



Contact: Emma Brown
206.973.5218
emma@wsda.org

MEMBER DENTISTS TAKE LEGAL ACTION AGAINST DELTA DENTAL

Complaint alleges corporation's board repeatedly and unlawfully rejected bylaw amendments overwhelmingly passed by members and cancelled annual meetings required by law

SEATTLE – (February 20, 2019) – Three member dentists, along with the Washington State Dental Association (WSDA), are taking legal action against Delta Dental of Washington (Delta), the state's largest provider of dental benefits.

In a complaint filed today in King County Superior Court, the dentists allege that the Independent Directors of the organization's board of directors twice have unlawfully rejected bylaw amendments overwhelmingly passed by the organization's member dentists to improve transparency into operations and make Delta more patient-focused. The complaint also charges that Delta Dental has not held an annual meeting since November of 2016, despite the fact that such a meeting is required by both its own Bylaws and state law.

Delta was created in 1954, under the name Washington State Dental Service Corporation, by Washington dentists and with financial support from WSDA.

"Delta's continued efforts to repeatedly block member proposals reflect a corporate culture that consistently puts its own profits ahead of legitimate concerns about how it could better support patient care and treatment decisions," said Dr. Denny Bradshaw, one of the member dentists who filed today's action. "Over the past two years, Delta has repeatedly – and unlawfully – blocked proposals by member dentists aimed to improve patient care in Washington."

"The continued unwillingness of Delta's board to work with its members has left us no choice but to take this action," Dr. Bradshaw continued. "Delta's board says that it wants to work with the members, but those words ring hollow when the board fails to respond to the legitimate concerns of their members and fails to hold required meetings that are designed to foster member input into its operations."

Today's legal filing was just the latest in a long series of attempts Delta members have made to drive changes at the organization.

In June of 2017, Delta member dentists used a provision in Delta's bylaws to request a special meeting to consider a series of bylaw amendments designed to make Delta's operations more transparent and patient-focused. At the meeting, held on Sept. 6, 2017, more than 91 percent of the votes cast were in favor of those changes.

Within weeks, Delta's board announced that the Independent Directors of the board were vetoing the majority of the approved bylaw amendments, including provisions for independent claims review,

expense disclosures, and the requirement to commit a specific percentage of premium revenue in patient claims.

The rationale for the veto given by the board was that certain amendments were inapplicable following a corporate restructuring undertaken in 2013. That restructuring, undertaken without a vote of the membership, is the subject of another legal complaint filed by Delta members with the Office of the Insurance Commissioner (OIC). The OIC is actively investigating this complaint.

Between the 2013 corporate restructuring and 2017, compensation paid to Delta's board of directors (excluding the CEO) has grown 125% from \$564,000 per year to \$1,269,000 per year and compensation to Delta's three highest paid employees has grown 67% from \$2,676,000 per year to \$4,464,000 per year. Delta is a tax-exempt, not-for-profit organization which reported year-end revenues of \$1.2 billion, net income of \$17.5 million, and cash and investments of nearly \$300 million in 2017.

Subsequent to the 2017 special meeting and veto, Delta members prepared another series of amendments to address the composition and election of the board membership, including a change to allow for open election of member dentists to sit on the Delta board rather than having them hand-picked by company officials. At a special meeting held in November of last year, approximately 96 percent of the votes cast were in favor of these amendments. In January, the Delta board once again announced that the Independent Directors had vetoed the bulk of these amendments.

"To Delta members, the doctor-patient relationship is the key to optimal dental care," explained Dr. Todd Irwin, another of the members who filed today's action. "Delta should be a strategic partner in strengthening that relationship and improving oral health in Washington. Instead, their actions show a desire to weaken that relationship by inserting themselves between the doctor and the patient."

Delta members point to Delta claims personnel who are not licensed dentists challenging their diagnoses and treatment plans. They also point to the cancelled annual meetings and the fact that the Delta board wrote its Member Advisory Panel out of the company's bylaws, effectively gutting an important avenue for input and another move taken with no vote of the membership.

"Going forward, the only way to constructively address these problems is to create avenues for meaningful membership input into which member dentists serve on the Board of Directors," said Dr. Nathan Russell, the third dentist filing today's action. "The Delta board's apparent desire for one-way communication where it talks and member dentists only listen is completely unacceptable and a significant deviation from the organization's history."

"Delta has repeatedly raised antitrust concerns as a scare tactic that is not supported by the facts," said Bracken Killpack, executive director of the Washington State Dental Association. "Instead, Delta should view this as an opportunity to bring the company back into legal compliance and, at the same time, establish a stronger working relationship with their members - it's regrettable that their unwillingness to take that approach has forced today's filing."

The Washington State Dental Association has more than 4,400 members from across the state.