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California State Senate

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February 11, 2026

The Honorable John Harabedian, Chair
Joint Legislative Audit Committee
1021 N Street, Room 107
Sacramento, CA 95814

RE: Department of Human Resources Dental Benefit Procurement Audit Request

Dear Chairman Harabedian,

I respectfully request that the Joint Legislative Audit Committee authorize an audit of the Department of Human Resources (CalHR) dental benefit procurement processes and compliance. This audit will help the Administration and the Legislature understand why it is that most state employees – active and retired, living in California and out-of-state – are experiencing such great difficulties in finding and keeping dentists and utilizing their hard-earned dental benefits in all regions of our state.

In far too many instances, active and retired state employees report that they have been dropped by their dentist and then not been able to find a new one that accepts the state's dental plan(s). In other cases, active and retired state employees are being forced to pay co-pays or make supplemental payments, outside of their dental plans, for services because their dentist has determined that state plan reimbursement rates are insufficient to cover the actual costs of providing care.

CalHR Benefits Division is the administrator for the state's dental insurance program. This administrative responsibility includes securing and administering contracts with carriers to provide dental benefits. CalHR is also responsible for communicating policies and procedures regarding dental eligibility and enrollment, coordinating dental Open Enrollment periods, and providing information, guidance, and training to departmental personnel.

Since October of 1984 the state of California has contracted with Delta Dental to provide employees and retirees dental coverage. Founded in 1955, Delta Dental is one of the largest

dental insurers in the country. While Delta Dental has remained the primary benefit provider in the state for over the last forty years, the maximum benefit available for services has not changed.

Both active and retired state employees can access current state-sponsored dental plans, which include four prepaid plans and two preferred provider options. Prepaid plans require selection from a specific list of dentists who contract with the carrier and cover most basic services. These dentists, located only in California, are paid a contracted fee by the dental plan for every state employee and dependent who receives services in their office; making out-of-state retirees ineligible. The Preferred Provider Organization (PPO) options provided by Delta Dental allow enrollees to receive care from any licensed dentist throughout the United States and abroad, but benefits are maximized when the dentist is in-network. Delta Dental's PPO plus Premier Basic plan only covers up to \$2,000 worth of services each year for the represented employee and \$1,500 for dependents. The Delta PPO plus Premier Enhanced plan provides \$2,000 in services for represented employees and their dependents. These plans pay a percentage of the cost for specified treatments, and the remaining balance is owed by the individual policy holder.

Given the critical role that CalHR plays in securing dental insurance for the hundreds of thousands of state employees, state retirees, and their families, it is essential to ensure that the procurement process remains transparent, competitive, and cost-effective. This audit should provide a thorough evaluation of current practices and processes that have left Delta Dental as the main insurance coverage provider for four decades. We respectfully request that the State Auditor conduct a review to determine the following:

- 1. How does CalHR follow the standard procurement/RFP requirements when soliciting and reviewing bids from dental insurance providers?**
 - a. How does the agency ensure that all qualified vendors have an equal opportunity to compete? What guidelines are in place to promote a fair and competitive process?
 - b. Does Delta Dental receive preferential consideration given their previously successful bids, and if so, on what basis?
 - c. How many dental plans have submitted bids in the last ten years and what were the listed reason(s) they were not selected?
 - d. How frequently does CalHR reassess its vendor selection criteria to reflect industry best practices?

- 2. What does CalHR prioritize when selecting a bidder?**
 - a. What data and metrics are required when submitting bids to CalHR?
 - b. Has CalHR considered expanded coverage plans outside of the state to meet the increasing retiree population?

- c. When determining industry standards for pricing and options of care, is that data self-reported by insurers or a required report?
- 3. Once contracts are awarded, what mechanisms are in place to track dental insurance plan performance, customer satisfaction, and complaint resolution? How often are these metrics collected?**
 - a. Does CalHR currently have performance data on Delta Dental to demonstrate they are meeting the needs of all their users?
 - b. How does the agency ensure that employees and retirees receive high-quality care at reasonable costs?
 - c. Without disclosing specific pricing information or reimbursement rates, how do Delta Dental's plan pricing and dentist reimbursement rates compare to other available providers? Is Delta Dental transparent with CalHR and beneficiaries regarding out-of-network reimbursements and patient cost of care?
 - d. Are there penalties if insurers fail their contractual obligations? If so, please describe.
 - e. Have there been documented concerns regarding Delta Dental's claims processing efficiency, network adequacy, or responsiveness to beneficiary concerns?
 - f. Is there potential for renegotiation during the life of the contract?
 - g. Does CalHR regularly collect reports or audit its vendor selection?
- 4. Delta Dental conducts a termination intervention process to engage with any dentist who indicates they are leaving the network and to seek reconsideration. To the extent that information is available to the State Auditor, what are the reoccurring or key reasons for dentists deciding to leave the network and what, if any, remedies are offered?**
 - a. Based on available data, is it becoming more difficult for members to find an accessible dentist who is in network with CalHR's dental insurer?
 - b. Provide an analysis of the dentist-provider network, number of general dentists, number of specialists – including endodontists, periodontists, oral surgeons, orthodontists, pediatric dentists, and prosthodontists – and if there is a difference in the provider network for beneficiaries in a fully-insured versus state-funded product.
 - c. Over the last five years, how much has the dentist-provider network changed? Specifically, how many dentist-providers have left the network, and how many new dentist-providers have joined in California and out-of-state?
- 5. Despite increased cost of living and cost of care, what metrics justify keeping the maximum benefit allotment the same amount? Have any other bidders offered more coverage?**
 - a. How many members are utilizing CalHR's prepaid plans? Has CalHR considered prepaid plan options for out-of-state beneficiaries?

- b. Have any other bidders proposed additional plans with higher premiums for individuals who require or desire more extensive coverage?
- c. What is the average out-of-pocket cost for enrollees, active and retired, per year?
- d. How many members reach the annual maximum benefit?
- e. Have the State's collective bargaining schedules, in relation to the standard procurement schedule under CalHR, unintentionally impacted coverage negotiations? If so, please recommend what changes would be necessary to better align the schedules to enable discussion regarding maximum coverage benefits.

6. Does CalHR have sufficient resources to attract competitive bidders offering affordable and comprehensive dental care coverage?

- a. Is CalHR receiving complete, accurate, and reliable data and information from bidders, including Delta Dental?
- b. Are there sufficient safeguards in place to detect and prevent waste, fraud, abuse, illegal conduct, mismanagement, and conflicts of interest?

7. Delta Dental has held this contract for over 40 years. Has the contract changed over time?

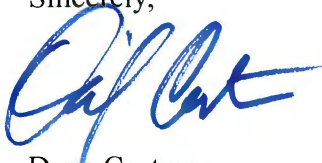
- a. How much has it cost CalHR to maintain this contract over the last 40 years?
- b. Have any parts of the contract been renegotiated or adjusted over the years to address the ever-changing needs of beneficiaries?

8. To the extent that information is available to the State Auditor, how have Delta Dental's salaries, including executive-level, and internal cost indexing changed over the last 10 years?

- a. Has any assessment been completed to determine how these fluctuations directly impacted benefit options, availability of in-network providers, and the price of contracting with CalHR? Please describe the results of any such assessment.

This audit will provide an assessment of CalHR's procurement framework, ensuring taxpayer funds are utilized efficiently and that beneficiaries receive the best possible oral healthcare. Thank you for your consideration of this request. If you have any questions or require further information, please contact Clare Recinos at Clare.Recinos@sen.ca.gov.

Sincerely,



Dave Cortese

California State Senator, District 15