LGV&A
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MEMORANDUM

TO: CalPERS Board of Administration

FROM: Thomas R. Lussier

DATE: November 20, 2013

RE: Federal Update

While Washington continues to focus largely on the continued problems associated with the rollout of healthcare.gov and the pending budget deadline, we have been working on a few key issues of importance to CalPERS.

Medicare Sustainable Growth Rate (SGR) Reform

We have been encouraged by the reaction to an SGR reform proposal that was recently released by leaders of the House Ways & Means Committee and the Senate Finance Committee. This legislation builds on a proposal approved by the House Energy & Commerce Committee in July.

The bipartisan and bicameral proposal is intended to replace the SGR with an approach that focuses on the value rather than the volume of services while encouraging participation in alternative payment models. Under the terms of the proposal, payment levels would be frozen for the next 10 years, but doctors would have the opportunity to earn performance-based incentive payments.

CalPERS has called on Congress to replace the SGR with a payment system focused on value and quality. We have shared the positive results that you've experienced with the value-based purchasing model created by Blue Shield of California, Dignity Health, and Hill Physicians Medical Group in the Sacramento area with House and Senate staff. We've also pointed out that CalPERS utilizes quality-based payment approaches with your contracted health plans, including performance guaranteed agreements that include incentives to provide patient management services and to meet patient satisfaction levels.

The proposal has received support from groups as diverse as the Business Roundtable and the American Medical Association. We are currently working with CalPERS staff on a statement that will support the effort to realign payment systems so that providers are rewarded for delivering quality and efficient health care.

Given the limited number of legislative days remaining in 2013, it's likely this legislation won't be considered until early next year. We will continue to work with Committee staff to communicate CalPERS priorities for this important reform legislation.

California Delegation

In light of all of the discussion regarding the implementation of the Affordable Care Act (ACA) and progress on SGR reform, we have been visiting with health staff for members of the California Congressional Delegation. We have been sharing information regarding your efforts to implement the ACA and your support for a payment model that rewards quality and value.

In addition, we have been reminding staff about the importance of achieving a more competitive pharmaceutical marketplace by the introduction of biogeneric or biosimilar drugs. We have encouraged them to support FDA's effort to implement the pathway that was authorized by the ACA.

Our conversations have been well received and we believe staff appreciates the efforts that CalPERS has been making to control costs and to improve the quality of care provided to your members.

Swaps Regulatory Improvement Act (H.R. 992)

Notwithstanding its title, CalPERS believes that H.R. 992 would directly increase risk of another financial catastrophe.

In a letter to the California Congressional Delegation, Anne Simpson wrote "With the advent of a Cleared OTC Swaps mandate under Dodd-Frank, much progress has been made to reduce the counterparty risk and opacity which were historically inherent with this market. This achievement is very much applauded by CalPERS, as we, along with all investors, are reliant upon a continued liquid and transparent functioning of financial markets to ensure the security of our stakeholder's financial future."

According to CalPERS, H.R. 992 would roll back important systemic protections that were legislated as part of Dodd-Frank.

Although the legislation passed the House, we were very encouraged that 30 members of the California Delegation opposed the measure. Congresswoman Maxine Waters, the Ranking Member of the House Financial Services Committee, referenced the CalPERS letter in her floor remarks. The legislation is not expected to be considered in the Senate.

Should you have any questions regarding these or any other issue please contact me at 703-684-5236 or at tlussier@lgva.net.