



President's Report

Susan M. Klarner

► One thing that we can count on in our business is change – and we addressed the industry's challenges as they relate to technology and the dental marketplace at our annual meeting held last month. I would like to recognize the efforts of Jim Buncher and Allen West who served as program co-chairs; we enjoyed your selection of speakers, chosen topics and thought provoking ideas that we were able to derive through participation. As always, Executive Director Jackie Miller and her staff did a remarkable job orchestrating the arrangements for our benefit. On behalf of our Board of Directors, please accept our recognition of and appreciation for your continued support of this association by including so many of your own associates in these meetings. The annual conference is our single largest revenue-producing vehicle, and year-over-year we continue to outperform (despite an environment of continued consolidation)!

As a follow-up to the topic that was presented by Bill Barcellona, Deputy Director of Plan and Provider Relations, DMHC, at the May conference, Jeff Album (*Delta Dental*), CADP's Vice President, and Mary Powers Antoine (*Nossaman, et al*), CADP Regulatory Counsel, along with other board and industry representatives, have collaboratively progressed the streamlining and automation of the new benefit plan filing process. The aggressive timeline challenge was accepted and met! The en-

tire process, including educational components, white paper, and creation of consistent and streamlined procedures, will give those plans regulated by the DMHC opportunities to be creative in the marketplace. Please join me in recognizing the efforts and commitment of those involved in this process – you have worked to advance our industry! Please be sure to review the package that was sent electronically to each of you. This details the new Voluntary Filing Process for New Dental Benefit Plan Designs.

At the annual business meeting, our association's membership elected four board members for three-year terms. Congratulations to Jeff Album (*Delta Dental*), John Gaebel DDS (*Pacific Union Dental*), and Bryan Geremia (*Aetna Dental*), who were re-elected, and newly-elected board member Sam Gruenbaum (*Western Dental*). We look forward to your participation, leadership and many contributions! Within the past couple of weeks, we learned that Allen West had resigned his position with CIGNA Dental and also his CADP board position. Please join me in recognizing Allen for his many contributions to our association.

We welcome your comments and feedback on any of the efforts we undertake. Feel free to contact me by phone at (714) 708-5360, or by e-mail at sklarner@smilecare.com.

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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 Stewart, DMD, and Karen Feldman, DDS, Co-Chairs, Quality Management Committee

▶ The CADP Quality Management Conference was well attended and in a beautiful place. We would like to thank the Orange County plans for arranging the warm, sunny weather, which allowed our outdoor activities to go off without a hitch. The auditor course and calibration was a complete success and allowed additional learning experiences due to the new structure. Thank you to Dr. Stewart Balikov, who engineered the legal presentation to one that is truly world class. Thanks also to Dr. Ivan Berger, who provided his elegant mastery of the case studies in his presentation.

Since the May Conference, the board has been very busy, working in conjunction with the Department of Managed Health Care to develop a standardized, streamlined e-filing protocol. The subcommittee working on this had representation from many member plans, which worked very closely with the Department on this effort. The next project for the subcommittee will be working on implementation of the items presented in the white paper on utilization review. More specific information on this project will be presented at our next QMC meeting.

On the regulatory front, we anticipate the release of the second draft of the Block Transfer Filings sometime this month (AB 1286). As regulations are developed in regard to SB853, at this time it appears that dental has been excluded from the current regulations, but . . . it is inevitable to expect dental to be included in future regulations. Preliminary indications are that dental plans with 300,000 or more members

will need to comply with these regulations that have a proposed compliance date of January 1, 2006. CADP has representation at the meetings of the OPA Cultural and Linguistic task force studying this issue.

Also of interest are the multiple bills regarding the regulation of discount plans. CADP has had input and supports both AB 562 (Levine) and AB 1091 (Parra). Both of these bills would regulate discount plans; however, they use different means for regulation. Also of interest is AB 966 (Saldana), which deals with dental amalgam. CADP was successful in getting the requirement of all plans covering posterior composites removed from the proposal. In current form this bill would require that amalgam separators be placed in all dental offices. (Note: AB 562, AB 1091 and AB 966, mentioned above, are two-year bills and will go no further during the first half of the legislative session).

Our next Quality Management Committee meeting will be hosted by Liberty Dental Plan on July 19. Details and directions will be sent under separate cover.

The Fall Auditor Training and Calibration Course will be held on September 28 and 29, at the LAX Marriott. Applications can be obtained from Dr. Stewart.

We hope you have a great summer and hope to see all of you at the July Meeting!

New DMHC Product Filing and Review Process: What Does It Mean, and Where Do We Go from Here?

Jeff Album, Vice President, CADP Board of Directors

▶ Last week, I eagerly sent an e-mail to our plan CEO and chief legal counsel. It read:

"Great news. The new product filing process we've been negotiating with the DMHC has been approved. We can begin filing new flexible dental products right away, with some hope of timely, predictable and favorable review." There was other stuff in there, of course, such as the memo from CADP Regulatory Attorney Mary Antoine, and the templates of the new E-1A and benefit savings analysis.

It took two years of intensive collaborative work to be in a position to fire off that e-mail along with its myriad enclosures, but it took my CEO all of 30 seconds to shoot back his six-word response: "Can you please summarize what's new?"

My summary was not exactly succinct. The problem, I quickly recognized, is that there's a whole bunch of "new" in this new product filing and review process, enough at least to make drafting a pat, three-paragraph executive summary a serious challenge. This got me thinking that if my CEO needed clarification and a bit more distillation, how many others,

perhaps even among our own membership, could use a little help registering what this watershed event represents? Mary Antoine's memo was both comprehensive and descriptive, but was the bigger picture apparent?

Perhaps, but here's my take in about as compact a form as I know how to make it, and more or less in the form I presented to my management team: the new E-1A and the accompanying benefit savings analysis template accomplish two major objectives long talked about at CADP and at our respective plans:

- It significantly eases, streamlines and standardizes the product filing process, which hopefully will lead to more predictable and consistent review by the DMHC.
- It paves the way for the conditional approval of something we've not seen in the California marketplace for quite some time, at least from Knox Keene-licensed plans, namely, new and innovative dental plan designs.

Let's break down each of these objectives to pinpoint where they occur – or perhaps we should say, where they potentially occur if all goes as expected.

Streamlining: the new E-1A

The E-1A replaces the more loosely structured narrative submissions that most plans typically use to file new products. It asks a standardized set of questions about the new product and provides drop-down menus, multiple-choice answers and other simple devices to help plans outline and define the parameters of their proposed product. The E-1A, it should be noted, still allows ample opportunity for plans to submit additional descriptive narrative as needed.

The exhibits that plans typically include with their product filings to describe their networks, service areas, schedule of benefits, etc., still remain a critical aspect of the filing process. However, there are some noteworthy improvements. For instance, the question/answer format allows plans to quickly and easily identify which exhibits do not differ materially from those the plan may already have on file for an existing, approved plan design. Plans need only submit those exhibits that will change for the new design, and can simply identify those exhibits already on file that will pertain to the new product without actually reproducing and resubmitting those documents (thereby subjecting them to another burdensome round of regulatory comment).

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Legislative Update

Jackie Miller, Executive Director

▶ With most of the legislative measures CADP has been watching either two-year bills or amended to exempt specialized plans or remove opposition, the focus in Sacramento is on the ongoing fight between the Democratic Legislature and Republican Governor Arnold Schwarzenegger. Typical of the previous 18 years, the Legislature did not meet its constitutional deadline of June 15 for passing the budget, although the Democratic leadership scheduled a vote on that date; needless to say, the budget bill did not get the necessary two-thirds vote. Democrats have deferred their educational funding battle but continue to attack the Governor on his "cuts" to education; the Governor has responded to what he calls the Democratic leadership's do-nothing attitude by calling a November special election for his initiative package.

While we don't yet know the entire list of ballot measures, the following will appear on the ballot on November 8:

Teacher Tenure: Would increase the time required for public school teachers to gain tenure, from two complete consecutive school years to five. The Governor says two years isn't

enough time to determine whether a teacher deserves permanent employment. The California Teachers Association opposes the measure, saying it's already hard to attract qualified teachers.

Congressional and Legislative Districts: A constitutional amendment requiring congressional and state legislative districts to be drawn by a three-member panel of retired judges, rather than by lawmakers. The new boundaries would take effect as soon as possible, rather than waiting until the next scheduled census in 2010. Governor Schwarzenegger says the current system of setting legislative boundaries, in which lawmakers themselves determine the districts, creates seats that have no real competition. Members of Congress and state legislative leaders in both parties are concerned about the measure but have indicated they would support it if the redistricting is postponed until after the next census in 2010.

State Spending Cap: Would change minimum school funding requirements and limit state spending to previous year's total plus revenue growth. The Governor says this measure is necessary because several of the state's mandatory spending programs —

especially Proposition 98, which sets a minimum funding level for public schools — cannot be supported by tax revenue. Opponents say the measure would result in devastating cuts to public education and to local services such as law enforcement.

The above three measures are sponsored by Governor Schwarzenegger. Other measures which have either qualified or are expected to qualify include:

Parental Permission for Abortion: A constitutional amendment promoted by anti-abortion activists that would require girls 17 and younger to get parental permission to receive an abortion. It is opposed by abortion-rights organizations that say many minors live in homes where they risk emotional abuse or physical violence, or where the pregnancy is a result of incest.

Public Employee Union Dues: Would prohibit public employee labor unions from using union dues or fees for political contributions unless their members provide written consent. The measure is supported by anti-tax activists and business interests. It is opposed by Democrats and organized labor, who say the measure is designed to gut unions' political influence.

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PACIFIC
Dental Services

In the News...

▶ **Judge Dismisses Suit Against Blue Cross of California**—On June 14, Los Angeles Superior Court Judge Jane Johnson dismissed a lawsuit by the Foundation for Taxpayer and Consumer Rights (FTCR), filed against Blue Cross of California to force the state to collect \$500 million in unpaid taxes. The lawsuit, filed in November 2004, alleged that the parent company, WellPoint Health Networks, had claimed the state tax exemption improperly after Blue Cross became a for-profit company. The suit also claimed that WellPoint had not paid the state gross premium tax on PPO coverage and that it had claimed the Blue Cross PPO coverage as an HMO, which is not subject to the premium tax. The FTCR is considering an appeal to the ruling.

▶ **California Lags Most States In Providing Health Coverage**—According to a study sponsored by the Robert Wood Johnson Foundation, California trails most other states when it comes to the percentage of working residents with health insurance coverage.

The study ranks California 32nd among states. In 2003, the most recent year for which data are available, California had 2.371 million uncovered workers, who represent 15.9 percent of the state's working population. Nationwide, 16 percent of working adults, or about 20 million people, lacked health insurance. Counting unemployed people and children, the total U.S. population without health coverage was about 45 million in 2003, the Census Bureau has estimated. The study, which used data from the Centers for Disease Control and Prevention, found that

Texas had the highest percentage of working adults without health insurance, at 26.6 percent, while Minnesota, at 6.9 percent, had the lowest.

▶ **Coalition Seeks to Fill Insurance Gaps**—A broad-based group of leaders representing the health care industry, corporations, unions, and liberal and conservative groups, have been meeting since fall 2004 in an attempt to reach consensus on proposals to provide health coverage for the growing number of uninsured individuals. The coalition, which includes, among others, AARP, AFL-CIO, UnitedHealth Group, American Hospital Association, American Medical Association, American Academy of Family Physicians, America's Health Insurance Plans, Blue Cross and Blue Shield Association, Johnson & Johnson, National Conference of State Legislatures, National Governor's Association, SEIU, Pfizer, Families USA, Heritage Foundation, and US Chamber of Commerce, has discussed a range of options. They include:

- Requiring parents to arrange for health insurance for children through a certain age, such as 21. Parents could obtain tax credits if the children are not eligible for public health insurance programs such as Medicaid;
- Allowing workers to designate an amount of money to be withheld from their paychecks, along with taxes, to be used for paying insurance premiums if employers do not offer health coverage;
- Giving low-income individuals and families and small businesses tax credits to help them pay

health insurance costs. The full amount of the credit would be sent directly to the insurer;

- Providing financial incentives to states that expand Medicaid to all adults with incomes lower than the federal poverty level; and
- Offering grants to states to help them form health insurance purchasing pools, in which individuals and small businesses could participate.

▶ **Employers See Smaller Health Insurance Increases**—US companies expect to see the lowest increase in HMO premiums in five years, according to a survey of 160 corporations conducted earlier this year by Hewitt. According to the survey, employers predict that 2006 rates will increase 12.4 percent, compared to a 13.7 percent increase at the same time last year. A regional breakdown shows lower rate increases in western states than in other parts of the country, particularly the east. In six western states, including California, rates are expected to rise 10.9 percent compared with an estimated 15.8 percent in the east. The survey also concluded that companies will continue to pass on more health care costs to their employees, primarily by offering plans with fewer benefits and more out-of-pocket costs.

▶ **Health Net, Prudential Agree to Settlements in Physician Lawsuit**—Health Net and Prudential Insurance Company of America have agreed to pay a combined \$80 million to settle claims in a racketeering lawsuit brought by more than 70,000 physicians against six of the largest US health insurers.

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Conditional approvals for flexible dental benefit plan designs

The other important development is the new conditional approval process for what the DMHC terms a "flexible dental benefit design." This refers to a low-cost, high co-pay type of dental product, or alternately, a product with a limited scope of benefits or any other unusual restriction that implies major patient cost sharing. As mentioned earlier, these are the types of product designs that were once rejected out-of-hand by the Department for being noncompliant, or alternately, for which the review process was so difficult, unpredictable and untimely that introducing the product was impractical from a business standpoint.

Once again, the E-1A helps plans easily identify whether their proposed plan design meets the DMHC's criteria and definition of a "flexible dental benefit plan design." When that happens, the form directs plans to complete a new template report called the "Benefit Savings Analysis." This analysis asks plans to project utilization of services under the proposed flexible plan design, and compare a prospective enrollee population's total costs, including premiums, co-payments and deductibles, with the retail value of dental services accessed pegged, initially, at the 95th percentile of UCR. The purpose of all this is to demonstrate for the DMHC that the anticipated value of an ap-

proved flexible plan design will not be illusory from the consumer perspective.

Under the conditional approval process, the DMHC will compare the projected benefit savings with a plan's actual benefit savings after at least a year's experience. The Department will also require various other reporting metrics concerning utilization, enrollment and patient grievances, the details of which are spelled out in Mary Antoine's memo to CADP members.

Parting thoughts

That's about it for what my plan CEO needed (just the facts, if you will), but a few additional points seem worth noting:

Each of the conditional reporting requirements, along with the E-1A and the Benefit Savings Analysis, were painstakingly developed and negotiated by a joint CADP-DMHC workgroup over a roughly three-month period. Other stakeholders were present (the California Dental Association, the Association of Managed Care Dentists), but most of the collaboration occurred between our association representatives and the DMHC, with a significant degree of give and take extended by both parties.

There remains plenty of opportunity for a reviewing DMHC licensing counsel to give a particular plan grief over a specific design feature/requirement/restriction. Still, all things considered, this new process represents a significant turnaround, particularly in the

DMHC's willingness to consider and approve new, innovative dental plan designs. Many things conspired to fuel this turnaround: persistent CADP pushback and comment in the regulatory arena over the last two years; steady relationship-building activities that eventually led to a refreshing and productive dialogue; and, last but not least, a turnaround in the Department's leadership and management style.

As CADP member plans prepare to reap what we hope are the benefits of these developments, we should bear in mind that as an industry, we may have also lost a few long-standing excuses. If we now fail to develop more innovative products with appeal to those who lack access to affordable dental care, our arguments for flexibility will lose credibility and we could find ourselves right back where we started...or worse.

CADP has long maintained that dental is different. If that is so, we must harness the new regulatory processes that have been granted us to expand a marketplace that is generally contracting or barely treading water for the rest of the healthcare world.

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The lawsuit alleges that Humana Health Plan, PacifiCare Health Systems, UnitedHealthcare, WellPoint Health Networks, Anthem Blue Cross and Blue Shield and Health Net delayed or denied reimbursement for health services and illegally rejected claims for necessary medical treatment. Aetna and CIGNA, which were also named, previously settled with the claimants. Prudential, which sold its health insurance business to Aetna in 1999, has agreed to pay \$22.2 million, which will be used to fund efforts to monitor and improve compliance by health plans. Health Net has agreed to pay \$40 million to claimants as well as \$20 million in legal fees. It also agreed to develop a better definition of medical necessity for procedures and a streamlined system for provider complaints and payments.

▶ **WattsHealth Foundation Files Bankruptcy**—WattsHealth Foundation, which provides medical and dental care through its UHP Healthcare HMO, filed for bankruptcy protection on May 31. The plan covers 93,000 enrollees in Southern California, the majority of which are insured through Medi-Cal or Medicare. The first bankruptcy court hearing was held in Los Angeles County Superior Court on June 8. While the bankruptcy filing freezes outstanding claims, it will not affect the payment of claims for services provided after May 31, the date of the filing.

▶ **DMHC To Review Blue Cross Rates, Reserves**—The Department of Managed Health Care is planning to hire an independent analyst to examine Blue Cross of California's recent rate hikes in the state and its capital reserves

of \$1.7 billion. The DMHC wants to verify data Blue Cross presented at a public meeting in Sacramento on May 13, which was called to hear Blue Cross' explanation for premium increases for individual and family policy holders. As part of the approval of the merger between WellPoint Health Networks Inc., and Anthem Inc., the company promised that it would not pass on to consumers costs related to its \$16 billion merger, which took place in 2004. The DMHC is also looking into Blue Cross' capital reserves of \$1.7 billion. According to state law, it is only required to have \$307 million.

Legislative Update (continued from page 4)

Prescription Drug Discounts: There are two dueling prescription drug measures. One, backed by the pharmaceutical industry, would offer discounts to low-income individuals, with manufacturer participation optional. A labor and consumer health proposal would require pharmaceutical manufacturers to provide discounts to low-income residents or risk losing their Medi-Cal contracts. Drug companies oppose it, saying that mandating discounts would be far too expensive for companies to cover.

Electric Service Providers: Would re-regulate the state's energy market, requiring electric service providers to be controlled and regulated by the California Public Utilities Commission. The measure is supported by consumer advocates who believe the deregulation of California's utilities helped cause the state's power crisis in 2001. It's opposed by power companies that have invested heavily in the deregulated system.

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