



President's Report

Bryan Geremia

▶ As we approach the end of a very active year, it is worthwhile to recap the positive impact that we have had as an association. We should all be proud of the collaboration and work that went into addressing numerous issues that affected our industry this year.

Through the work of your association, we were able to avoid such onerous issues as having additional penalties and levies imposed on late claim payments. We circumvented the passage of a bill that would have meant additional costs and administrative work associated with more information required on our evidence of benefit statements. The trade off was our work and collaboration with the CDA regarding AB 2275, which addressed the issue of provider discounts for non-covered services. We worked to get a piece of legislation that was not as restrictive as seen in many other states.

I would be remiss if I did not thank everyone for all the time and effort that was put into attempting to work with the DMHC regarding the implementation of the Discount Plan regulations. Unfortunately, most of our recommendations were not considered by the Department. CADP will continue to work with our member plans regarding compliance with these requirements once they are

implemented early next year.

In 2011, CADP will continue to focus on the issues that are important to all of you as we work with the DMHC, DOI and others to ensure appropriate actions are taken that affect the dental benefits industry. This includes helping you work through the complex pieces of PPACA and California's approach to Health Care Reform. This is sure to be a challenging and exciting time with a new governor and the continued budgetary concerns our state faces year after year.

After the holidays and the New Year, I am sure everyone will be ready to tackle the looming challenges ahead. There is no better place to do this than the next Annual Legislative and Regulatory Conference which is scheduled for January 18-19, 2011 in Sacramento. We are putting together an exciting and informative program that will help you address the upcoming year and beyond. We look forward to seeing all of you there, so make your reservations early!

On behalf of the Board of Directors of CADP, I would like to extend our appreciation for your continued support and commitment to our association. 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:

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Dots and Dashes

Charles D. Stewart, DMD
Chair, Quality Management Committee

▶ The election is over! We can actually enjoy eating dinner without a political call disturbing our mealtime! But behold, the second coming of Jerry Brown. The transition to Brown v.2 has been upstaged by an emergency legislative session – to handle the current budget. You mean, though it took 110 days after the July 1, 2010 deadline to have a budget in place, there remains an issue? You do not say, there is a \$25 billion gap in this budget that we waited so long to get. It cannot be that all the financial gadgets and wizardry have not closed this gap? Well, after all the smoke has cleared and mirrors were broken, it is true! 2010 has been a year the like of which has never been seen before. The economic meltdown that began in 2008 continues to torment the State of California. The dental insurance industry is in the process of making changes as we prepare to implement Health Care Reform as well as survive the challenges of the shrinking client and membership pool on the commercial side. There have been (and probably will be) necessary adjustments to business models and staffing levels. In spite of the news about economic indicators that the recession is over, the dental insurance industry continues to function within this downturn.

Where does this put us? Once the recovery makes its way to the dental plans and dental offices, will Health Care Reform place unrealistic expectations on the plan, dental office and for the patients? Will plans and dental offices find the governing rules and regulations too restrictive, and refuse to comply? Will dental offices charge patients fees differently than what is specified in their contract? And finally – what will the new Governor use to strive for a balanced budget? One can only speculate, but it is a scary thought!

Now let's talk regulations. In 2010 we discussed and complied with the Dental Practice Act, Business and Professions Code and Blood-Borne Pathogen rules. Newer to plans and dental offices were the Language Assistance and Timely Access Regulations. Complicating the above are the upcoming Discount Regulation (expected in early 2011) and the January 1, 2011 effective date for AB 2275, the CDA sponsored non-covered services bill. This bill has potential implications for both the DMHC and DOI regulated products. A road map to compliance would be a great tool, but due to the complexity of each of the above, the necessity of a compliance manager is more and more evident for most plans.

Woven into the compliance piece is the issue of the many quality programs. In 2010, the Quality Assurance Assessment process is a mature and predictable program. Even today, some of the current dental providers do not meet minimum infection control standards, or do not perform weekly biologic spore testing, though they are both required for state licensure. Plans can provide the background information to assist these providers in their endeavor for full compliance with current state laws and regulations. Without the plans' QA programs, these items would remain non-compliant, and potentially place the dentist's license, as well as the patient's health, in jeopardy. The use of the Shared Assessment Warehouse provides an indication of compliance with the majority of these programs, at the same time controlling the costs for an assessment assumed by a Plan.

Regulatory Update

Marq Powers Antoine, Nossaman, LLP

Below is a chart updating the latest information on the Department of Managed Health Care's currently pending regulations and regulations under consideration.

CURRENTLY PENDING REGULATIONS		
Regulation	Status	Remarks
Discount Plan Regulations – (Adds Rules 1300.49.1.1, et seq.)	The third public comment period on these regulations closed to November 5, 2010 .	Nossaman and Delta provided testimony at the DMHC's hearing held on October 5, 2010. We emphasized CADP's concerns regarding calculation of refunds, prohibition against use of trade name, and prohibition against coupling discount products with risk products. Nossaman and several dental plans also submitted written comments. Unfortunately, our pleas fell on deaf ears. Very few changes were made to the draft regulations. We expect this to be the last round of comments. The DMHC will announce when it sends the regulations to the Office of Administrative Law for finalization.
REGULATIONS CURRENTLY UNDER CONSIDERATION		
Regulation	Status	Remarks
Licensing Applications – (Revisions to Rules 1300.51 and 1300.52)	The DMHC had been considering a project to revise Rules 1300.51 and 1300.52.	The DMHC has indicated that they anticipate beginning work on this project in the near future.

DMHC Fines Health Plans—The Department of Managed Health Care has fined the state's seven largest HMO's nearly \$5 million for failing to properly pay numerous medical claims over the past three years. According to the DMHC, it imposed the fines after conducting an 18-month investigation of the insurers' payment practices. DMHC issued a total of \$4.85 million in penalties to:

- Anthem Blue Cross - \$900,000
- Blue Shield of California - \$900,000
- UnitedHealthcare/PacificCare - \$800,000
- Health Net - \$750,000
- Kaiser Foundation Health Plan - \$750,000
- CIGNA - \$450,000
- Aetna - \$300,000

The California Association of Health Plans said the penalized insurers would work with regulators to resolve performance issues. CAHP also noted that the HMOs generally met state requirements for timeliness of paying claims.

Legislative Update

Meg Catzen-Brown, Nossaman, LLP

▶ With the 2010 elections now behind us, the quiet in the Capitol is the lull before the storm. The 2011-2012 Legislative Session began on December 6, when 28 freshman Assemblymembers and 10 first-term Senators were sworn into office. The partisan split in the State Senate as it convened was 24 Democrats and 13 Republicans. Three seats will be vacant, at least for the first month or so, as a result of the recent deaths of Republican Senator Dave Cox (1st SD) and Democrat Senator Jenny Oropeza (28th SD), and Republican Senator George Runner's (17th SD) successful bid for Board of Equalization. The special election primary for the 1st SD was held concurrently with the 2010 General Election last week, with Republican Assemblymember Ted Gaines (4th AD) and Democrat Rancho Cordova Mayor Ken Cooley emerging as the top two candidates; they will face one another in a run-off election in early January. Governor Schwarzenegger has not announced a special election date to fill either the 28th or 17th Senate districts, although those likely will take place in the first quarter of 2011. Under the current reapportionment, those seats are likely to be won by candidates of the same party as those vacating the seats, so Democrats are expected to maintain a strong majority (25-15) in the Senate. In the Assembly, Democrats picked up two seats (the 5th AD, previously held by Republican Roger Niello, and the 31st AD, previously held by Independent Juan Arambula), and so will have a 52-28 advantage over the Republicans.

Of course, a new Legislative session means new committees and in some instances, new leadership. Although Assembly and Senate committee assignments likely will not be finalized until later in December (and maybe not until the first of the year), Assembly Republicans have already elected their new leader, Assemblywoman Connie Conway (63rd AD), ousting Martin Garrick (74th AD). Senate Republicans elected their new leader, Senator Bob Dutton (31st SD) prior to the election (outgoing leader Dennis Hollingsworth having termed out). No changes are anticipated to the Democratic leadership in either house, at least not in the near term. Former Governor [and Governor-Elect] Jerry Brown will take the oath of office once again in early January, although he has indicated his intention to "roll up his sleeves" and begin working with the Legislature on the state budget (and its \$12 billion-and-growing deficit) before his term of office formally begins, and invited the Legislature to attend a meeting he has convened regarding the current state budget. Democrats won all of the statewide offices, with Democrat San Francisco Mayor Gavin Newsom besting Republican Lt. Governor Abel Maldonado for that office (the only incumbent who was defeated in this election), and incumbent Democratic officeholders – Secretary of State Debra Bowen, Treasurer Bill Lockyer, and Controller John Chiang – handily defeating their Republican opponents. The race for Attorney General was a nail biter, with Democrat (San Francisco DA) Kamala Harris eventually prevailing over Republican (LA DA) Steve Cooley.

California voters also faced a mixed bag of initiatives on November's ballot, including several "governmental reform" measures. Voters approved Proposition 20, which extends the jurisdiction of the state's reapportionment commission to include the drawing of congressional districts (in addition to its current responsibility to design districts for the Assembly and Senate). A countermeasure, Proposition 27, which would have repealed the law by which the reapportionment commission was established and returned responsibility for reapportionment to the Legislature, failed by similar percentages. Many observers of California government and politics believe that the reapportionment commission will design legislative districts that are more competitive than the legislatively-designed districts of the past, and that may yield a more responsive and responsible (and less partisan) state Legislature. The voters also (and perhaps unwittingly) increased the budget pressures on the incoming Administration and Legislature. They defeated Proposition 21, which would have imposed an \$18/vehicle tax to support state parks – thus continuing to fund park services and maintenance from the state's General Fund. They also defeated Proposition 24, which would have repealed certain business tax credits and reductions scheduled to take effect next year, and passed another initiative (Proposition 22) to curtail the Legislature's ability to redirect local government funds to the state in order to balance the state budget (creating an immediate \$800 million hole in the current year [2010-2011] budget. Most curiously, the electorate approved both Proposition 25, which allows the state budget to be passed on a simple majority vote in each house (rather than the current 2/3 vote requirement), and Proposition 26, which will require a 2/3 vote in each house for the Legislature to impose "fees" or taxes (and subjects certain local government fees to voter approval as well). In other words, while the Democratic majority in the Legislature will be able to pass a budget, it will not be able to alter the revenue stream that funds the budget without the participation of the minority party, at least a few of whose members' votes will be necessary to approve any new budget funding. No doubt, this will complicate the design and passage of the 2011-2012 State Budget.

Voters also defeated two of the most controversial measures on the ballot – Proposition 19, a measure that would have allowed the legalization (and taxation) of marijuana for recreational use, and Proposition 23, which would have suspended the state's greenhouse gas emissions control law.

In late November, Governor Schwarzenegger announced that he would call an extraordinary budget session immediately upon the convening of the new legislative session on December 6. It remains to be seen whether this will be a meaningful exercise, or an exercise in futility, as the lame-duck Republican governor may not realize the level of cooperation he might desire from a newly-sworn in Legislature. In the month ahead, we'll be monitoring state budget activity, regulatory, and political trends that may affect California's dental plans, especially gubernatorial appointments of Agency Secretaries, Department Heads and Commissioners.

Please do not hesitate to call me if you have any questions regarding any of the information contained in this report, or other political or legislative matters.

In the News...

▶ **NADP/DDPA 2010 Enrollment Report Shows Decline in Dental Benefits**—National dental benefits enrollment for 2009 decreased 5.7% compared to 2008 enrollment according to the NADP/DDPA 2010 Dental Benefits Enrollment Report. This is the first decline in dental enrollment since NADP began reporting dental benefits enrollment in 1994.

At year-end 2009, approximately 166 million Americans were covered by some form of dental benefit through group or individual plans. This is about 10 million fewer than year-end 2008 and represents 54% of the population of the United States. From 2006 through 2008, enrollment grew in line with population growth holding steady at 57% of the US population.

Other key findings include:

- The trend toward DPPO products continues among commercial products, with 69% of all commercial dental benefits reported as DPPO while Indemnity and DHMO products continue to decline in market share.
- Dental benefit premiums and fees are paid at least in part by most enrollees. While discount plans report 99% of all enrollees paying at least part of the fee, insured products range from 85% of DPPO enrollees paying a portion of premium to 61% of Dental indemnity enrollees paying for a portion of premium.
- Only 1% of the population with dental insurance (DHMO, DPPO or Dental Indemnity) have their benefits through individual policies.

This report also contains specific information on Dental HMO, Dental PPO, Dental Indemnity, and Discount Dental enrollment at the national and state levels. The report is based on data from 88 companies.

▶ **Pre-Existing Condition Insurance Plan Officially Opens in California**—In late October, California announced the official launch of its new federally funded high-risk health insurance pool for people with pre-existing medical conditions. The Pre-existing Condition Insurance Plan is the first consumer program to be offered under the federal health reform law. The high-risk pools are designed to bridge the coverage gap until 2014, when the reform law will prohibit insurers from denying health coverage or charging higher rates to individuals with pre-existing conditions. The launch of California's PCIP was delayed because certain insurers that participate in the state's existing high-risk pool declined to take part in the new federally funded program. As a result, the state negotiated with third-party contractors to administer its PCIP, with MRMIB administering both programs. The existing state-run high-risk pool limits lifetime benefits to \$750,000 and annual benefits to \$75,000. Premiums are based on the beneficiary's age and geographical location, not medical conditions or risk factors such as smoking.

▶ **Medi-Cal Could Grow to 10.5 Million Enrollees by 2019**—The federal health reform law could expand Medi-Cal eligibility and enrollment to cover as many as 10.5 million Californians by 2019, according to a report by the California Budget Project; the program currently covers more than 7 million state residents. The health reform law allows Californians with annual incomes at or below 138% of the federal poverty level to enroll in Medi-Cal beginning in 2014. The CBP report predicts that the program will grow over the next nine years to cover an additional:

- 1.5 million residents through regular program growth;
- 1 million Californians who previously were not eligible for Medi-Cal;
- More than 500,000 residents who currently are eligible for Medi-Cal but are not enrolled in the program; and
- More than 300,000 children who currently are enrolled in other public programs.

The report predicts that the Medi-Cal expansion will cost about \$37.1 billion between 2010 and 2019, with the federal government covering the bulk of the expansion costs. According to the report, California will receive more than \$6 from the federal government for every dollar it spends on Medi-Cal. Between 2014 and 2016, federal funds will entirely cover the cost of enrolling newly eligible adults in Medi-Cal. Federal payments will decline over subsequent years to cover 90% of coverage costs by 2020 and thereafter.

▶ **California's \$10 Billion Medi-Cal Waiver Approved**—The Obama administration has approved a waiver that will provide California with \$10 billion to improve and expand Medi-Cal. State and federal officials had been negotiating the waiver for more than a year, with California receiving \$2 billion annually over the next five year. The waiver will help Medi-Cal cover about 500,000 additional Californians by expanding program eligibility to residents with annual incomes up to 133% of the federal poverty level. In addition to expanding coverage, the waiver will shift more Medi-Cal beneficiaries into managed care programs and make additional funding available for safety-net hospitals that meet certain standards for care coordination and quality.

▶ **Premium Costs in Job-Based Insurance Up by 41% Since 2003**—Employer-sponsored family health insurance premiums have increased by an average of 41% from 2003 to 2009, more than three times faster than median incomes, according to a study recently released by the Commonwealth Fund. The national average for employer-sponsored family premiums, which includes the amounts paid by employers and employees, was \$13,027. Deductibles rose by an average of 77% from 2003 to 2009, the report found. In addition, the report found that 74% of workers had to pay deductibles in 2009, compared with 52% in 2003. Locations with the most expensive premiums were Alaska, Connecticut, the District of Columbia, Maryland, Massachusetts, Vermont, Wisconsin and Wyoming. The report noted that the federal health reform law has the potential to slow cost growth by giving states the ability to challenge excessive premium increases and by providing assistance to low- and middle-income families.

21st Annual Legislative & Regulatory Conference

"Uncertainty: The New 'Normal' for Dental? – Part I"
January 18-19, 2011 - Sheraton Grand Hotel, Sacramento CA

▶ CADP's 21st Annual Legislative & Regulatory Conference is coming up soon! And it will be yet another program filled with what you need to know: the latest on health care reform and how it affects dental, California's continuing budget deficit and its potential impact on business, the 2010 election and more! Don't miss this one, unless you're content to simply read about the outcome of all these challenges. A registration form has been included in the newsletter. Fill it out and send it in today! And remember to reserve your room early. Reservation information is also included.

▶ SCHEDULE OF EVENTS

Tuesday, January 18, 2011

- 10:30 am Quality Management Committee meeting (Gardenia Room, Grand Nave Ballroom)
- 12:15 pm Board of Directors' meeting (Falor)
- 3:00 – 5:30 pm Registration (Gardenia Foyer, Grand Nave Ballroom)
- 4:00 – 5:00 pm CADP Business Meeting (plan members only) (Gardenia Room, Grand Nave Ballroom)
- 6:30 pm Reception and Dinner (Gardenia Room, Grand Nave Ballroom)
Keynote Speaker: Herb Schultz, Director, Region IX, US Department of Health and Human Services

Wednesday, January 19, 2011

- 7:00 am Registration (Camellia Foyer, Grand Nave Ballroom)
- 7:30 am Continental breakfast (Camellia Room, Grand Nave Ballroom)
- 8:00 am Conference convenes (Camellia Room, Grand Nave Ballroom)
- 8:15 – 9:15 am Lobbyists' Roundtable
Moderator: Meg Catzen-Brown, CADP legislative consultant
Dean Chalios, Vice President, Public Policy, California Dental Association
Charles Bacchi, Executive Vice President, California Association of Health Plans
Teresa Cooke, Political Solutions
Maureen O'Haren, O'Haren Government Relations
- 9:15 am – 10:30 am "Health Care Reform: An Update for California"
Moderator: Bryan Geremia, CADP President
Teri Boughton, Senior Program Officer, Health Reform and Public Programs Initiative, California Healthcare Foundation (invited)
Jeff Album, Vice President, Delta Dental
Kirk Andrews, President, UnitedHealthcare Dental
- 10:30 am – 10:45 am Break
- 10:45 am – 11:30 am "Election 2010 Analysis"
Tony Quinn, PhD, *California Target Book*
- 11:30 am – 12:15 pm "The California Exchange: What We Know and What We Don't Know"
Moderator: Jeff Album, Vice President, Delta Dental
Katie Marcellus, Assistant Secretary, Health and Human Services
Services (invited)
Jeanne Cain, Executive Vice President, Policy, California Chamber of Commerce
- 12:30pm – 2:00 pm Luncheon (Tofanelli Room)
Guest Speaker: The Honorable Juan Vargas, Member of the Senate, 40th Senate District
- 2:00 pm Conference concludes

CADP has reserved a room block at the Sheraton Grand Sacramento, at a rate of \$169 per night.

To guarantee the room rate, reservations must be made by January 8, 2011.

Call 800.325.3535 to reserve your room, and ask for the special CADP rate; or go to www.caldentalplans.org and click on the hotel reservation link. Availability at Sacramento hotels is at a premium this time of year, and our room block always sells out. **Reserve Now!**

Dots and Dashes... continued from page 2

CADP has been very active as an advocate for its members – not only in direct contact with legislators and legislative staff, but through participation in the joint CADP/CDA task-force. This group has Jeff Album (Delta Dental), Courtney Barnes Ransom (MetLife), Jackie Miller and myself (Aetna Dental), as well as members. The goal of this task force has been to establish open communication between the CDA and CADP, with the ultimate goal of resolving issues and situations before the CDA resorts to a legislative solution. Some of the issues addressed in 2010 were dropped by the CDA after working the issues out with this task force; these included disclosure of funding mechanisms (fully insured, or self funded) and AB 684 (Ma), which would have increased the amount of interest paid on late claims. As a result of this task force, Dr. Gary Dougan (MetLife) and I have been asked to speak at both the CDA Spring and Fall meetings. I am grateful that CADP has this opportunity for open discussion and interaction with the CDA.

I would also like to take this opportunity to thank Dr. Donna Nagata (United Healthcare) for her assistance the past three years in her role as Vice Chair of the Quality Management Committee (QMC). Donna has resigned this position due to other obligations. The current CADP course will forever have her fingerprint on it. Donna was very involved with helping plans to recognize and implement all aspects of the Shared QA Assessment Warehouse – specifically with the coordination of programs and schedules. These are very large shoes to fill! Thank you again, Donna, for all you have done!

I am pleased to announce that Dr. Cary Sun (CIGNA) will be the Vice Chair of the QMC, effective immediately. Cary will be a co-instructor for the CADP QA courses and is currently working with me on the 2011 case studies. Cary has been involved in the coordinate component of the Shared QA Assessment Warehouse, and will assume the leadership role Donna had in this aspect of the project. Welcome Cary!

The next meeting of the CADP Quality Management Committee will be held in conjunction with the CADP Legislative and Regulatory Conference. This meeting is scheduled for January 18, 2011, at 10:30 am, at the Sheraton Grand Sacramento. We will provide updates on current issues as well as provide a legislative outlook and a first look at the state government for 2011. I am sure the state budget will be a topic of discussion.

The Holiday Season is upon us, and though the outlook for the future may be clouded with burdens and uncertainty, it is important to take time to enjoy all that the season offers. Many feel the Holiday Season is a time for celebrations and family time. Take advantage of those opportunities and relish those moments. Take time to reflect on 2010 and see all that we accomplished. Seize on the fact we can look forward to 2011 and try to determine what we can do to change the world we live in.

I would like to take this opportunity to wish all of you a very Happy and Joyous Holiday Season, and a prosperous New Year. I would like to thank all of you for your assistance in making 2010 as successful as it was.



from All of Us...

*Holiday
Greetings*

to
All of You!