



President's Report

Bryan Geremia

► We have received the survey results from the 22nd Annual Conference in San Diego. Everyone who submitted the survey rated the conference as Excellent! I think we can agree that for all those attending it was a valuable exchange of information and a great time to interact with other dental industry leaders.

Once again, I want to thank Jackie Miller and her staff for all of the hard work in putting the whole thing together. Let's not forget Brian Watts, our newest Board member, who was this year's conference producer/director. Great Job!

Moving on to other issues, as we enter the summer of 2011, things just keep chugging slowly along. Dental sales continue to show lower results over this time last year. Of course this is not surprising, considering the fact that we our coming out of a huge recession and California is still not seeing the improvements that other areas of our economy are seeing in different sectors. But there continues to be opportunity if we all innovate and look to the future and changes that are going to occur over the next few years.

Although there has been a slowdown regarding regulatory issues in California that affect dental, there are still major issues ahead. For those of you who provide dental services to Medi-Cal enrollees, the proposal to cut reimbursement and increase co-payments is unacceptable and CADP supports efforts to convince HHS to deny the amendment. We still have the issue of discount plan regulations pending with no clear-cut resolution. So everyone will have plenty to do as we move through the rest of the year.

You can count on CADP to provide the support needed to address pending and future issues that impact our industry and our membership.

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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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(dental director representative)

Brian Watts
First Dental Health

Dots and Dashes

Charles D. Stewart, DMD
Chair, Quality Management Committee

▶ The 2011 CADP QMC conference was well attended and was in a beautiful location – San Diego. The Hilton was spectacular as was the interaction between members of the QMC. The Quality Assurance Consultant course and calibration was a complete success and allowed additional learning experiences due to the renewed structure of the course. Thank you to Dr Stewart Balikov, who engineered the legal presentation to one that is truly World Class. Thanks also to Drs. Cary Sun and Ivan Berger, who provided valuable input and elegant mastery of the case studies in their presentations.

The CDA/ CADP task force has not formally met since February; however, one of the initiatives was for CADP dental directors to speak at CDA Presents. During the Spring 2011 meeting, Dr. Gary Dougan and I conducted a three-hour presentation on claim filing tips to achieve the goals of a clean claim and quick payment. The feedback from this presentation was positive, and the CDA was appreciative of the cooperative atmosphere expressed in the presentation. We will present this topic again on September 24 at CDA Presents in San Francisco.

There will be a Quality Management Committee meeting in September. Details of date, time and location, including directions, will be sent under separate cover.

The next QA Consultant Training and Calibration Course will be held on February 27 and 28, 2012, at the LAX Marriott. Applications can be obtained from Dr. Stewart or downloaded from the website, at www.caldentalplans.org ("Events" tab).

I hope you have a great summer and look forward to seeing all of you at the September Meeting!

CADP Board Directors Re-Elected

During the Annual Business Meeting on June 1 in San Diego, member delegates re-elected the following to a three-year term:

- Bryan Geremia, Aetna Dental of California Inc.
- Jeff Album, Delta Dental of California
- Kirk Andrews, DBP/UnitedHealthcare Dental
- Stephen Casey, California Dental Network

Holdover board members include:

- Samuel Gruenbaum, Western Dental Services, Inc.
- Dave Meadows, Health Net of California, Inc.
- Robin Muck, Access Dental Plan
- Charles Stewart, DMD, Aetna Dental of California Inc.
- Brian Watts, First Dental Health

Regulatory Update

Marj Powers Antoine, Nossaman, LLP

▶ The following is a chart updating the latest information on the Department of Managed HealthCare's pending regulations and those under consideration.

CURRENTLY PENDING REGULATIONS		
Regulation	Status	Remarks
Discount Plan Regulations (Adds T28 CCR § 1300.49.1.1, et seq.)	The final regulations were submitted to the Office of Administrative Law (OAL) for review on November 12, 2010. On December 28, 2010, the OAL issued its Decision of Disapproval of Regulatory Action. The Department had 120 days to appeal the decision. We are told that the Department has chosen not to appeal this Decision.	The Department remains steadfast in its position that it has the authority to require unlicensed discount plans to be licensed in order to operate in the state, and will continue to enforce this position against unlicensed entities.
REGULATIONS CURRENTLY UNDER CONSIDERATION		
Regulation	Status	Remarks
Conflict of Interest (T28 CCR § 1000)	Draft regulations under development.	Statute being implemented: Government Code § 87300
Enrollee Notices	Draft regulations under development.	Statutes being implemented: Health and Safety Code §§ 1344(b), 1389.4; 1368.015; 1363.02; 1363.5; 1363.06; 1363; 1364.5; 1367.10; 1368.02; 1373.19; 1373.65; 1389.1
Clarifying Changes to Various Rules (T28 CCR §§ 1300.43.3, 1300.67, 1300.80.10, among others)	This proposed rulemaking package will be used to make various clarifying and conforming changes including, but not limited to, areas such as ambulance plans, health care services, and medical surveys. The rulemaking package is currently under research and development.	Statute(s) being implemented: Health and Safety Code §§ 1343, 1367, 1373.18, and 1380, among others
License Application Revisions (T28 CCR §§ 1300.51; 1300.52)	Draft regulations under research and development.	Statute(s) being implemented: Health and Safety Code §§ 1351; and 1352
Cancellation of Enrollment (T28 CCR §§ 1300.65, 1300.67.4)	Due to federal and/or state law changes, the Department has determined that there will be no separate rulemaking at this time. Any future changes in this area may be consolidated with other rulemaking referenced above.	Statute(s) being implemented: Health and Safety Code § 1365
Centers of Excellence	Due to federal and/or state law changes, the Department has determined that there will be no separate rulemaking at this time. Any future changes in this area may be consolidated with other rulemaking referenced above.	Statute(s) being implemented: Health and Safety Code § 1367(d), (e), and (g)
Post-Claims Underwriting	Due to federal and/or state law changes, the Department has determined that there will be no separate rulemaking at this time. Any future changes in this area may be consolidated with other rulemaking referenced above.	Statute(s) being implemented: TBD

Legislative Update

Pamela Loomis, Nossaman, LLP

▶ Although the budget was front and center during the first part of the year, legislative Democrats eventually reached agreement with Governor Brown, and the budget was signed into law prior to the July 1 deadline, with no Republican votes. As you will recall, California voters approved Proposition 25 in November 2010, which reduced the requirement for budget passage from a two-thirds to a majority vote. There was some drama, however, as Governor Brown vetoed the budget which the Legislature initially sent to him, stating that it was unbalanced. Controller John Chiang agreed, and withheld legislators' pay until agreement had been reached and the subsequent budget package was signed.

▶ The following outlines bills that are either a top priority for CADP or warrant discussion.

Earlier this year, CADP took a formal position of **Support** for **SB 122 (Price)**, which was a clean-up bill to last year's SB 1088 (Price). SB 122 intended to clarify that specialty plans are exempted from extending coverage to dependents up to age 26 in conformity with PPACA. Unfortunately, SB 122 ran into opposition from labor and Senator Price never set the bill for hearing. SB 122 is now a two-year bill. As a result, DMHC, which had been waiting for SB 122's passage, is proceeding with phasing in compliance for dental plans with the requirement to extend coverage to dependents up to age 26.

CADP also formally **Opposed AB 1059 (Huffman)**, which among other things, would require a health care service plan to pay interest on late- or under-paid claims, as well as pay an administrative penalty to DMHC. CADP has requested that dental plans be exempted from this bill, but the author has not agreed to do so yet. AB 1059 passed out of the Assembly and just passed out of the Senate Health Committee; CADP is reviewing proposed amendments.

AB 714 (Atkins) would require DHCS, DPH, and MRMIIB to disclose information about the CA Health Benefit Exchange's health care coverage to every individual who has ceased to be enrolled under the programs described above. The bill would require certain hospitals, when billing, to include additional disclosures regarding health care coverage through the Exchange. Update: The measure is currently in the Senate Judiciary Committee.

AB 792 (Bonilla) would require health plans and insurers, among other entities, to notify individuals who are ceasing to be enrolled due to loss of employment or other "life events" of health care coverage through the California Health Benefits Exchange and begin "pre-enrollment" activities on behalf of these individuals. Update: This measure is currently in the Senate Appropriations Committee.

SB 703 (Hernandez) would establish in state government a Basic Health Program, to be administered by MRMIIB, to provide health plan coverage to individuals under age 65 with family incomes between 133 percent and 200 percent of the federal poverty level (FPL), and legal immigrants with family incomes at or below 133 percent of the FPL who are not eligible for Medicaid, rather than providing these two groups of individuals with federal premium tax credits and cost-sharing subsidies through the California Health Benefits Exchange. Update: This bill is currently in the Assembly Appropriations Committee.

▶ Other bills of interest include:

AB 36 (Perea & Blumenfield), which conforms state income tax law to federal law as it pertains to state taxation of the value of health care benefits for adult dependents, was signed into law by the Governor on April 6th.

AB 242 (Committee on Revenue & Taxation), which would also conform state income tax law to the federal PPACA with regard to the offering of "cafeteria plans," Indian tribe health care benefits, and "free choice vouchers," among other things. Update: The measure is currently in the Senate Finance and Governance Committee.

SB 615 (Calderon) was recently amended to require the DMHC to train solicitors of health care service plan contracts (and require the solicitors to complete the training) regarding the federal Patient Protection and Affordable Care Act and the CA Health Benefits Exchange, as well as the Knox-Keene Act and ethics. As you will recall, the initial goal of this bill was to ensure that navigators in the CA Health Benefits Exchange were licensed. Update: The bill is currently in the Assembly Health Committee.

▶ Bills which have been amended to exempt dental include:

AB 52 (Feuer) Health care coverage: rate approval; **AB 72 (Eng)** Health care coverage: acupuncture; **AB 137 (Portantino)** Health care coverage: mammographies; **AB 154 (Beall)** Health care coverage: mental health services; **AB 171 (Beall)** Autism spectrum disorder; **AB 428 (Portantino)** Health care coverage: fertility preservation; **AB 652 (Mitchell)** Child health; **SB 51 (Alquist)** Health care coverage; and **SB 173 (Simitian)** Healing arts: mammograms.

Should you have any questions or require additional information regarding this report, please feel free to contact me.

In the News...

▶ **Blue Shield of California Pledges to Limit Net Income to Two Percent of Revenue**—In June, Blue Shield of California Chairman & CEO Bruce Bodaken pledged that the company will limit its annual net income to no more than two percent of revenue. This commitment will apply retroactively to income earned in 2010, when Blue Shield's net income exceeded the two percent target by \$180 million. That amount will go back to Blue Shield's customers and the community. Blue Shield is committed to the two percent pledge as long as the company's board of directors determines that it remains financially solvent, with sufficient funds to make the investments needed to stay competitive. The funds will be distributed to premium credits, investments in accountable care, and aid to local nonprofits.

▶ **Counties Move Medi-Cal Beneficiaries to Managed Care**—On June 1, 16 California counties were scheduled to begin enrolling 380,000 elderly and disabled Medi-Cal beneficiaries into managed care, approved due to the five-year, \$10 billion Medi-Cal waiver approved by the federal government in 2010. Under the new policy, beneficiaries who live in counties that offer a managed care option will be required to sign up for that plan. The 16 counties that will be affected by the change are Alameda, Contra Costa, Fresno, Kern, Kings, Los Angeles, Madera, Riverside, Sacramento, San Bernardino, San Diego, San Francisco, San Joaquin, Santa Clara, Stanislaus, and Tulare.

Barriers to Insurance Expansion Under Reform Law Could Hinder Effort—The expected expansion of health coverage under the federal health reform law could face a number of barriers, according to a recent Urban Institute report. The report found the process of expanding health coverage could be hampered by several factors, including:

- Outdated technology;
- Complicated enrollment procedures; and
- Financial and political obstacles.

The reform law initially provides a 100% federal match for the costs of Medicaid beneficiaries who become eligible through its coverage expansion. However, the higher matching rate would not apply to individuals who previously were eligible for Medicaid but did not enroll.

The report also found that children could face numerous challenges in obtaining coverage under the overhaul because of complex coverage options and family situations. Further, parents who opt out of employer-based plans in favor of family coverage under the exchanges could be ineligible for subsidies if the employer-sponsored plan would be less than 9.5% of household income. Proposals are being drafted for HHS to alter rules on federal subsidies to ensure that children are able to access health coverage under the reform law.

▶ **Major Medicaid Cuts Could Negatively Affect Children's Health**—According to a report by researchers at George Washington University, significant cuts to state Medicaid programs could jeopardize the health of millions of children and other vulnerable beneficiaries. For the study, researchers used data from the 2008 Medical Expenditure Panel Survey and the 2007 National Survey of Children's Health. According to the report, children covered by public health insurance programs are nearly three times more likely than privately insured children to have a serious health condition. In addition, publicly insured children are almost three times more likely to be reported by a parent or caretaker as having fair or poor health. The report also included data showing that Medicaid per capita costs are lower on average than per capita costs for private health plans.

▶ **Conflicting Studies on Impact of ACA on Employer-Based Health Coverage**—While McKinsey & Company recently released a study which found that 30% or more of surveyed businesses will drop employer-sponsored health care because of the federal health reform law, an analysis by Avalere Health concludes that the health insurance market will remain "fairly stable" under the law, as large employers likely will continue to offer plans to workers. The Congressional Budget Office had estimated that only about seven percent of employees who have employer-sponsored insurance would be required to obtain other coverage.

According to McKinsey, Ipsos, an opinion research firm which conducted the study, asked employers about their familiarity with nine provisions in the reform law. The researchers then provided information about those provisions and asked employers if they would maintain, change or eliminate coverage in 2014.

Despite finding that most large employers will continue to offer coverage, Avalere noted that longer term erosion is possible 10 to 20 years after the reform law goes into effect if statewide health exchanges are preferable over employer-based health plans. It also estimated that large and small companies with many low-wage workers could choose to pay penalties under the reform law and have workers enroll in the exchanges.

Yet another report, commissioned by the Robert Wood Johnson Foundation and prepared by the Urban Institute, has concluded that the ACA likely would halt the decline in job-based coverage, mainly because of the introduction of the Small Business Health Options Program and changes to the insurance market. According to the report, there likely would be a small increase in coverage offered by businesses with fewer than 50 workers, coverage rates in businesses with more than 50 employees likely would remain the same and coverage rates at small businesses with 10 or fewer employees could increase by as much as 14%.

Please join us in thanking our 22nd Annual Conference Sponsors and Exhibitors — we couldn't do it without you!

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*Instructors, CADP's quality assurance consultant course —
photo taken at the June Quality Management Conference in San Diego*



Left to Right: Cary Sun, DDS, CIGNA Dental Health of California, Inc.; Ivan Berger, DDS, SmileCare/CDS; Stewart Balikov, DDS, Aetna Dental of California Inc.; and Charles Stewart, DMD, Aetna Dental of California Inc.

In The News... *continued from page 5*

► **Exchange Board Appointments Complete**—In late June, the Senate Rules Committee appointed Robert Ross, President and CEO of The California Endowment, to the California Health Benefit Exchange Board. His appointment was the last to the five-member board, which was created to set up a statewide health insurance marketplace to comply with the Affordable Care Act. Other appointees to the Board include California Health and Human Services Secretary Diana Dooley, Susan Kennedy and Kim Belshé, appointed by former Governor Schwarzenegger, and Paul Ferer, who was appointed by Assembly Speaker John Pérez.

► **Appeals Court Upholds Health Reform Law's Insurance Mandate**—In late June, a three-judge panel of the Sixth U.S. Circuit Court of Appeals in Cincinnati upheld a lower court ruling that the Affordable Care Act's individual mandate is constitutional. The 2-1 decision is the first time that a mid-level federal court has ruled on the matter. The lawsuit was originally filed in 2010 by the Thomas More Law Center and two individuals, arguing that Congress had overstepped its legal authority by establishing the mandate. The suit reached the appellate court after a U.S. District Court judge upheld the constitutionality of the law and individual mandate.