, were equally thought-provoking. Following the conference, I felt better informed, more aware of industry-wide impacts and ready to start my week with some renewed energy. This is the point, right?

Looking ahead to the next few weeks and months, I see in my crystal ball a lot of time and energy that will be focused in Sacramento and Washington, D.C. In Sacramento, we continue to deal with a crushing budget deficit, which, after claiming the adult Denti-Cal program, now threatens the Healthy Families program – yet another program in which several of our member companies participate. CADP will actively engage in efforts to avert these terrible cuts, which threaten the oral health and overall health of some 900,000 low-income children, not to mention the livelihoods of not a few dentists and community health clinics that provide dental services to the uninsured and underinsured.

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The CADP News is published quarterly. Your suggestions and/or comments are encouraged. Please write or call:

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Dots and Dashes

Charles D. Stewart, DMD
Chair Quality Management Committee

▶ With the conclusion of the 20th annual CADP Quality Management Conference, the inevitable progression allows one to acknowledge that summer is upon us.

Summer is a time that many of us enjoy leisure time, but this year may be a bit different. There are issues and actions that are not easing us into our summer vacations. First and foremost is the current budget crisis in the State of California. No longer is there a threat of the elimination of dental coverage in the Medi-Cal program. It is a fact. Many plans are in the process of reviewing options to pursue in regard to the loss of these programs.

The regulator for California's DHMO industry has announced actions that will also change the way we do business. During her presentation at our Annual Conference, Cindy Ehnes, DMHC Director, indicated that the Access regulations, as well as a decision on the regulation of Discount Plans, are forthcoming. The Dental Board of California has also indicated that it will be more vigilant in the pursuit of certain types of issues reported to the Board. Also reported is a new protocol from the DMHC for the medical survey process, including the group tasked with performing these surveys.

What do all of the above changes and issues mean?

In a nutshell, they mean we all have some degree of job security (good news in these economic times).

The Quality Management Committee has been very active in all of the above issues and will continue to be proactive on these and additional like items. In addition to our input as above, we had a great discussion with Peter Dubois, Executive Director of the California Dental Association (CDA), during our May 27 board meeting. We had a very productive discussion, with both organizations agreeing that that leaders from both organizations will meet more regularly to discuss issues of concern, both to organized dentistry and to plans.

There are a number of bills currently in either the Senate or the Assembly, and CADP has established a position on many of those that have an effect on our industry. Please take time to read the legislative report in this newsletter.

The Quality Management Conference was well attended, and there were representatives from many national organizations in attendance. These groups expressed interest and elation at the CADP QA assessment process, and especially appreciated the focus during the conference on outcomes. These groups provide CADP with expanded exposure, as well as possible sources for collaboration in outcome validation studies. More to come on this later.

Thank You to Jackie Miller and Tiffany Tyler-Ewing for assuring the accommodations and amenities were perfect for this conference.

The next meeting of the Quality Management Committee will take place in September, time and place will be communicated by Jackie Miller.

Enjoy your summer!

Legislative Update

Jo-Linda Thompson, Nossaman LLP

▶ This has been an extremely challenging legislative session for CADP and its member plans. As we all know, the entire world is struggling with a very deep recession, and as usual, California is at the forefront. However this time we are not leading the way in development of biofuels, technology or exports, but instead we appear to be ahead in the race for the bottom of the economic abyss.

In the past our State has generally had budget problems based on difficulties in controlling spending. This crisis is different in that we now experience a revenue decline as well as a spending problem and tax revenues are shrinking faster than the experts have anticipated. The Controller, John Chiang, reports that personal income tax collections are down 12.6% from projections, corporation taxes are down a whopping 35.6%, and sales tax revenue is off 19.9% as unemployment exceeds 10% and is actually over 20% in several counties.

On May 19, the voters said NO to all the budget "fixes" invented by legislators a few months ago in their efforts to "Balance the Budget." A special two-house conference committee began meeting May 21 to stitch together a revised budget designed to erase a gap between spending commitments and revenues of at least \$21.3 billion.

How have these huge deficits affected the world of the Dental Plans? First, the February budget solution eliminated the optional benefits – Dental, Vision, Podiatric, Chiropractic and Acupuncture. CADP knew that Adult Dental benefits were in trouble and we lobbied to retain the benefit from last November until today. As we reported last meeting, every legislator and the State Treasurer wanted to retain Adult Dental but could not find the funding.

This shortfall results in Medi-Cal patients and new immigrants having fewer benefits, hospitals receiving lower reimbursements and thousands of children will be losing health coverage. In addition, the state will halt a dental disease prevention program that serves about 300,000 preschool and elementary school children in 31 counties. Following the outcome of the election, the Governor met with the Health and Human Services Secretary to ask for a waiver that would allow the state to make substantial cuts to the Medi-Cal program, while retaining the Federal subsidy. Examples of the Governor's proposed reductions are below:

- \$301.5 million in reductions to IHSS beneficiaries.
- \$570.2 million reduction by eliminating the Healthy Families program (savings in fiscal years 2009-2010 and 2010-2011).
- \$25.5 million reduction to Medi-Cal by reducing the Adult Day Health Care program optional benefit by limiting benefits to three days per week.
- \$2.9 million reduction by eliminating General Fund support for Children's Dental Disease Prevention.
- \$24.6 million reduction by eliminating General Fund support to the HIV education and prevention program.
- \$10 million reduction by eliminating General Fund support for maternal, child and adolescent health grants to local jurisdictions.
- \$70 million reduction or 10% reduction to program funding for Child Welfare Services. This would reduce General Fund allocations to counties for Child Welfare Services by 10%.
- \$18.3 million in new fees charged to Medi-Cal skilled nursing facilities.
- \$60 million shift in Prop. 99 tobacco surtax funds to Medi-Cal.

The governor plans to sell large state properties, including San Quentin state prison in Marin County, Cal Expo in Sacramento, and the Cow Palace in Daly City.

Unfortunately, despite our hard work and substantial support for the Adult Dental program in the Legislature and the State Treasurer, I see no prospects for reinstating this program in this budget cycle. On July 1st the optional benefits, including Adult Dental, will evaporate in spite of the pending lawsuit to retain some vestige of the program.

The CADP bill load has also been heavy this year. Our status on the priority bills is as follows:

AB 2 – De La Torre – This bill will require the director and the commissioner to jointly, by regulation, establish standard information and health history questions to be used by health care service plans and health insurers (including dental plans) for their individual health care coverage application forms, as specified, and, on and after January 1, 2011, require all individual health care service plan and health insurance applications (including dental plans) to be reviewed and approved by the director or the commissioner, respectively, before use by a health care service plan or health insurer.

This is a bill that is seeking to prevent rescissions by medical plans, yet the author has still not consented to remove us and is consulting with the trial lawyers, DMHC and Department of Insurance. A delegation of CADP lobbyists and executives met with the DMHC to explain why we should be removed. CADP lobbyists, member lobbyists and CADP executives have worked with the staff, written letters, and in general tried to get out of this bill. As of this writing, AB 2 is in the Assembly suspense file. It has a cost of about \$600,000 initially that will be offset by fees on the health plans charged over time. Our position is that we do not do rescission, we do not do medical underwriting, so "free the dental plans." The governor vetoed a similar bill last year. This year he has said he may sign a bill that prohibits post claims underwriting – thus, our work to get out of this measure. **Update: Passed Assembly; in Senate.**

AB 684 – Ma – CDA sponsored this bill to increase the penalty on DENTAL plans only from the current 10%-15% to 20%-25% if uncontested late payments are made by the plan. CDA believes that dental plans are withholding payments unfairly and that the current penalties are not sufficient to make plans pay these claims promptly. DMHC has also weighed in with a letter opposing the bill, agreeing with us that there is no DENTAL problem that needs to be solved. We continue to oppose the bill as it moves to the Senate, also working with the Governor's office, attempting to secure a veto if the bill gets that far. **Update: Passed Assembly; in Senate.**

AB 108 – Hayashi – This bill is another attempt to prevent a plan from rescinding an individual health care service plan, contract or individual health insurance policy for any reason or even cancelling the policy or contract because of outright misrepresentation. We are seeking to be removed from this bill because of that strong prohibition against cancellation for virtually any reason, although we do not believe that CADP members would be much affected by the bill since we do not rescind or engage in post claims underwriting. **Update: Passed Assembly; in Senate Health Committee.**

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Regulatory Update

Mary Powers Antoine, Nossaman LLP

Below is a chart updating the latest information on the Department of Managed Health Care's currently pending regulations and regulations under consideration. There has been very little regulatory activity since my last report.

CURRENTLY PENDING REGULATIONS		
Regulation	Status	Remarks
AB 2179 – Timely Access to Health Care Services (Adds Rule 1300.67.2.2)	The comment period ended on February 23, 2009. At the March 9, 2009, DMHC HPO Roundtable, the Department indicated that it did not anticipate making significant changes to the regulations in response to comments.	Marie Eppler, Department counsel, will be leading an implementation work group to develop a form-based filing to facilitate compliance with the requirements of the regulation. Plans will be required to describe how they will monitor and oversee compliance. CADP will participate in this work group.
REGULATIONS CURRENTLY IN DRAFTING PROCESS		
Regulation	Status	Remarks
Independent Dispute Resolution Process – Proposed Revisions to Rules 1300.71.38 and 1300.71: Criteria for Determining Reasonable and Customary Payment for Non-Contracted Providers	These regulations had been coupled with the balance billing regulations, but were withdrawn early in 2008. They were not re-issued when the balance billing regulations were issued. The balance billing regulations have since been enacted, but we have not heard anything further on resurrecting any IDRPs regulations.	CADP will review the new regulations when they are released to evaluate their impact on dental plans.
Discount Plan Regulations – Addition of Rule 1300.49.1, et seq.	The Department informally circulated a draft of the discount plan regulations. CADP submitted extensive comments on December 12, 2008.	During her presentation at the CADP Annual Conference in May, Director Cindy Ehnes reported that the regulations were forthcoming.
Licensing Applications – Revisions to Rules 1300.51 and 1300.52	This project has been underway in fits and starts for several years now. Marie Eppler, Department counsel, will now be spearheading the efforts to streamline the exhibit review and filing process, and to clarify what types of filings are material modifications versus amendments. The Department would like to streamline the exhibits and create a structure that readily links the exhibits to various other regulations.	The Department will convene a work group of plans to address the practical problems created by the current exhibit structure. CADP will participate in this process.

In the News . . .

▶ **Bryan Geremia Heads CADP** — During the May Annual Conference held in San Diego, the CADP Board of Directors elected Bryan Geremia, President, Aetna Dental of California Inc., as its next President. Jeff Album of Delta Dental of California had held the position following the untimely death of Len Matuszak in September 2008. Other officers include Mr. Album, Vice President, and Kirk Andrews, UnitedHealthcare Dental, Secretary-Treasurer. Mr. Geremia has served on the CADP Board of Directors since 2001.

▶ **CAHP Names New President and CEO** — The California Association of Health Plans (CAHP) has announced that former state legislator Patrick Johnston has been selected to serve as its president and chief executive officer. Mr. Johnston, who served in the California Legislature for two decades, will begin his new role on July 1. In addition, CAHP has promoted Charles Bacchi to the position of CAHP executive vice president. He had previously served as CAHP's vice president of legislative affairs.

▶ **Health Care Reform** — While health care reform moves forward in Washington, DC, with stakeholders such as business, insurers, labor, providers and consumers apparently coming together on several major issues, there are still major questions to be resolved. They include:

- Will there be a public health insurance program?
- Should an exchange through which the uninsured purchase their coverage be national or regional?
- How will the country afford reform, and who will pay?
- Can everyone be covered, and at what level?
- Can costs be contained?

During CADP's Annual Conference, Vice President Jeff Album, who also sits on NADP's Board, discussed the issue of dental in the context of health care reform. He noted that NADP and the Delta Dental Plans are both active in the debate, and its lobbyists are keying in on legislative staff behind the scenes who are beginning to mark up bills that will soon be introduced. These two industry "lobbies" are aligned in pushing for a flexible choice dental benefit to be made available within any new purchasing exchange, and in preventing changes to the tax code that would erode current employer-sponsored dental benefits.

A big "THANK YOU" to our 20th Annual Conference Sponsors & Exhibitors — *we couldn't do it without you!*

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MetLife

National Electronic Attachment, Inc.

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CADP Founding Members*

Dennis Fratt, DDS

Christopher Kamen, DDS

James Lindsey

Frank Pellkofer

Robert Schur

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Meanwhile, in our nation's Capitol, we learned from our conference that it is becoming less a question of whether healthcare reform is coming, and more a question of when and in what form. Several of our member companies are participating actively in an initiative by the National Association of Dental Plans (NADP) to make certain dental earns a proper place in the discussions and the solutions being hashed out both behind closed doors and in front of them.

Finally, I want to let you know that I pen these parting comments to you as my last official act as president of CADP. Having served out late President Len Matuszak's term, I asked the board of directors to support my nomination of Bryan Geremia of Aetna Dental to become our next president. Bryan brings many years of service to CADP, not to mention many years of experience in the California dental benefits marketplace. The board accepted and approved this change, and also returned me to the position of vice president. This allows me to continue my focus on CADP's behalf, working with Jo-Linda Thompson and Mary Antoine on California-specific legislative and regulatory issues.

Thanks for your support over the last few months as we all regrouped and rebounded as best we could from Len's passing. It was an honor to try and fill Len's shoes, and I know CADP will continue to prosper under Bryan's capable leadership.

I should warn you, however: expect shorter, more to-the-point president columns from our Aetna Dental colleague. Assuring Bryan he did not have to write overly long, flowery, colorful columns was the only way I could get him to accept my nomination. Probably best for all concerned!



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AB 1218 – Jones – Finally some good news! This perennial rate approval bill failed to get out of the Assembly Health Committee, a committee that is chaired by Assemblyman Jones. It is now a two-year bill and will remain on our list as we monitor it over the next 18 months.

SB 196 – Corbett – This bill prohibits a contract between a health care provider and a health care service plan or health insurer from containing a provision that restricts the ability of the health plan or health insurer to furnish information on the cost of procedures or health care quality information to its enrollees or insureds. It requires health plans and health insurers to meet specified requirements when providing health care quality information it has compiled, and to date, exempts dental plan contracts and policies from these provisions. **Update: Passed Assembly; in Senate.**

AB 244 – Beall – This bill is concerned with expanding coverage for mental health issues. Other specialized plans, including dental plans, have been exempted from the coverage of this legislation. At this point it would require full service health care service plans and health insurers regulated by the Department of Managed Health Care and the Department of Insurance, respectively, to spend no less than 85 percent of aggregate dues, fees, premiums and other periodic payments received on health care benefits, as specified, commencing January 1, 2011. **Update: Passed Assembly; in Senate.**