



August 28, 2024

The Honorable Gavin Newsom
Governor, State of California
State Capitol
Sacramento, CA 95814

Re: SB 1369 (Limón): Restricting Predatory Dental Plan Payment Practices – SIGNATURE REQUEST

Dear Governor Newsom:

The California Dental Association, representing 27,000 members throughout the state, is proud to sponsor SB 1369 (Limón), which would restrict the predatory practice of “virtual credit cards” (VCCs) being the default method used by dental plans to pay providers.

The shift to electronic provider payments was meant to curb fraud, waste, and abuse in the health care delivery system. Unfortunately, this shift has allowed for the explosion of VCCs with fees that nickel and dime dental offices, reducing income that could be used to invest in staff, benefit patient experience, or increase access. Dental plans contract with these third-party vendors to issue “virtual credit cards” to providers. VCCs are 16-digit credit card numbers, sent to providers via fax or email. To withdraw or access the funds, dental offices must run VCCs through their credit card terminals – which charges their usual merchant transaction fee *and* 2-5% processing fee in vendor processing fees. This means dental offices can sometimes pay up to 10% in fees before accessing payment they are owed by the plan.¹

These unjustly high fees simply to access contracted payments owed by the dental plans are compounded by coercive behavior that often forces dental offices to accept payment via VCCs. Both dental plans and VCC companies claim dentists can “easily opt-out” of receiving this payment method but will disregard this opt-out shortly after, in some cases as soon as the very next payment. These predatory practices put dentists in a position

¹ Kehl, F. How Much Do Credit Card Processing Fees Cost? 5 December 2023.
<https://www.merchantmaverick.com/the-complete-guide-to-credit-card-processing-rates-and-fees/>

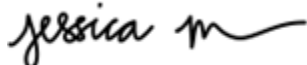
where they must choose between accepting VCCs with high fees or repeatedly requesting an alternative and delayed payment.

SB 1369 (Limón) would restrict these predatory practices by mandating that any fee-based payment cannot be the default method, requiring the dentist to prospectively opt-in via written authorization. Additionally, dental plans would need to provide notice of any associated fees with a particular payment method, any profit-sharing arrangements with the payment vendor, and how a dentist can opt-out of a fee-based payment method if they so choose.

This bill has received bipartisan support throughout the legislative process. To address implementation concerns from the opposition, we took amendments to provide a three-month delayed implementation (April 1, 2025) and expand the definition of written authorization to include digital or e-signatures and “checking a box” online.

SB 1369 would set the strongest guardrails in the country for the use of virtual credit cards. **CDA respectfully requests your signature on the bill when it is before you.** Thank you for the consideration. If you have any questions or concerns regarding our position, please reach out to Jessica Moran (Jessica.Moran@cda.org).

Sincerely,



Jessica Moran, MPH
Legislative Advocate

Cc: Angela Pontes, Deputy Legislative Secretary, Office of Governor Newsom
Christin Heman, Deputy Director of Legislative Affairs, Department of Managed Health Care
Senator Monique Limón