



July 16, 2013

Commissioner Dave Jones  
California Department of Insurance  
300 Capitol Mall, Suite 1700  
Sacramento, CA 95814

RE: Pediatric Dental Coverage

Dear Commissioner Jones,

Thank you for your letters of June 27, 2013, and July 3, 2013, and for your efforts to be sure that California is leading the way in providing expanded health insurance coverage for millions of our residents. I appreciate your advocacy and support for core principles that we share when it comes to providing affordable health care to all Californians, including affordable dental coverage for California's children. Covered California's actions are driven by our shared commitment to making quality health care affordable for all Californians.

We also recognize that Covered California is part of a broader market. Wherever possible, we want the same products and pricing to be available to consumers, whether they purchase inside the California Health Benefit Exchange marketplace or on the outside market. Covered California has consistently acted to ensure that consumers have access to a range of pediatric dental coverage options. We are working steadfastly to ensure that by October 1, 2013, more than 5 million Californians will have access to affordable, quality Covered California health insurance plans.

Laying the necessary groundwork to implement the Patient Protection and Affordable Care Act's exchange requirements has been an evolution of guidelines and rules. Covered California has focused on meeting the October deadline while using our best understanding and prudent interpretation of federal requirements. Based on this best understanding, we have had to make decisions about health plan bidding, information technology design and other topics, but the major and core policy decisions are rightly the domain of the Covered California Board. In our rapid path to developing the marketplace to deliver the best product for California's health insurance consumers, there have been instances when we have not delivered timely communication and engagement to our board, stakeholders, regulators and others regarding analysis or policy implications of administrative actions related to pediatric dental coverage. We are committed to improving our performance in this regard. With this letter, we want to show that

we appreciate the chance to update you on where we are, how we got here and what our next steps will be.

Covered California originally solicited bids for qualified health plans (QHPs) on November 16, 2012, and stated our expectation to seek premium quotes for child-only coverage and family coverage. We requested each quote be submitted in two versions: one with the pediatric dental essential health benefit included and a second version without. Aware of the Affordable Care Act's provision that permits the pediatric dental essential health benefit to be offered via a stand-alone dental plan and that federal guidance regarding this excepted benefit plan would be forthcoming, our solicitation noted that "[d]epending on future federal guidance and rules, QHP Bidders may be required to separate their bid for certain pediatric essential health benefits (dental or vision) from their bid for remaining essential health benefits."

Federal rules released on February 25, 2013, confirmed that all state exchanges must certify a QHP that does not contain pediatric dental and permit the offering of stand-alone dental products that included the pediatric dental essential health benefit. In particular, this guidance means that a state-based exchange, like ours in California, cannot require and offer only QHPs that combine all 10 essential health benefits.

Acting on the February 25, 2013, rule, Covered California sent an updated notice to pediatric stand-alone dental plan bidders advising them that the solicitation would be extended to accept bids for stand-alone dental plans covering solely the pediatric essential health benefit. On April 3, 2013, further clarification went to all QHP bidders outlining the bidding rules for QHPs and pediatric dental. Based on our interpretation of the federal rules, we solicited bids for pediatric dental in only two forms: bundled with a QHP medical plan or as a separate, stand-alone dental plan. These are decisions that Covered California should have raised more clearly at the time with our board, stakeholders and regulators.

The federal Center for Consumer Information and Insurance Oversight (CCIIO) has since further clarified that state law can require that purchases made through an exchange include all 10 essential health benefits — either by combining a stand-alone pediatric dental plan with a health insurance plan that doesn't contain pediatric dental benefits or through a plan that has embedded all 10 essential health benefits. The CCIIO indicated that there is nothing in federal law that would prohibit a state from so implementing such a requirement, as long as the consumer retains the choice of making the mandatory pediatric dental essential health benefit purchase through a stand-alone dental plan in the exchange.

Now that we have better clarity on the federal rules, Covered California is faced with a number of critical issues, which raise important policy and implementation/timing considerations.

The first issue is whether to make the enrollment in pediatric dental coverage mandatory for families with children. We believe the Covered California Board has the authority to adopt regulations that would mandate such coverage and exercise its discretion on whether to limit the

mandate to families with children. We believe that whatever decision the board makes on this issue, implementation is possible during open enrollment, but unlikely on October 1, 2013.

The second issue is whether and how to include "embedded" plans on the Exchange. An embedded plan (a single health plan with pediatric dental services included) could bring parity between plans offered inside and outside the Exchange. There are a number of issues and potential implications of offering embedded plans, and we are currently assessing them and look forward to bringing them to our board. These issues include: the extent to which, by offering embedded plans, there may be premium subsidies that apply to all included benefits, including the pediatric dental; and whether plans could coordinate the out-of-pocket maximums of health and pediatric dental and the consequences of different out-of-pocket maximums on premium rates and potential out-of-pocket costs.

These are complex and critical issues that will be considered and addressed at a specially convened Covered California Board meeting on August 8, 2013, where we will consider both the long-term policy issues and immediate implementation issues, given timing, system and other constraints. We will convey your letter to the board and welcome your continued input.

Again, thank you for your continued support of Covered California and for providing your perspective and recommendations regarding pediatric dental coverage. We look forward to working together toward not only the successful launch of the California Health Benefit Exchange on October 1, 2013, but also our ongoing improvement of what we do to better serve millions of Californians.

Sincerely,



Peter V. Lee  
Executive Director

cc: Covered California, Board of Directors  
Brent Barnhart, Director, California Department of Managed Health Care