



President's Report

Susan M. Klarner

Best Wishes to all for a happy and most joyous holiday season! Now that 2005 is winding down and as we prepare to move into 2006, I would like to take this opportunity to recognize the efforts of the members of the Board of Directors and our Executive Director Jackie Miller for their dedication to the association this past year.

The Board has been busy finalizing the agenda for our upcoming Legislative and Regulatory Conference in Sacramento, January 23-34, 2006 – an exciting program, and we hope most will be able to participate! Sacramento is always exciting at the beginning of the year and if last week's news was any indication, then we will expect 2006 to be a year of surprises. To end the year with a bang and start 2006 on an interesting note, just last week we received news that the Governor's administration plans to implement a five percent Medi-Cal provider rate cut, effective January 1, 2006. Needless to say, CADP is taking immediate action and will focus efforts to look at other cost reduction proposals. In the meantime, we ask your help in this effort by phoning or sending a letter to your Assembly Member, Senator and the Governor. To learn more or if you need additional information, please contact Jackie Miller.

Bryan Geremia and John Gaebel, DDS,

have enthusiastically agreed to co-chair CADP's 17th Annual Conference scheduled May 31 - June 3, 2006 at the Esmeralda Resort and Spa in Indian Wells. This location is always a favorite among the association's members, so please plan ahead to join us as we convene to this year's theme, "Dental Benefits: Growth Industry or Mature Market?" The agenda is packed with exciting speakers and topics intended to be of interest to many associates within your organizations. So please reserve your calendars for this exciting event!

Please join me in recognizing the many contributions that Jim Buncher has made to the Association and Board during the past several years. We appreciated your commitment and efforts, especially for last year's annual conference.

In light of the recent changes, I am pleased to welcome two new CADP board members: Michelle Nguyen, President of CIGNA Dental Health of California, Inc., and Robin Muck, President, SafeGuard Health Plans of California, Inc. Michelle was appointed by the Board to fulfill Allen West's term, while Robin was appointed by the Board to complete Jim Buncher's term. We look forward to their many contributions – together we can face the challenges of 2006!

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CALIFORNIA
ASSOCIATION
OF DENTAL PLANS

News

The CADP News is published quarterly. Your suggestions and/or comments are encouraged.

Please write or call:

**CALIFORNIA ASSOCIATION OF
DENTAL PLANS**

One Capitol Mall, Suite 320
Sacramento, CA 95814-3229

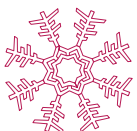
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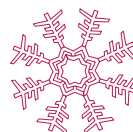
Jackie Miller, Executive Director

email: jmiller@amgroup.us

www.caldentalplans.org



HAPPY NEW YEAR



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Charles Stewart, DMD
Aetna Dental of California, Inc.
(co-dental director representative)

Dot and Dasher

(changed to reflect the season!)

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

▶ Holiday Greetings to all. In spite of the Holidays, the business of a dental plan is never done!

*'Twas the night before the medical survey and all through the plan
Not a creature was stirring, no woman nor man!
The filings were done and delivered with care
With the knowledge that the department soon would be there*

*The grievance coordinators were pulling the hair from their dreads
While visions of hysterical patients danced in their heads
Staff staying around trying to pay all the cap
Had just settled down for a long winter's nap*

*When out in the hall there arose such a clatter,
We sprang from our nap to see what was the matter
Away to our offices we flew like a flash
Tore open the binders and found lots of cash*

*The glow on the face of the regulator below
Gave luster of age to those with hair colored like snow
When what to our wondering eyes should appear
But the medical survey team coming very near*

*Now when all the dust had settled, and was wiped with a rag
There appeared a large document some called a TAG
The writing therein provided some help,
Yet others that were tagged just seemed to yelp*

*Armed with the tag and seemingly proud
They went through their audit, quickly and loud
No deficiencies found, CADP did it again
For the plans, and the regulator - it's a win-win!*

*Now January 23rd is the day we all meet
Sacramento's the spot, It will be neat!
Bring your staff and your friends, fun there will be
The first QMC meeting of the year (and remember it's free!)*

*The Legislative Conference is there - information abounds
And if you miss this portion, you'll be stuck doing rounds
Remember Dental Is Different - you won't forget
Register Early - you'll learn a lot- it's a sure bet!*

Happy Holidays and a Prosperous New Year!

Regulatory Update

Mary Powers Antoine Esq., Nossaman Guthner Knox & Elliott LLP

Below is a chart describing the latest information on current, draft and proposed regulations promulgated by the Department of Managed Health Care that are of interest to dental plans.

RECENTLY ADOPTED REGULATIONS

Regulation	Date of Adoption	Remarks
AB 1286 – Block Transfer Filings (Adds Rule 1300.67.1.3)	This regulation became effective on 09/21/05.	Nossaman is reviewing the model P/P that was approved by the DMHC in 3/04 to determine if revisions are necessary in light of the new regulations. We will work with the DMHC regarding changes to the model language that will be needed. We will then circulate the revised model language to CADP members.

CURRENTLY PENDING REGULATIONS

Regulation	Status	Remarks
DMHC Conflict of Interest (Amends Rule 1000)	First comment period closed 08/29/05.	These revisions added the positions of Graduate Legal Assistant and Senior Legal Analyst to the list of designated DMHC employees who must file statements of economic interests with the Department. CADP did not comment on these revisions.
Public Hearings and Meetings (Adds Rule 1002.4)	First comment period closed 09/19/05.	This proposed regulation package establishes the criteria for public meetings or hearings, ensuring that the public is aware of the factors utilized by the Director when determining to hold a public meeting or hearing and how the public can request a public meeting or hearing. CADP did not comment on these draft regulations.
Outpatient Prescription Drug Copayments, Coinsurance. (Adds Rule 1300.42.7)	The third comment period closed 11/01/05.	CADP has not commented on these draft regulations.

REGULATIONS CURRENTLY IN DRAFTING PROCESS

Regulation	Status	Remarks
SB 853 – Cultural and Linguistic Services (Adds Rule 1300.67.04)	The most recent round of informal comments to the DMHC was completed at the end of October. The Department expects the regulations to be in place in early 2006.	The regulations will require plans to assess enrollee language preferences, to translate “vital documents” (definition is still controversial), interpretation at all points of contact in all languages, monitoring through QA program and audits; and certain reports and filings. The plan working group succeeded in convincing the Department to take out a requirement that plans file a compliance matrix once the regulations become finalized. We’re still working on streamlining or eliminating the need to do a compliance filing at all. Implementation will be phased in over 2006 and 2007.



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REGULATIONS CURRENTLY IN DRAFTING PROCESS

Regulation	Status	Remarks
AB 2179 – Access to Needed Health Care Services (Amends Rule 1300.67.2)	Second draft issued then withdrawn on 4/19/05	The latest word is that the drafting process will resume in the first quarter of 2006.

POTENTIAL FUTURE REGULATIONS

Regulation	Status	Remarks
AB 1455 – Claims Settlement Practices/Dispute Resolution Mechanism (Rules 1300.71 and 1300.71.38)	Revisions under consideration	The current issues revolve around UCR-methodology for non-contracted providers and claims editing practices. The DMHC published its “3-Prong Test” and asked plans to submit a filing showing compliance by 10/1/05. The DMHC is now considering requirements for an independent provider dispute resolution process.
Centers of Excellence Issue posted on DMHC	Issue posted on DMHC website 06/30/2005.	The DMHC is considering whether regulations are needed relating to this topic. For that reason, it has posted the topic on its website and has invited the public to submit comments. There are no details as to what the topic entails.
Advertising Issues	Issue posted on DMHC website 06/02/2005.	The DMHC is considering whether regulations are needed relating to this topic. For that reason, it has posted the topic on its website and has invited the public to submit comments. There are no details as to what the topic entails.
Dental Plans	Issue posted on DMHC website 06/02/2005	The DMHC is considering whether regulations are needed relating to this topic. For that reason, it has posted the topic on its website and has invited the public to submit comments. There are no details as to what the topic entails.
Obesity Issues	Issue posted on DMHC website 05/09/2005.	The DMHC is considering whether regulations are needed relating to this topic. For that reason, it has posted the topic on its website and has invited the public to submit comments. There are no details as to what the topic entails.
Rural Access to Plan Providers and Emergency Providers	Issue posted on DMHC website 05/09/2005.	The DMHC is considering whether regulations are needed relating to this topic. For that reason, it has posted the topic on its website and has invited the public to submit comments. There are no details as to what the topic entails.
Retroactive Terminations	On hold.	The DMHC issued an informational bulletin on March 16, 2005, regarding requirements for the conditional order of exemption process.
AB 2907 – Implementation Regulations	Status unknown.	The DMHC was considering regulations designed to implement the Health Care Providers’ Bill of Rights that was enacted by AB 2907. However, the topic does not appear on its website.

In the News...

▶ **Administration to Implement Medi-Cal Provider Rate Cuts**—Health care organizations, including CADP, were informed in early December that the Schwarzenegger Administration is moving ahead with plans to implement five percent Medi-Cal/Denti-Cal provider rate cuts, effective January 1, 2006. Californians United for Quality Health (CUQH), the coalition formed several years ago to fight cuts in the state Medicaid program, is gearing up to oppose the cuts. It's anticipated that urgency legislation will be introduced to prevent the cuts. CADP plans participating in the Denti-Cal program are meeting in early January to map out a strategy. CADP also participates in CUQH.

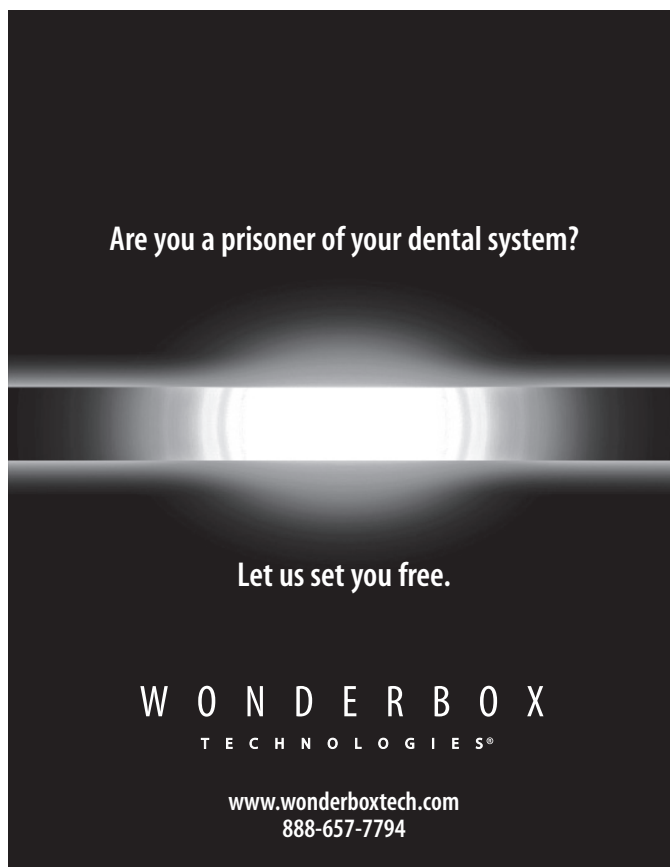
▶ **Insurance Commissioner Threatens Insurers**—During a December 1 hearing, Insurance Commissioner John Garamendi said he might seek to increase the percentage of premium dollars that insurers must spend on medical care under state law. The rate currently is 50 percent for individual-plan premiums. During the hearing, executives of five health insurance companies were questioned about premium costs, which have increased by 60 percent over the last four years. Commissioner Garamendi also said he believed health care spending for individual plans was less than that for employee-sponsored plans because individuals do not have the purchasing power to get better deals. Insurers noted that a number of new plans offering lower premiums and higher deductibles or limited benefits temporarily have reduced the percentage of premiums spent on health care and that the rate should increase as members remain with an insurer.

▶ **PacifiCare Shareholders Approve UnitedHealth Group Deal**—PacifiCare Health Systems Inc. shareholders voted in late November to approve a proposed \$8.1-billion purchase of the Cypress-based health plan by UnitedHealth Group of Minnesota. The California Public Employees' Retirement System, which had earlier indicated it would oppose the deal, voted against it

because the company refused to let shareholders separately vote on \$345 million in payouts to top executives. But it still needs approval from federal antitrust officials and regulators in various states where PacifiCare operates. Oregon and Arizona regulators have approved the deal, while eight other states are still considering it, including the California departments of Managed Health Care and Insurance. United Health has voluntarily refiled some of its documents for the transaction, which will give federal antitrust regulators additional time to review the transaction. PacifiCare said it still anticipates its sale to close by early 2006.

▶ **Audit Finds No Link Between Blue Cross Rate Hikes and Merger**—An independent actuarial review found no evidence that Blue Cross of California's 2005 double-digit premium increases were implemented to pay for the merger between Anthem Inc. and WellPoint Inc., the parent company of Blue Cross, the California Department of Managed Health Care said. Earlier this year, the department's HMO Help Center began receiving complaints from Blue Cross of California policyholders concerned about premium increases, which were imposed less than six months after completion of the merger. In its approval of the merger, the Department had secured a commitment that any rate increases for California's 7.6 million Blue Cross of California policyholders would not be used to finance the estimated \$4 billion cost of the merger, including financing and legal costs and sever-

ance pay for retiring executives. Following a public meeting in May, the Department contracted with an independent auditor to review Blue Cross' rate-setting methodology. The audit concluded that rate hikes were similar to increases imposed on Blue Cross of California members during the three years before the acquisition. A complete copy of the review can be found on the Department's website at www.dmhc.ca.gov.



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▶ **Discount Plan Sues DMHC**—In response to a Cease and Desist Order issued by the Department of Managed Health Care in July 2005, discount plan Care Entrée has sued the Department, alleging that it lacks the authority to oversee such programs. In an action filed in Los Angeles Superior Court in October, The Capella Group, Inc., dba Care Entrée, claims that its activities in California, which began in June 2001, do not fall within the jurisdiction of Knox-Keene regulations. In its

In the News (continued on page 7)

16th Annual Legislative & Regulatory Conference Update

▶ The 16th Annual Legislative & Regulatory Conference will be chock-full of information. Our keynote speaker, State Insurance Commissioner John Garamendi, has been much in the news lately with his blunt talk about health plan mergers, high health insurance costs and the current marketplace. He's sure to be provocative. Our luncheon speaker is influential State Senator Jackie Speier, who chairs the Senate Business, Professions and Insurance Committee. A key policymaker, she's sponsored HMO reform and discount plan legislation, among others. We'll hear her perspective on both the departments of Managed Health Care and Insurance as well as the ability of the Democratic Legislature to work together with Republican Governor Arnold Schwarzenegger on critical issues facing California. We'll also hear from other legislators, top health plan and provider lobbyists, political consultants, and key regulators. Register today!

Program: "California's Reform Agenda: Lost Cause or Cause for Hope?"

Monday, January 23, 2006:

10:30 am	Quality Management Committee meeting (Golden State)
12:00 pm	Board of Directors' meeting (Capitol Board Room)
3:00-6:00 pm	Registration (Mezzanine)
4:00-5:00 pm	CADP Business Meeting (plan members only) (Golden State)
6:30 pm	Reception and Dinner (Capitol View) Keynote Speaker: The Honorable John Garamendi, State Insurance Commissioner

Tuesday, January 24, 2006:

7:00 am	Registration (Mezzanine)
7:30 am	Continental Breakfast (Golden State)
8:00 am	Conference convenes (Golden State)
8:15-9:00 am	Legislative Roundtable Jo-Linda Thompson, CADP legislative advocate Elizabeth Snow, Legislative Director, California Dental Association John Valencia, Partner, Wilke Fleury Hoffelt Gould & Birney Terry M. McGann, President, Government Strategies, Inc.
9:00-9:45am	Regulatory Update: <ul style="list-style-type: none">• Language Assistance• Access to Needed Health Care Services• Claims Settlement Practices/Dispute Resolution Mechanism• Dental Regulations• Discount Plans• Out of State Records John Puente, Deputy Director, Plan and Provider Relations, Department of Managed Health Care
9:45-10:30 am	<i>The Political Landscape: Post Special Election and Election 2006</i> David Binder, CEO, David Binder Research
10:30-10:45 am	Break

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10:45-11:30 am

The View from 30,000 Feet: The Budget Deficit and Its Impact on California
Assembly Member Keith Richman, 38th AD

11:30 am-1:00 pm

Luncheon (Capitol View)
Guest Speaker: Senator Jackie Speier, Chair, Senate Banking,
Finance And Insurance Committee
Governor Schwarzenegger and the Legislature: Political and Policy
Impasse?

1:00 pm

Conference concludes

In the News (continued from page 5)

suit, Care Entrée claims that its "discount program is not a 'health care service plan' within the meaning of the Knox-Keene Act and thus is not subject to regulation under the Knox-Keene Act (and) the DMHC has no jurisdiction or authority to issue cease and desist orders to Plaintiff or otherwise seek to enforce the Knox-Keene Act against Plaintiff." It also states that the company had "acted in good faith reliance on Director's Opinion 01/01. . . and the DMHC is acting contrary to its own Director's Opinion. . ." That interpretive opinion, issued by former DMHC Director Daniel Zingale in June 2001, stated that "discount membership programs are not engaged in 'arranging for the provision of health care services' when and to the extent that they contract to obtain fee discounts on services their members choose to receive from participating program providers." That opinion also stated that the Department would continue to regulate discount plans offered by licensed Knox-Keene plans, "whether such programs are offered directly or indirectly through contracts with discount health care programs."

▶ **Tooth Decay Falls in US Youth**—The prevalence and severity of dental caries in permanent teeth declined among children and teens during the past decade, but no reductions were observed in primary tooth decay, according to the Centers for Disease Control and Prevention (CDC). Researchers compared data from the 1988-1994 and 1999-2002 **National Health and Nutrition Examination Surveys**. Results showed:

- 42 percent of youths ages 6-19 years had a cavity or filling in their permanent teeth when examined between 1999 and 2002, a 7.4 percent decrease

from the 1988-1994 period;

- 41 percent of children ages 2-11 had dental caries in their primary teeth in 1999-2002, no change from 1988-1994;
- 32 percent of children ages 6-19 years had received at least one dental sealant on permanent teeth from 1999-2002, an increase of 13 percent;
- 23 percent of those ages 6-39 years had enamel fluorosis.

▶ **Dental Board Updates Requirements for License Renewal**—The Dental Board of California (DBC) has amended regulations regarding continuing education requirements for license renewal. The Board has reorganized continuing education courses into two categories: Category I includes those courses related to direct patient care; Category II encompasses other areas related to the practice of dentistry such as office management, legal issues and community health. The regulation has also been amended to establish that a minimum of 80 percent of continuing education units must be from Category I. The Board has stated that this action is intended to broaden the scope of continuing education for dental professionals. Agency Contact: Richard DeCuir; 916.263.2300.

▶ **Blue Cross/Blue Shield to Establish Bank**—The Blue Cross and Blue Shield Association plans to charter a bank to manage enrollees' health savings account directly. It plans to begin bank operations by summer 2006, pending regulatory approval. Blue Healthcare Bank is intended to simplify the administration of HSAs and other similar plans offered by Blue Cross insurers throughout the US.

▶ **Satisfaction Lower in Consumer-driven Plans**—Americans enrolled in high-deductible and consumer-driven health

plans are less satisfied with their coverage than those in more traditional HMOs or PPOs and more likely to avoid or delay needed care, according to a survey by the Employee Benefit Research Institute and the Commonwealth Fund. The survey also found that individuals enrolled in high-deductible plans were more likely to incur debt than those with more comprehensive coverage. Overall, 33 percent of those enrolled in high-deductible plans and 42 percent in consumer-directed plans said they were "extremely" or "very satisfied" with their coverage. That compared with 63 percent of individuals with more traditional insurance. Both high-deductible and consumer-directed plans had a minimum deductible of \$1,000 for individuals and \$2,000 for families. Consumer-directed plans included a health savings account. According to the survey, members of consumer-directed plans display more cost-conscious behavior in making health care decisions than do members of traditional plans. The results also show, however, that consumers in all plans believe they do not have enough information to make decisions about doctors and hospitals based on cost and quality. The survey included 1,061 responses from individuals in traditional plans, 463 in high-deductible plans and 185 in consumer-directed plans.

WELCOME NEW MEMBERS

D.E.FITZGERALD, DDS [INDIVIDUAL]



16th Annual Legislative and Regulatory Conference January 23-24, 2006 Hyatt Regency at Capitol Park Sacramento

Register now for CADP's 16th Annual Legislative and Regulatory Conference. A conference schedule and registration form are included with the newsletter, or download from our

Reminder!!!



website, www.caldentalplans.org. Remember, hotel reservations must be made by January 6 in order to guarantee CADP's special room rate of \$169. To reserve your room, call (916) 443-1234 and request the CADP rate. Room availability at the Hyatt is at a premium at this time of year. **RESERVE EARLY!**



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95814-3229**



CALIFORNIA ASSOCIATION OF DENTAL PLANS
16th Annual Legislative and Regulatory Conference
January 23-24, 2006 [▲] Sacramento, CA

Advance Registration Form

Please complete one form for each participant.

Name _____

Title _____

Organization _____

Address _____

City/State/Zip _____

V _____ F _____

E _____

REGISTRATION FEES

By Jan. 17

After Jan. 17; On-Site Fee

CADP member registrant \$375 \$475

CADP member - additional registrant(s), same company \$275 \$375

Non-CADP member registrant \$475 \$575

State rate (maximum of 2 attendees) \$125 \$175

Total amount enclosed \$_____

PAYMENT INFORMATION

CADP accepts checks, VISA, or MasterCard only. Checks should be made payable to CADP. If payment will be made by credit card, please complete the following:

MasterCard VISA

Credit Card Number _____ Exp Date _____

Name on Card _____

Signature _____

• **Note:** Credit cards will be processed under the name “Advocacy and Management Group,” or “AM Group.”

REGISTRATION DEADLINE

Early registration must be made by January 17, 2006. A \$100 late fee will be added for registrations received after that date.

CANCELLATION POLICY

Only written cancellations received by January 17, 2006, will receive refunds (less a \$50 processing fee). No refunds will be made after January 17, 2006.

Please return this form and payment to:

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 v: 916.446.3122; f: 916.444.7462; Tax ID# 33-0385553

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