



Agenda Item 5b

April 16, 2013

ITEM NAME: Assembly Bill 459 (Mitchell) – Food and Beverage Guidelines for State Concessions and Vending Operations

As Introduced February 19, 2013

Co-Sponsors: American Heart Association, CA Pan-Ethnic Health Network, and CA Public Health Advocacy

PROGRAM: Legislation

ITEM TYPE: Action

RECOMMENDATION

Adopt a **Support** position on Assembly Bill (AB) 459. By requiring only nutritious food and beverages be offered in vending machines and concessions on State property, this bill promotes healthy lifestyles for State employees and has the potential to reduce their health care costs.

EXECUTIVE SUMMARY

AB 459 increases the required percentage of food and beverages meeting specified nutritional guidelines that are provided in vending machines on State-owned or occupied property, to 50 percent by January 1, 2015, and increases the percentage each year by 25 percent until it reaches 100 percent. This bill also requires all new and renewed contracts for food concessions and cafeterias on State property to include specified food and nutrition guidelines, and gives preference to food and beverage items grown, packaged, or produced within the state.

STRATEGIC PLAN

This item is tied to Goal A of our Strategic Plan, Improve long-term pension and health benefit sustainability, and our focus on creating a culture of wellness among members and employers.

BACKGROUND

While State employees already have access to disease management and wellness programs through their health plan providers, the following statistics compiled by the California Public Employees' Retirement System (CalPERS) Health Benefits Purchasing Review (HBPR) team clearly indicate the need for additional strategies to encourage healthy lifestyles among CalPERS members:

- The incidence of diseases, such as diabetes, is higher among the CalPERS population than state and U.S. averages.
- 70 percent of members reported a health risk factor.

- 50 percent of the member population reports at least one chronic condition.
- 50 percent of health care costs is spent on 25 percent of the member population with at least one chronic condition, and only one out of four of that population participates in recommended disease management programs.

Existing law regulates various aspects of the provision of food and beverages in vending machines, including requiring a vendor that operates or maintains a vending machine on specified State properties to offer food and beverages in the vending machine that meet accepted nutritional guidelines, as defined, in accordance with certain content percentages. Currently, the requirement is that at least 35 percent of the food and beverages offered in vending machines meet accepted nutritional guidelines.

ANALYSIS

1. Proposed Changes

Specifically, AB 459:

- Requires that at least 50 percent of the food offered by a vendor in a vending machine on State property, as defined, meet accepted nutritional guidelines by January 1, 2015.
- Requires 75 percent compliance with accepted nutritional guidelines by January 1, 2016, and 100 percent compliance by January 1, 2017.
- Requires that on and after January 1, 2016, 100 percent of beverages offered by a vendor in a vending machine on State property also meet the accepted nutritional guidelines.
- Clarifies the definition of accepted nutritional guidelines.
- Requires, on and after January 1, 2015, or upon expiration of an existing contract, whichever occurs later, any food or beverage sold in a State-owned or State-leased building to meet the standard criteria for food and nutritional guidelines for concessions as determine under the United States General Services Administration's Health and Sustainability Guidelines for Federal Concessions and Vending Operations.
- Requires the Department of General Services (DGS), when approving contracts for the purchase of food and beverages sold in any State-owned or State-leased building, to give preference to, and not include disincentives for, food or beverage items that meet certain criteria, as specified, and would require DGS to provide State agencies with the United States General Services Administration's Health and Sustainability Guidelines for Federal Concessions and Vending Operations.

2. Encourages Improvement in State Employee Health

A supporter of this bill, the California Pan-Ethnic Health Network (CPEHN), cites studies that demonstrate a relationship between the physical and social environments at the workplace and the health behaviors of employees. They believe that since nearly half of a person's waking hours are spent at work, the foods available in employee cafeterias, vending machines, etc., frequently determine what people eat throughout the day.

Implementation of AB 459 has the potential to improve the overall health outcomes for the more than 210,000 CalPERS health plan subscribers that are State employees, and reduce their utilization of health care services directly related to poor lifestyle choices. Currently, 65 percent of the food sold in vending machines on State property is allowed to be outside the accepted nutritional guidelines (e.g., snacks high in calories and fat content). Phasing out unhealthy food and beverages in vending machines and cafeterias and incorporating healthier food in State employees' diets is paramount in reducing this population's risk for obesity and diabetes, two main drivers of increased health care costs.

3. Potential Reduction in State Employee Health Care Costs

Passage of this bill would support several health initiatives recently adopted by the Board, and currently being implemented by CalPERS staff. More specifically, those initiatives that attempt to reduce the incidences of chronic conditions among the member population.

According to sponsors of this bill, the treatment of obesity-related diseases increases our health care costs and has a profound impact on workplace productivity. In California, lost productivity and medical care costs as a result of obesity and overweight is estimated to be \$41.2 billion with employers and taxpayers bearing much of these costs.

With more available and convenient healthier food choices at work, State employees are apt to make better choices in their eating habits and ultimately improve their overall health. Improved health translates to fewer doctor visits, which lowers out-of-pocket expenses for these members. Less utilization of health care services means less money employers spend toward health premiums. Reduced health premiums lighten the burden levied upon the State General Fund and Special Funds. Any health benefit program savings from a healthier State employee population, however, would be shared by all health program participants, as premium costs under CalPERS current health benefit structure does not differ among CalPERS employers or between regions of the state.

4. Costs

Benefit Program Costs

CalPERS staff anticipates potential long-term cost savings in State health care premiums if this bill is enacted. According to data from a recent Urban Institute study titled, *Potential Savings through Prevention of Avoidable Chronic Illness among CalPERS State Active Members*, effective interventions can achieve reductions of 5 percent to 15 percent in the prevalence of chronic conditions, such as diabetes, and assist CalPERS in achieving potential savings of \$18 million to \$54 million annually. Even a 1 percent reduction in the chronic conditions could ultimately save CalPERS \$3.6 million per year.

Administrative Costs

Potential minor and absorbable costs to conform future concession contracts to the provisions of this bill.

BENEFITS/RISKS

Benefits of Bill Becoming Law

- It would reduce health care costs, which over the past several years have increased as a result of the number individuals being treated for obesity-related conditions such as diabetes and cardiovascular disease.

Risks of Bill Becoming Law

- By not requiring vendors to provide healthy food and beverage options in vending machines and cafeterias, the rise of obesity and obesity-related conditions may continue to increase among the State employee population, thus increasing their health care costs.

ATTACHMENTS

Attachment 1 – Legislative History

Attachment 2 – Support and Opposition

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