



## President's Report

by Lee J. Harris, DDS

Economic, business, legislative and regulatory cycles affect all industries over time. Our nation and state are, by all evidence, in the throes of a downturn from the most recent period of unprecedented prosperity. Businesses are consolidating and executive leaders are being extremely cautious in their approach to business expansion and investments. From a legislative standpoint, our federal representatives are not focused on the domestic agenda but foreign affairs, while our state government is reeling from a budget shortfall due to the recent energy crisis, among other things.

All in all, it is no wonder that the agenda in Sacramento has shifted to a regulatory focus. What impact will these events have on our industry? One can only speculate. My thoughts regarding DMHC and this issue revolve around the activities of the Advisory Committee on Managed Health Care (ACMHC). The ACMHC and its three subcommittees have been very active during the past year and are now in the process of drafting and presenting for approval, their recommendations to Director Daniel Zingale. Director Zingale and his DMHC staff will draft these recommendations, once approved by the ACMHC, into regulations.

The CADP Board of Directors and Dental Directors have been closely monitoring these activities. Here are some highlights of the work of these committees.

- *Quality and Performance Measurement Subcommittee (QPM)* – On December 5, 2001, the QPM presented its "Report of Recommendations to the Director for Standards for a Uniform Medical Quality Audit Sys-

tem," as required by SB2136 passed last year. The goals of this process, if successfully implemented, are to first; reduce costly duplicative assessments of providers and health plans so that plan resources can be directed to healthcare delivery; and second a "single set of objective and comprehensive quality standards would ensure that the oversight and evaluation of patient care reviews is consistently applied throughout the managed care industry." The many detailed and specific recommendations of QPM were approved by the ACMHC and accepted by Director Zingale. Regulations will follow. In my comments to the ACMHC, I stated that CADP was supportive of the goals of the QPM and the process, but had concerns that the standards for medical would be used as a template for specialized dental plans, and emphasized that "Dental is Different." While many areas examined may be similarly addressed, there are significant differences that must not be ignored. Other questions raised included: When would report cards and performance measures for dental plans be initiated, as they

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

**CALIFORNIA ASSOCIATION OF DENTAL PLANS**

1121 L Street, Suite 210  
Sacramento, CA 95814-3970  
916/446-3122 • FAX: 916/441-6484

Jackie Miller, *Executive Director*

**email:** [westword@cal.net](mailto:westword@cal.net)  
[www.caldentalplans.org](http://www.caldentalplans.org)

# California's Budget Forecast Bleak

In November, the Legislative Analyst's Office (LAO) released its annual long-term budget forecast. The LAO's analysis estimates that current (2001-02) revenues will be \$6.8 billion below the Budget Act forecast. The revised estimate represents a 12.1 percent decline from \$77.7 billion in total revenues in 2000-01, and is primarily attributable to the weak economy and significantly lower capital gains and stock option-related revenues. Revenues are projected to remain below their 2000-01 level until 2003-04, despite the expectation that the economic recovery will begin in the spring. The result is a projected \$4.5 billion deficit in the current year, and a deficit of \$12.4 billion in 2002-03.

The U.S. and California economies had slowed during most of 2001, but after the September 11th terrorist attacks, the decline accelerated in the state. California's economic decline was primarily due to a decrease in business investment in high tech goods and services and reduced wealth and income related to lower stock values. However, since September 11th, the state has also suffered losses in tourism, the entertainment industry, retail sales, and real estate.

While economists expect the current downturn to be short-lived, it has and will have a substantial impact on state revenues. In May, the Department of Finance estimated that 23.1 percent of 2000-01 General Fund revenues came from taxes paid on stock options and capital gains. The LAO estimates that tax revenues attributable to these two sources will fall from \$17 billion in 2000-01 to \$7 billion in 2001-02. General Fund revenues for October were \$220 million below the 2001-02 Budget Act forecast, which brings the year-to-date total to \$827 million below projections.

In response to the anticipated deficit, the Governor has proposed \$2.248 billion in current year spending cuts. These include the administration's direction to agencies to freeze hiring and cut current year operating expenses by \$150 million. The proposed reductions represent delays in program expansions and implementation, purchase deferrals, and the reversion of unspent funds. The Governor will ask the Legislature to make the statutory changes needed to implement his proposed reductions during a spe-

cial session of the Legislature in January.

While the reductions affect all areas of state spending, the largest reductions are in K-12 Education, with \$843.5 million in proposed cuts. This represents 37.5 percent of the total reductions, slightly below K-12 education's share of budgeted 2001-02 General Fund spending (41.2 percent). However, the Governor's proposals disproportionately reduce some categories of spending. These include Environmental Protection and Resources, which represent only 2.1 percent of 2001-02 General Fund spending but were 13.9 percent of the proposed reductions, and Business, Transportation, and Housing, which had reductions of 11.0 percent while making up only 0.9 percent of spending. Youth and Adult Corrections, which account for 6.7 percent of budgeted 2001-02 General Fund expenditures, received reductions of only 0.3 percent.

The Governor also proposed \$260.8 million in reductions in Health and Human Services programs. The largest single reduction, \$54.3 million from the Tobacco Settlement Fund in 2001-02 and \$160.5 million in 2002-03, comes from delaying the expansion of the Healthy Families program to cover parents in families with incomes up to 250 percent of the federal poverty level. California receives approximately two federal dollars for each state dollar spent on the Healthy Families program. The state stands to permanently lose a portion of its federal allocation due to the delayed implementation of the parent expansion.

Other reductions include \$53.7 million for the Low Income Home Energy Assistance Program; \$40.5 million in unspent funds for local child support administration incentives; \$30 million for local trauma center support and trauma system planning; \$19 million in unspent 2000-01 Child Welfare Services funding; a \$10 million cut in the Expanded Access to Primary Care program, leaving the program at its 2000-01 funding level; and \$9.8 million for Foster Care Transitional programs.

The current downturn is severe, although the anticipated deficit is proportionately much smaller than those of the early 1990s. The state closed spending gaps of the early 1990s through a combination of spending cuts, tax increases, cost shifting to

local governments, and borrowing. Factors influencing the debate over how to balance the budget across programs include fiscal constraints imposed by Proposition 98, which sets the spending level for K-14 education, and the supermajority vote required in the legislature for tax increases. These, in conjunction with the political support for education, corrections, and lower taxes, resulted in health and social services programs bearing a disproportionate share of the budget-balancing burden.

## CAOP Board of Directors

# New Labor Laws to Take Effect in 2002

The following are the most important employment law bills signed by the Governor. They take effect January 1, 2002.

- ▶ Domestic Partnerships (AB 25) – allows a person to collect unemployment insurance if he or she leaves a job to relocate with a domestic partner; allows domestic partners to use kin care (sick leave) to care for the other partner or other partner's child.
- ▶ English-Only Policies (AB 800) – limits an employer's ability to adopt or enforce a policy requiring employees to speak only English in the workplace and provides a new basis for employment lawsuits if an employer does so.
- ▶ Lactation Accommodation (AB 1025) – requires employers to reasonably accommodate employees who wish to express breast milk at work, including increased break time and privacy.
- ▶ At-Will Exception (SB 20) – prohibits at-will termination of janitors and building maintenance personnel under certain circumstances.
- ▶ Unemployment Insurance (SB 40) – increases unemployment insurance benefits, expands eligibility to workers who are available only part-time, keeps WARN Act payments from affecting unemployment insurance eligibility, and changes base period calculation.
- ▶ Overtime Exemption (SB 1208) – creates an overtime exemption for doctors paid on an hourly basis.
- ▶ Garnishments (AB 1426) – adds a new penalty for failure to comply with child support garnishments, and allows court-ordered electronic transfer of garnishments from the employer's bank account.

*Courtesy of the California Chamber of Commerce.*

## President's Message – continued from page 1

were not expressed in plans for years 2 or 3? Will the new audit system achieve its goal to reduce costs and duplication or would the system alternatively increase the burden on specialized plans? How will dental performance measures be developed, as standards for 'professionally recognized standards of care' for dental either do not exist, do not have consensus of the profession or are not well documented? In light of these and other issues, I expressed CADP's recommendation that a similar process be undertaken to develop a Uniform Dental Quality Audit, well in advance of any planned implementation and including all concerned stakeholders.

- *Regulatory Implementation and Structure Subcommittee – (RISS)* This subcommittee investigated the potential for restructure of the regulatory oversight of HMO, EPO, PPO and Indemnity products between the DMHC and DOI. All other state departments were intentionally excluded from this study. Clark Kelso, Professor of Law, and the RISS conducted a thorough review including extensive research into the regulatory structures used in other states. The report presented made recommendations for clarification in consumer communications, redistribution of regulatory responsibilities to the department with demonstrated competency in specific areas, and recommendations for functional regulation versus the current

structure. Examples of a few of the recommendations included shifting all financial solvency issues to DOI and all quality audits to DMHC regardless of product.

- *Health Care Education and Access Subcommittee – (HCEA)* This group conducted extensive research in the areas of prevention programs and presented recommendations designed to have impact on the delivery of high yield clinical preventive services by managed healthcare plans in CA. The final report will be presented to Director Zingale in March 2002.

While dental plans were not a focus of any of these committees, experience tells us that it is only a matter of time before these initiatives will have significant impact on the manner in which we conduct our business. Rest assured, CADP will continue its efforts to monitor, comment and influence the outcome of any proposed recommendations or regulations that would be of interest to our members.

For more detail, most of the reports are available on DMHC's website. [www.dmhc.ca.gov](http://www.dmhc.ca.gov). Your Board of Directors and I encourage your participation and comments on this process. To this end, our Legislative Conference this year will feature many DMHC representatives including, Martin Gallegos, Patient Advocate, Herb Schultz, Deputy Director, External Affairs, and Joy Higa, Deputy Director, Plan and Provider Relations. Many other exciting speakers that are part of the debate are also planned. See you there!

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*Questions about our firm may be addressed to*

*Robert J. Kane (Labor) at (949) 725-4127*

*Michael Zablocki (Managed Care) at (949) 725-4146*

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# Legislative and Regulatory Conference Update

The 12<sup>th</sup> Annual Legislative and Regulatory Conference will be chock-full of information. We'll hear from key legislators and legislative staff, top health plan lobbyists, and key DMHC executives. The keynote speaker, Dr. Martin Gallegos, was recently appointed by Governor Gray Davis to serve as the state's Patient Advocate, an independent and autonomous office established in July 2000. A former legislator, HMO reform advocate and author of the legislation which created the Department of Managed Health Care, Dr. Gallegos works closely with the Department in its regulatory and oversight role. He'll bring an interesting, and perhaps controversial, perspective.

## Tentative Program

### TUESDAY, JANUARY 22, 2002:

10:30 am	Quality Management Committee meeting/ continental breakfast	9:45-10:30 am	"Legislation vs. Regulation: 2002" Herb Schultz, Deputy Director for External Affairs, Department of Managed Health Care
12:00 pm	Board of Directors' meeting/luncheon	10:30-10:45 am	Break
3:00-6:00 pm	Registration	10:45-11:30 am	"Increased Enforcement, Grievances, Prompt Payment and More" Joy Higa, Deputy Director, Plan and Provider Relations, Department of Managed Health Care
4:00-5:00 pm	CADP Business meeting (dental plan members only)		
6:30 pm	Reception and Dinner		
	Keynote Speaker: The Honorable Martin Gallegos, DC, Patient Advocate, Business, Transportation and Housing Agency	11:30 am - 12:15 pm	"Budget Update—How Dismal Is It?" The Honorable Dick Ackerman, Vice Chair, Senate Budget and Fiscal Review Committee

### WEDNESDAY, JANUARY 23, 2002:

7:00 am	Registration	12:30-1:45 pm	Luncheon Guest Speaker: The Honorable Jackie Speier, Chair, Senate Insurance Committee
7:30 am	Continental Breakfast	2:00 – 2:45 pm	Interactive Workshop: "Do's and Don'ts of Working With Your Legislator" Jo-Linda Thompson, Nossaman, Guthner, Knox & Elliott Mitch Zak, Randle Communications Susan Cavazos, Consultant, Office of Senator Wes Chesbro Penny Stanley, Chief of Staff, Assembly Member John Dutra Kevin Bassett, Deputy Chief of Staff, Assembly Minority Leader Dave Cox
8:00 am	Legislative Conference convenes	2:45 pm	Closing remarks
8:15-9:00 am	Lobbyist Roundtable: "What's on the Horizon?" Moderator: Jo-Linda Thompson, Nossaman, Guthner, Knox & Elliott Maureen O'Haren, Hyde, Miller, Owen & Trost Bill Wehrle, California Association of Health Plans Jeff Shelton, Health Net, DentiCare Bob Scarlett, WellPoint/Blue Cross	3:00 pm	Conference adjourns
9:00-9:45 am	"Regulations and More Regulations—An Update" Mary Powers Antoine, Nossaman, Guthner, Knox & Elliott		

## Reminder!!!

Legislative and Regulatory Conference  
January 22-23, 2002  
Hyatt Regency at Capitol Park, Sacramento



Send in your registration now for CADP's 12<sup>th</sup> Annual Legislative and Regulatory Conference. A complete conference brochure can be downloaded from our website, [www.caldentalplans.org](http://www.caldentalplans.org), or requested from the CADP administrative office; (916) 446-3122.

And remember – hotel reservations must be made by January 8 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, and last year's room block sold out. **RESERVE EARLY!**

# Dots and Dashes

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

This is the time of year when it seems natural to reflect on what we have accomplished and where we have failed to meet the mark. The newly named CADP Quality Management Committee can make this reflection with justifiable pride. As examples:

- At least eight member plans made it through the Medical Survey process to the Final Report stage, with seemingly no significant challenges or surprises. The cooperation and collegial assistance that made this possible is laudable.
- More than 100 candidates took one of the three CADP auditor calibration/certification courses this year. Course alumni now include dentists and non-dentists from multiple states and organizations as diverse as the Dental Board of California, the Department of Health Services, the Department of Managed Health Care and the California Dental Association. Truly our course has grown into a respected and valued program.
- To a person, the members of the CADP QMC have stepped up to the plate to contribute in establishing standards and consistent positions on such topics as access to care, site-audit quality assessment, credentialing, specialty referral and grievance resolution.

However, work remains to be done. As we move into 2002 we appear to be on the brink of more exciting opportunities. For example:

- We are working with various organizations, including CDA and the Department of Managed Health Care, to develop a consensus site audit tool. That document, coupled with auditor calibration, should allow effective and efficient sharing of quality assessment results.
- We are developing opportunities for meaningful dialogue with the specialty associations of Periodontia, Orthodontia and Oral and Maxillofacial Surgery.
- There is reason to be optimistic about opportunities to participate in the crafting of utilization review standards for dentistry.
- The newly named Legislative and Regulatory Conference promises to expand our perspective in looking at the factors that affect our operations.

There are other opportunities around us. Recently it became obvious to me that our providers are confused over what to do with the Material Data Sheets on restorative materials they received from the Dental Board. This may present us with an excellent opportunity to demonstrate our concern for these doctors by educating them on the politics surrounding the dental amalgam issue. I intend to send our panel a bulletin on the subject. This seems a good way to start the New Year.

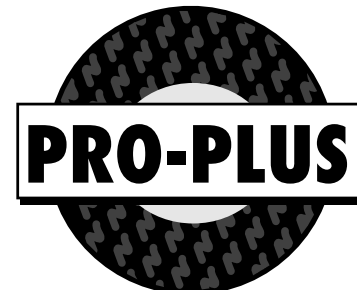
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Sacramento, CA  
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