



President's Report

by Susan Klarner

► The quest to find a simpler solution that will enable our dental plans to operate in a healthy, competitive environment has continued unabated. Because of our current business environment, your CADP Board of Directors took on as its most important initiative for this year the need for our leadership and involvement in facilitating an ongoing, focused relationship with the DMHC. We strongly support the idea that a more collaborative relationship between the dental plan industry and the DMHC could result in a better understanding of the issues, and ultimately to improved access to dental care through licensed organizations.

I must highlight the importance of the educational briefing held on October 14 which was based on a White Paper by Cathye Smithwick, RDH, MA, Senior Associate and Dental Specialist with Mercer Human Resource Consulting. I'm sure that you have feedback on the material presented, so I encourage you to bring this to the attention of CADP Board Members. More importantly, since we as an association have been invited by the DMHC to focus on specific industry-wide projects, it is imperative that we work together on appropriate models that will substantively address regulatory requirements for all member plans. Since the reception was so encouraging and positive by the many DMHC representatives who participated in the initial briefing, we

are swiftly moving forward to ensure follow-up meetings on a go-forward basis. As agendas and topics for such meetings evolve, our association will be represented by different Board Members and appropriate representatives from our member plans. It is always our intent to keep you apprised of activities and outcomes as we move ahead with this process.

I would also like to announce several changes on the Board of Directors. In November 2003, Lee Harris DDS will have fulfilled his term as CADP Past President. Lee worked tirelessly for many years serving this association, and it is important that we all recognize his many contributions to CADP. We wish you the best of luck and much success as you move forward in your career!

Sam Gruenbaum with Western Dental, Inc. resigned his position as Staff Model Representative on the CADP Board of Directors in October 2003. Sam provided significant contributions in the years he has served on the CADP Board. It is important that we acknowledge Sam's contributions in the establishment of CADP Board focus and initiatives and his tremendous efforts in fundraising in support of CADP's conferences and meetings.

We will hold elections for open Board positions at our Annual Conference in May 2004. The Board encourages you to

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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:

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Dots and Dashes

by D.E. FitzGerald, DDS, Chair, Quality Management Committee

▶ "Same monkeys. Different trees." When Dennis Spain was the elected representative of what is now the Quality Management Committee, he instituted the policy of self identification and representation at the start of each meeting, which we still follow. Although we joke about it, the fact is that we represent a very small pool of people with special skills and value to the plan we serve (whatever company that is at a particular point in time).

Since last we met, Health Net has begun the integration with SafeGuard. Of more personal interest, Anthem and WellPoint recently announced a merger, shortly after WellPoint purchased Golden West. This is expected to be approved and completed by the middle of 2004. Both events have triggered questions from committee members, including:

- Job security
- Committee projects
- Relationship of CADP with regulators and member plans

Part of the confusion stems from the inherent fact that publicly-traded companies operate under a strict set of rules regarding disclosure. Even with a need-to-know, associates at the Dental Director level may not be privy to particulars until late in the game. From personal experience I can attest that, regardless, change is slow and "business as usual" is the norm. That takes care of job security.

One committee project and one

CADP Board project reflect positive direction.

- During the last meeting in September, WellPoint announced a quality improvement initiative to quantify any future decrease in early onset caries activity by encouraging early dental examinations. Other plans have expressed interest in at least measuring these events.
- The CADP Board has begun compiling a list of "common" Limitations and Exclusions. This is in response to a request from the Department of Managed Health Care for standard L&Es. If the Board suggestions and rationale is accepted, all member plans may benefit from no longer having to independently defend long-established policies.

Of similar promise is the Department's reaction to a recent Mercer presentation. The intent was to educate policymakers on the rationale and advantage of flexibility in dental product design. The study, which was underwritten by CADP, is an example of value-added membership in our organization. Your input regarding your experience with the Department was pivotal in the decision to fund the study.

So, plan to attend next month's QMC meeting and also the Legislative Conference in January, no matter what tree or limb you find yourself occupying.

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Legislative Update

Jo-Linda Thompson, Nossaman, Gunther, Knox & Elliott, LLP

▶ What has Arnold gotten himself into? And what is the real message the voters delivered to the political establishment last month? Will things really change in Sacramento and, if they do, what will it mean for the dental plans? These questions will be addressed and debated by experts and policy wonks at our legislative conference (a popular event requiring an early sign-up) in January. The governor's audit of state finances should be completed by then, he will have filled his cabinet positions, a special session will have been held and the regular session begun, all giving us a better idea of what the real Arnold vision of California might be and how the majority in the legislature are going to deal with it.

Meanwhile, we have all been told that the new Governor's top three priorities are Budget, Budget and Budget. We expect the inaugural mid-November, the State of the State address and the release of the Governor's budget on January 10th to be fairly sobering events. The new administration will probably need to ask the public to approve about \$20. billion in new bonds to clear up old debts and there will be further streamlining (layoffs) in state and local governments; in addition, various boards, bureaus and commissions will likely disappear.

Although the future remains murky, the past legislative session clearly has legislated new realities for all of us. We have reported on bills affecting specialized plans throughout the year; noted below are several bills relating to the general business or employer activities signed by Governor Davis and which may also be of interest to your companies.

▶ AB 68 (Simitian) - Additional privacy legislation was signed into law. AB 68 requires all commercial entities that collect Californians' personal information online must now conspicuously post a privacy policy and abide by that posted policy. The measure goes into effect July 1, 2004.

▶ SB 2 (Burton) - This is the controversial health care insurance measure that would require employers to provide health care coverage for employees and dependents or pay a fee into a State pool. SB 2 is to be phased in, with large employers (more than 200 employees) covered in January 2006 and medium employers (50 or more) in 2007. An initiative to repeal this law has already been cleared for circulation and is targeted for the November 2004 ballot. The California Chamber of Commerce has estimated the cost of SB 2 at \$7 billion annually for business in California.

▶ AB 309 (Chu) - This bill will require a person in a trade or business who negotiates specified contracts or agreements in Chinese, Tagalog, Vietnamese or Korean to deliver a translation of the contract or agreement to the consumer prior to execution of the contract.

▶ SB 27 (Figueroa) - This bill becomes effective on January 1, 2005, and requires a business that discloses a customer's personal information, including information relating to income or purchases, to a third party for direct marketing purposes, to provide the customer, within 30 days of that customer's request, the names and addresses of the recipients of that information and specified details regarding the information disclosed.

▶ SB 796 (Dunn) - Despite heavy opposition from the business community, SB 796 was passed in the last days of the session and signed by the Governor. This bill creates a private attorney general cause of action to address labor law violations. It will allow employees to directly sue employers for Labor Code violations rather than going through the complaint process with the California Labor Commissioner. The civil penalties recovered against a person who employs one or more employees must be distributed as follows: 50 percent to the General Fund, 25 percent to the LWDA for employer and employee education, and 25 percent to an aggrieved employee. Civil penalties recovered against persons who do not employ one or more employees are to be divided evenly between the General Fund and LWDA. New fines for employers are also established, and attorney's fees and costs are to be assessed against the employer.

▶ SB 853 (Escutia) - Again, despite heavy opposition, this bill was passed and signed by Governor Davis. It will require the Department of Managed Health Care to adopt regulations establishing standards and requirements to provide health care service plan enrollees with access to language assistance in obtaining health care. The plans will have to conduct an assessment of their enrollees and deliver language services consistent with the results of the assessment. These regulations must be in effect no later than January 1, 2006.

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New Governor, New Priorities?

Jackie Miller, Executive Director

▶ The media circus surrounding the historic recall of California Governor Gray Davis has now diminished, but the election will have ramifications throughout Sacramento. When any new Administration takes over, nearly two thousand political appointments are up for grabs. However, Governor-elect Arnold Schwarzenegger has only a short time to get a complete new Administration up and running. While there may be some holdovers for a certain period of time, the new Governor will no doubt want to put his philosophical stamp on state agencies and departments, boards and commissions, and the judiciary. Too, while his initial meetings with Senate and Assembly leaders went well, both the current Speaker of the Assembly, Herb Wesson (D-Culver City) and Senate President pro Tem John Burton (D-San Francisco) are liberal Democrats, and the majority of Republicans in the Legislature are more conservative than the Governor-elect. How successful he will be in his dealings with the Legislature remains to be seen.

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consider running for these positions if you have the drive, and support of your company. Please advise any Board Member or Executive Director Jackie Miller of your interest.

This is a very exciting and demanding time in our business, and it is important that we work together to promote our industry and help clarify the issues we face. See you at the upcoming Legislative Conference!

The Governor-elect has repeatedly stated his general anti-tax, pro-education, pro-business positions, but has voiced little about his ideas on healthcare. He has declared opposition to SB 2, the employer mandate "pay or play" insurance program that Governor Davis signed into law. Otherwise, the only person in his circle of advisors deeply involved in healthcare is Patricia Clarey, vice president of government relations for Health Net and a former Governor Wilson staffer. Clarey was recently named Chief of Staff.

Regardless, the Governor must produce a Budget proposal by late January, and since a quarter of General Fund

spending goes toward Medi-Cal and other public health programs, his proposal will bear heavily on enrollees and providers, including dental plans and dentists. Already the signs point to another tough Budget environment. With the Governor-elect seeking to reduce the Vehicle License Fee and the fact that healthcare funding is one of the least protected parts of the State Budget, it's likely that attempts to shrink payments, benefits, or eligibility will continue. The coalition of CADP member plans and CDA, which has successfully fought off major cuts to the Denti-Cal program, will continue its efforts during 2004.

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In the News . . .

▶ **Anthem to Acquire WellPoint** — In a deal that will create one of the nation's largest managed care companies, Anthem Inc., has signed a definitive agreement to acquire WellPoint Health Networks Inc. The companies said the combined company will be named WellPoint Inc. and have headquarters in Indianapolis. It will serve nearly 26 million medical members, and operate as a Blue Cross or Blue Cross Blue Shield licensee in 13 states. Anthem is based in Indianapolis, and WellPoint — which was formed in 1992 to operate Blue Cross of California's managed-care business — has headquarters in Thousand Oaks. Anthem and WellPoint expect to close the transaction by the middle of next year, upon regulatory and shareholder approvals. WellPoint's Chairman and Chief Executive Leonard Schaeffer was named chairman of the combined company, while Anthem's Chairman, President and CEO Larry Glasscock will become its president and chief executive. WellPoint's Chief Financial Officer David Colby was named executive vice president and chief financial officer of the new WellPoint Inc.

▶ **Enrollment Trends for Referral Plans** — The National Association of Dental Plans' "2003 Dental Benefits Report, Enrollment", indicates that enrollment in referral plans increased nationally by 98 percent between 1994 and 2002. Medicare enrollees currently account for 11.5 percent of the market, more than any other segment. California's total enrollment grew by 7.52 percent, compared to a 5.48 percent increase nationally. Ten states currently account for nearly 70 percent of the total national enrollment. They are Illinois, California, Florida, Texas, New York, Georgia, Pennsylvania, Maryland, New Jersey and Virginia.

▶ **Final Recall Election Results** — With all of California's 15, 235 precincts reporting, the final recall election results are as follows: 4,415,398, or 55 percent, voted YES; 3,559,436, or 45 percent, voted NO. Of the major candidates, Arnold Schwarzenegger (R) received 3,743,393 votes, or 49 percent; Lt. Governor Cruz Bustamante (D) received 2,432,446 votes, or 32 percent; State Senator Tom McClintock (R) received 1,026,482 votes, or 13 percent; other candidates received 495,464 votes, or seven percent.

▶ **HIAA, AAHP to Merge** — The respective boards of directors of the Health Insurance Association of American (HIAA) and the American Association of Health Plans (AAHP) have agreed to merge into one membership organization. AAHP President Karen Ignagni has been asked to lead the merged organization, which will use the name AAHP/HIAA until the combined boards approve a new name. AAHP represents more than 1,000 health plans, while HIAA's membership totals nearly 300 health plans.

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As we approach the second year of the two-year legislative session, many of the bills we watched die last year will reappear and new ideas will find their way into print.

Please do not hesitate to call with questions or comments about legislation passed or pending.

Hope to see each of you at the Legislative and Regulatory Conference in January.

Save the Date!

CADP's 14th Annual
Legislative & Regulatory
Conference

January 26-27, 2004

Hyatt Regency
Sacramento
at Capitol Park

Watch for your conference
brochure in late November!

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