

2026-107 AUDIT SCOPE AND OBJECTIVES

Department of Human Resources—Dental Benefits Procurement

The audit by the California State Auditor will provide independently developed and verified information related to the dental benefit procurement and compliance processes at the California Department of Human Resources (CalHR). The audit's scope will include, but not be limited to, the following activities:

1. Review and evaluate the laws, rules, and regulations significant to the audit objectives.
2. Review and evaluate the policies, procedures, and processes CalHR follows to procure dental insurance providers, including its processes for soliciting and reviewing bids from prospective providers and promoting fair and competitive procurements. As part of this evaluation, determine the following:
 - (a) The data or metrics CalHR require vendors to include in their bids.
 - (b) The frequency with which CalHR performs any assessments of its vendor-selection criteria relative to industry best practices.
 - (c) Whether CalHR has sufficient resources to attract bidders who offer competitive and comprehensive dental care coverage.
 - (d) Whether CalHR has sufficient safeguards in place to detect and prevent waste, fraud, abuse, illegal conduct, mismanagement, and conflicts of interest.
 - (e) To the extent possible, the number of vendors that submitted competitive bids and the reasons CalHR did not select any such vendors during the last 5 years.
3. Assess CalHR's process for determining industry standards for pricing and options of care, including its process for determining the reasonableness of annual maximums, and determine the following:
 - (a) Whether CalHR requires independent evaluations of dental insurance provider rates or whether dental insurance providers self-report these data.
 - (b) Whether CalHR has considered expanding coverage plan options, including prepaid plans, for out-of-state beneficiaries.
 - (c) Whether CalHR has received any bids from vendors offering annual maximums that are greater than the current Delta Dental plan annual maximums.
 - (d) Whether CalHR has received any bids from vendors proposing dental plans with higher premiums for individuals who require more extensive coverage.
 - (e) Whether state collective bargaining, including the bargaining schedules, has had any effect on coverage negotiations.
4. For the last five years, to the extent possible, review available data to identify the following:
 - (a) The number and percentage of active state employees and retirees enrolled in the State's dental insurance plans (including prepaid, indemnity, and PPO) by provider type and the rate of usage of in-state and out-of-state dental providers.
 - (b) The average amount of out-of-pocket expenses beneficiaries paid by dental insurance provider and plan type and whether beneficiaries incurred the expenses in-state or out-of-state.

- (c) The percentage of beneficiaries who reached the annual maximum usage of their dental insurance plan.
 - (d) Whether beneficiaries had difficulty finding in-network dental service providers.
 - (e) The number of in-network dental service providers for the Delta Dental PPO network, including general dentists and specialists, and the numbers of in-state and out-of-state providers who left and joined the network.
 - (f) Dental service providers' key reasons for leaving the Delta Dental network and any remedies Delta Dental offered to those providers.
5. Evaluate CalHR's oversight of its current contracts with dental insurance providers by assessing CalHR's processes for the following:
- (a) Evaluating contractor performance, including whether beneficiaries receive high-quality care at reasonable cost.
 - (b) Identifying beneficiary concerns related to the services dental insurance contractors provided to them.
 - (c) Ensuring that when it determines that a contractor did not meet its contractual obligations, the contractor took corrective action.
 - (d) Collecting reports from and auditing its contractors.
 - (e) Ensuring that vendors are transparent with CalHR and beneficiaries about out-of-pocket reimbursements and patient cost of care.
6. Evaluate CalHR's current dental insurance benefit contract with Delta Dental and, to the extent possible, determine the following:
- (a) Whether CalHR has renegotiated, or has future plans to renegotiate, any terms of the contract to address the changing needs of beneficiaries.
 - (b) Whether the contractors' employee salaries, including executive management, and internal cost indexing have changed during the last five years and, if so, whether such changes directly affected benefit options, availability of in-network providers, and the price of contracting with CalHR.
 - (c) Whether the pricing and provider reimbursement rates in the contract are comparable with those of other dental insurance providers both in-state and out-of-state who also contract with Delta Dental, and are in line or at all disproportionate with industry norms.
 - (d) The costs CalHR has incurred to maintain its dental insurance benefit contracts with Delta Dental during the last 40 years, and whether a sole insurer over 40 years is justified.
7. Review and assess any other issues that are significant to the audit.