



President's Report

Susan M. Klarner

▶ In November, I participated in CADP's Quality Management Committee Meeting, and I came away from that meeting with a high level of encouragement because of what I perceived to be a renewed interest in working together. Despite the fact that we are all doing more with fewer resources, I continue to be amazed at the collaboration and level of volunteerism when we have common goals. We will provide an update on these task-force efforts at the business meeting in January.

To that end, CADP has well represented our industry and responded to many critical issues affecting our member plans. In the year to come, CADP will continue to illustrate the importance of consistency in regulation with legislators, and continue to serve as an important resource for the DMHC. We should anticipate a greater need for lobbyist and legal resources as we focus our initiatives for 2005.

Throughout the past year, CADP has taken a very active approach toward working with our legislators with a primary focus to ensure protection of our business models e.g. level playing field in a market that is highly affected by recent economic trends. First and foremost, we are constantly working to serve as an important resource for legislators,

our members, and the regulators on the many issues facing our industry today. Frequently we read news about dental plans that are diversifying product portfolios, utilizing strategic partnerships and focusing on other lines of business – and a very valid reason is because the cost of compliance is continuing to increase, and for many plans may quickly become prohibitive.

Product diversification is necessary to retain and attract new customers, but this is also an appropriate mechanism to reduce cost and offer decision making power for enrollees in our plans e.g. the consumer-directed healthcare plans that everyone is trying to become a part of.

On behalf of the Board of Directors of CADP I would like to extend our appreciation of your ongoing commitment and support of our association. We have put together an extremely exciting Legislative Conference Program – and as always, this promises to be provocative if not a bit controversial! We look forward to seeing you in Sacramento on January 24-25, 2005! The latest updates regarding the changes in Sacramento are sure not to disappoint. I look forward to seeing you all there!

Have a joyous and wonderful holiday season!

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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

916/446-3122 • FAX: 916/444-7462

Jackie Miller, Executive Director

email: jmiller@amgroup.us
www.caldentalplans.org

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Dots and Dashes

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

▶ The members of the CADP Quality Management Committee had a very productive meeting on November 10, hosted by SmileCare. There were many items of discussion that held the attention of all in attendance. Announced at the meeting was the change in the deadline to file the AB1455 language to January 2, 2005. A consensus document with safe harbor language has been developed by CADP and is in the approval process. Some plans expressed success in the EOC process with filings receiving approval in the last few months.

Representatives from the DMHC in attendance requested assistance in developing an understanding of the utilization management process as it relates to a dental plan. As a result, members of the Quality Management Committee requested this issue be presented to the CADP Board of Directors for consideration. The Board approved this request and supported the establishment of a subcommittee to develop a white paper on the subject. This subcommittee, chaired by Dr. Paul Manos, is on a tight timeline as this paper is due as soon as possible. Members of this committee are Drs. William Slavin, Stewart Balikov, Karen Feldman, Dee FitzGerald, Donna Nagata, Franklin Woo, Ivan Berger, Gary Dougan, Cary Sun, and Jim Saunders. The committee is working diligently to present a paper that provides an unbiased approach representative of the different types of plan design that CADP member plans provide, and is on target to provide the white paper within the timeframes requested. The white paper will be made

available to all member plans.

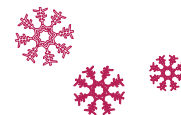
The Quality Management Committee will be having a meeting in conjunction with the CADP Legislative and Regulatory Conference at 10:30 am, Monday, January 24, 2005 at the Hyatt Regency Sacramento. Attendance for the entire legislative conference is encouraged, as some of the scheduled speakers include Assemblyman Lloyd Levine, Dale Bonner, Rob Stutzman and DMHC Director Cindy Ehnes.

The next CADP Auditor Training and Calibration course is scheduled for February 23-24 at the Los Angeles Airport Marriott. This is a two-day course and provides the core requirements to become or renew a Certified or Procedural auditor. In addition, credit will be given for the Infection Control and Legal Course, required for California State license renewal. Applications can be obtained by contacting Dr. Stewart.

The warmest Holiday Greetings and wishes for a successful and Happy New Year to you and yours!



*Happy
Holidays!*



Legislative Update

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

▶ On Monday, December 6, the California Legislature formally began the new, two-year legislative session. As new legislators took their seats for the swearing-in ceremony, it appears that the more things change the more they stay the same.

Despite the millions of dollars spent in the November election and active campaigning by a popular Governor, the Democrats maintained their 48-32 majority in the Assembly and 25-15 majority in the Senate. The 40-member Senate has ten new members, five from each party; all ten have Assembly experience. There are 24 new Assembly Members, although two previously served in that body and one former Senator has returned to that house. This situation leads to questions about whether term limits has achieved its stated objective of bringing in new members. At least in this election cycle, term limits have merely forced current legislators to move around within the system. Many of those in office continue to look ahead and have already filed to run for various constitutional offices in the next election. All this while the original reason for term limits, Willie Brown, is reported to be a viable candidate for a seat on the powerful CalPERS Board, a board some would argue is the most powerful entity in state government.

Reflecting the continuing triumph of hope over experience, bills were again introduced that would change the method of redistricting, taking the process away from the Legislature and giving it to a judicial panel. The stated

objective of this approach is to remove the Legislature's ability to create safe districts for current members and bring new members into the process.

The newly sworn members introduced 83 new bills on that first day, including measures to address gay marriage, legalize the hunting of mountain lions, ban the use of "Redskins" as a name for public school sports teams and give new government employees 401k pensions rather than pensions with guaranteed benefits. Assemblyman Lloyd Levine's discount bill has not yet been sent to Legislative Counsel but I'm told it will be introduced fairly soon.

Leadership announced new committee chairs and new office locations; the new chair of Assembly Health is Wilma Chan (D-Berkeley); the Chair of Senate Health remains Deborah Ortiz (D-Sacramento), while the Republican co-chair is George Runner (R-Lancaster). Please send me an email if you would like a complete list of committee chairs and committee members and I will send it to you as the room assignments and appointments are made.

After the swearing-in ceremonies, there was an unusual joint news conference with Senate Pro Tem Leader Don Perata and Assembly Speaker Fabian Nunez. They have combined forces to create a team to counter the Governor's policy agenda that he will disclose in his State of the State Address early in January. That will coincide with the introduction of the Budget, now said to be \$17 billion out of balance for the two-year legislative session. Fortunately,

there is general agreement that we only have to find \$7 billion of that this year.

Finally, in spite of never ending budget deficits, discord between the parties and the usual contentious issues we deal with in Sacramento, the Holiday Tree went up on December 2 with a big tree lighting ceremony and tourists and visitors attending (taking many pictures of Arnold and First Lady Maria Shriver). There is caroling and singing in the Capitol rotunda every day at noon and lights are everywhere at night, making our beautiful Capitol building even more special. Thanks for another great year – I hope for each of you a beautiful holiday wherever the season finds you.



In the News...

▶ **WellPoint/Anthem Merger Approved**—Final approval of the merger between WellPoint Health Networks Inc. and Anthem Inc. was approved in early December, after concessions were made to the State of Georgia, removing its opposition. In November, California Insurance Commissioner John Garamendi approved the merger after getting agreement that the new organization would allocate \$265 million in medical care programs for poor Californians. The new company, to be called WellPoint, will be headquartered in Indianapolis, Indiana. The Blue Cross of California subsidiary will remain in Thousand Oaks. Leonard Schaeffer, chairman of WellPoint Health Networks prior to the merger, will be chairman of the new company's board of directors.

▶ **Taxpayer Group Files Lawsuit Against Blue Cross**—In late November, the Foundation for Taxpayer and Consumer Rights filed a lawsuit to force the State of California to collect what the foundation says is \$500 million in unpaid taxes from Blue Cross of California. The suit alleges that Blue Cross has not paid the state's gross premium tax since it became a for-profit company. The lawsuit seeks to force State Controller Steve Westley and the Board of Equalization to collect the tax.

▶ **Survey Finds Managed Care Backlash Waning**—According to a California HealthCare Foundation-supported survey released in November, despite an overall lack of confidence in managed care, many Americans say that they are open to specific cost containment practices linked to managed care, including gatekeeper referral for special-

ist services, substitution of less costly drugs and prior authorization for new or expensive procedures. The survey was conducted by NORC, a national organization for research based at the University of Chicago. Conducted during August 2004, the survey includes responses from more than 2,000 adults across the United States who were asked about their view on managed care restrictions.

▶ **Legislative Analyst Projects Continuing Budget Deficits**—In mid-November, Elizabeth Hill, the nonpartisan legislative analyst, released LAO's fiscal outlook through 2009-10. It projects that the state faces a \$6.7 billion deficit in the fiscal year beginning July 1, 2005, and that the deficit will balloon to nearly \$10 billion in the 2006-07 fiscal year without budget cuts, tax increases or both. The report underscores the point that even with an expanding economy and increasing revenues, the size and persistence of the shortfall is such that "it is unlikely that California will be able to simply 'grow its way out' of this shortfall." The LAO also recommends that the Legislature not sell the remaining \$3.5 billion in deficit-financing bonds approved by California voters earlier in 2004 but preserve that authority for use in 2006-07 or thereafter when, she points out, the current structural shortfall gets much larger and harder to deal with.

▶ **CPR Update**—After conducting hearings throughout the state during late summer and early fall, the California Performance Review Commission has submitted its final report to Governor Schwarzenegger. The CPR process came up with more than 1,100 recom-

mendations for reshaping the organizational structure of California's government agencies. As member plans were made aware, among the proposals are those that would remove regulatory oversight of health plans from DMHC and centralize both health purchasing and quality assurance within a proposed Health and Human Services Department. Oversight of managed health care would move to the Quality Assurance Division, while health purchasing programs would move to the Health Purchasing Division.

In order to enact organizational change, current law requires that the reorganization plan be transmitted to the Little Hoover Commission, an independent state oversight agency formally known as the Milton Marks Commission on California State Government Organization and Economy, for review prior to being submitted to the Legislature for approval. Subsequent to the submission of the final report, the CPR proposals were discussed in public hearings held by the Commission, which took place in November and early December. Following that review, the proposal will be forwarded to the Legislature.

Dale Bonner, CPR Commissioner and former Commissioner of the Department of Corporations, will provide an update on the CPR recommendations during the Legislative and Regulatory Conference in January.

Regulatory Update

Mary Antoine, Nossaman, Gunther, Knox & Elliott LLP

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

CURRENTLY PENDING/RECENTLY APPROVED REGULATIONS

Regulation	Status	Remarks
AB 2179 –Access to Needed Health Care Services	Comment period expired November 8, 2004	CADP submitted written comments regarding the draft regulations. Additionally, CADP collaborated with CAHP on the development of a coordinated set of amendments that were also offered to the DMHC.
Administrative Penalties (T28, section 1300.86)	Approved by the Office of Administrative Law and filed with the Secretary of State. Effective Date: December 8, 2004	All of the provisions about which CADP raised concerns in its comment letter on the first draft have been removed from the final version. CADP did not submit a comment letter to the second draft.
Amending Execution Pages (T28, section 1300.51)	Approved by the Office of Administrative Law and filed with the Secretary of State. Effective Date: November 26, 2004	CADP did not submit comments.
Block Transfer Filings (T28, section 1300.67.1.3)	Comment period ended December 1, 2004	The regulations define block transfer as the transfer of 2,000 enrollees from a terminated group. CADP provided comments to the DMHC on these regulations.

SELECTED REGULATIONS CURRENTLY IN EFFECT

Regulation	Status	Remarks
AB 1455 – Claims Settlement Practices/Dispute Resolution	In effect	The DMHC sent a memo to all plans on September 1, 2004, directing them to submit a Supplemental Verification of Compliance Statement regarding their implementation of the AB 1455 regulations. In the memo, the Department stated that nearly every Compliance Statement that had been filed previously had failed to adequately disclose that an appropriate methodology was being used to adjudicate and determine the reasonable and customary value of services rendered by non-contracted providers. CADP met with DMHC representatives on October 21, 2004, and subsequently prepared a draft response which was submitted to Kevin Donohue for his review and comment. The deadline for compliance with the DMHC's letter has been extended to January 2, 2005.
Conflict of Interest (T28, section 1000)	Comment period ended November 29, 2004	CADP did not comment on these regulations.

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POTENTIAL FUTURE REGULATIONS

Regulation	Status	Remarks
Retroactive Terminations	Currently being drafted	<p>The Department has been permitting plans to file material modifications requesting an order of exemption to permit retroactive termination in certain circumstances. The order permits plans to implement retroactive termination of coverage for nonpayment of premiums provided the plan meets a number of requirements, including that (1) the retroactive termination period does not exceed 60 days; (2) the notice of cancellation is sent out at least 15 days in advance of cancellation and discloses a number of items; (3) the plan must mail a notice to the terminated enrollees that meets certain requirements, including disclosing the availability of interim coverage, conversion coverage and HIPAA coverage; (4) the Interim Coverage offered to group enrollees must meet specific criteria; (5) the plan must comply with specific requirements relating to HIPAA coverage; and (6) the plan must comply with specific quarterly reporting obligations. CADP brought to the DMHC's attention a number of differences between full service and dental plans that would make the application of the above criteria to dental plans difficult. We are currently awaiting a meeting with the DMHC to discuss these issues.</p>
SB 260 – Financial Solvency Regulations	In development	<p>The Financial Solvency Standards Board is in the process of taking comments from stakeholders regarding proposed regulations. (These regulations will apply to risk bearing organizations only.)</p>
SB 853 – Cultural and Linguistic Services	In development	<p>The DMHC held a meeting to discuss the development of these regulations on November 17, 2004. A CADP representative attended that meeting. Additionally, CADP monitors OPA meetings on this issue.</p>
AB 2907 – Implementation Regulations	Status unknown	<p>The Department was considering regulations designed to implement the Health Care Providers Bill of Rights that was enacted by AB 2907.</p>
Allowable Co-Payments	On hold	<p>Drafting of these regulations is on hold pending the outcome of the SB 842 (pharmacy benefits regulations) process.</p>
DMHC Prevention Initiative	On hold	<p>Early draft was circulated by Joy Higa in January 2003 for informal review.</p>
TNE Regulations	On hold	<p>These regulations were discussed in December 2002 at the Financial Solvency Standards Board meeting. Discussions were held between the full-service plans and the DMHC in Winter 2003. Nothing further has been heard from the DMHC.</p>
Administrative Capacity Requirements	On hold	
Definition of "Full Financial Risk"	On hold	
Disclosures in Health Plan Advertising	On hold	
Dental Regulations – Scope of Services	On hold	
Prohibition on Fee-For-Service Activities	On hold	
Out-Of-Network Benefits	On hold	
Waiting Room Notices	On hold	

Legislative & Regulatory Conference Update

▶ The 15th Annual Legislative & Regulatory Conference will be chock-full of information. Our keynote speaker, Assembly Member Lloyd Levine, authored legislation in 2004 to regulate discount plans and intends to reintroduce a bill in 2005. We'll hear his perspective on this issue. In addition, we'll hear from top health plan lobbyists and regulatory experts, the Governor's office, key DMHC policymakers, and others.

Program:

Monday, January 24, 2005:

- 10:30 am Quality Management Committee meeting/continental breakfast (Carmel)
- 12:00 pm Board of Directors' meeting/luncheon (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 (Golden State)
Keynote Speaker: Assembly Member Lloyd Levine, 41st AD

Tuesday, January 25, 2005:

- 7:00 am Registration (Mezzanine)
- 7:30 am Continental Breakfast (Mezzanine)
- 8:00 am Legislative Conference convenes (Golden State)
- 8:15-9:00 am Legislative Roundtable
Jo-Linda Thompson, Nossaman, Guthner, Knox & Elliott
Elizabeth Snow, Director, Government Relations, California Dental Association
James C. Gross, Nielsen, Merksamer, Parrinello, Mueller & Naylor
Robert E. Scarlett, Vice President of State Affairs, Blue Cross of California
- 9:00-10:30 am Regulatory Update
Mary Powers Antoine, Nossaman, Guthner, Knox & Elliott
Leanne Gassaway, Vice President, Legal & Regulatory Affairs,
California Association of Health Plans
William Barcellona, Deputy Director, Plan and Provider Relations,
Department of Managed Health Care
- 10:30-10:45 am Break
- 10:45-11:30 am "CPR: DOA?"
Dale E. Bonner, Member, California Performance Review Commission
- 11:30 am-12:15 pm "The Schwarzenegger Administration: One Year Later"
Rob Stutzman, Director of Communications, Office of Governor Arnold Schwarzenegger
- 12:30-1:30 pm Luncheon (Carmel)
Guest Speaker: Lucinda Ehnes, Director, Department of Managed Health Care
- 1:30 pm Conference concludes

Save the Dates!

2005:

March 15
Quality Management
Committee meeting,
CIGNA, Glendale

March 16
Board of Directors' meeting,
CIGNA, Glendale

May 10-14
Annual Conference, Quality
Management Conference,
Marriott Laguna Cliffs Resort,
Dana Point

Reminder!!!

Legislative and Regulatory Conference

January 24-25, 2005

**Hyatt Regency at Capitol Park,
Sacramento**



Send in your registration now for CADP's 15th Annual Legislative and Regulatory Conference. A complete conference brochure can be downloaded from our website, www.caldentalplans.org, or requested from the CADP administrative office; (916) 446-3122.

And remember – hotel reservations must be made by **January 7** 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!**

HAPPY NEW YEAR



**CALIFORNIA
ASSOCIATION
OF DENTAL
PLANS**

**One Capitol Mall
Suite 320**

**Sacramento, CA
95814-3229**