

November 15, 2022

Director Mary Watanabe  
California Department of Managed Health Care  
980 9th Street, Suite 500  
Sacramento, CA 95814

Re: Knox-Keene Requirements for Delta Dental of California

Dear Director Watanabe:

On behalf of the California Dental Association, we would like to bring an urgent pending issue to your attention regarding Delta Dental Plan of California's Sept. 1, 2022, notices sent to network providers of reimbursement rate and contract changes. CDA is deeply concerned that a significant provider rate reduction, such as the one being implemented by Delta, will have a deleterious effect on patient access to care because we anticipate it will result in a significant number of providers leaving the Delta Dental network. Typically, plans reduce rates when they are in financial difficulty and need to rebalance their rates with patient utilization. While we do not believe that Delta is in financial difficulty, we believe this is squarely within DMHC's oversight purview. We request your review of the soundness of these reductions given the increasing costs to provide care, the impact on Delta Dental's existing provider network, the impact on Delta Dental's ability to meet California's time and distance standards and the effect of the rate reductions and new administrative rules on the patient's coverage and benefits.

As part of this review, we encourage DMHC to review Delta's existing provider network in California and make an independent determination as to whether these reimbursement reductions and contract changes will cause delays or lack of access to medically necessary and preventive dental care. We believe that any reduction in reimbursement rates will have a negative impact on patient access and that DMHC is best positioned to ascertain how this rate cut will impact California patients.

Secondly, we know that all Knox-Keene licensed health plans, including specialized health care service plans such as Delta, are subject to financial oversight by the Department. We also request DMHC's investigation into understanding why this kind of a reduction is necessary and whether the financial condition of Delta requires such a dramatic decrease. While we understand that the DMHC does not have the ability to conduct rate review over specialized health care service plans, we believe that your existing financial oversight authority would allow the DMHC to review Delta's existing reserves, revenues and dental utilization costs to better understand why reductions such as those proposed are appropriate or required given the risk they pose to provider availability within the network.

To provide some additional background about the changes: Delta Dental of California sent out 11 different notices, depending on the type of provider and different network affiliations. In the notices, Delta announced that it will reduce various reimbursement rates, especially for specialty

providers such as periodontists, endodontists and oral surgeons, while simultaneously changing the entire nature of the fee determination process to provide for lower rates going forward, depending on the provider and the network. Delta's announcement speaks of nominal increases for some providers, but we are concerned that these increases will turn out to be illusory. Overall, the limitations and changes that Delta Dental is imposing fail to keep pace with the extraordinary inflationary costs currently being placed upon dental providers. In particular, we would like to highlight Delta's intended reductions in the specialty provider categories. These reductions range from 20% to 40% across the board for most periodontists, endodontists and oral surgeons. These rate changes are especially concerning as it has been reported – and Delta Dental acknowledged – that PPO fees have remained stagnant for nearly a decade while the cost of providing dental care has increased significantly over that time.

We have heard from our general dentist members that on many frequently used codes, PPO providers will actually see either fee decreases or increases so insignificant they might well be considered rounding errors. The specialty reductions are similar in magnitude to those proposed by Delta in 2020, but which were rescinded last year in 2021 after CDA provided a legal analysis that the reductions were based on insufficient data and would result in a shedding of network specialty providers that would potentially violate Delta Dental's network requirements under California law. Our member dentists have also reported that the 2023 processing and payment changes for Delta include more burdensome administrative requirements and restrictions that would detract from patient care and reduce the value of the patient's benefit plan. These reports from our members raise grave concern for CDA regarding the true impact of Delta Dental's changes.

As the regulator of all Knox-Keene licensed plans in California, we know the department's commitment to ensuring patient access is a top priority. We applaud your department's continued oversight and recognize that California has consistently led the rest of the nation when it comes to setting network standards, establishing timely access to care standards and helping consumers receive appropriate services without being inappropriately or excessively charged out-of-pocket costs.

Since this rate reduction is scheduled to take effect on Jan. 1, 2023, CDA requests a meeting to discuss this with you and your staff as quickly as possible. CDA staff will reach out separately regarding scheduling.

Sincerely,



Alison Sandman  
Chief Legal Officer

Cc: Ricardo Lara, Commissioner, Department of Insurance  
Dr. Mark Ghaly, Secretary, California Health & Human Services Agency  
Richard Figueroa, Deputy Secretary, Office of the Governor