



Agenda Item 8

May 20, 2014

ITEM NAME: Senate Bill 912 (Mitchell) – State Property: Vending Machines: Nutrition

As amended April 21, 2014

Co-Sponsors: American Heart Association, California Center for Public Health Advocacy, and California Pan-Ethnic Health Network

PROGRAM: Legislation

ITEM TYPE: Action

RECOMMENDATION

Adopt a **Support** position on Senate Bill (SB) 912. By requiring that nutritious food and beverages continue to 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

Current law requires certain percentages of food and beverages offered by vending machines operated on State property to meet specified nutritional guidelines until January 1, 2015. SB 912 repeals the sunset clause on these requirements, in order to impose these nutritional percentages indefinitely.

STRATEGIC PLAN

This legislation supports Goal A of the CalPERS Strategic Plan, to improve long-term pension and health benefit sustainability, and assists our efforts to establish 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 are 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.

ANALYSIS

1. Proposed Changes

Specifically, SB 912 deletes the January 1, 2015, sunset clause in the section of law that requires specified percentages of the food and beverages offered in vending machines on State property to meet certain nutritional standards. By deleting this sunset clause, vending machines on State property must continue to meet these standards indefinitely. The bill also deletes obsolete language related to the prior phased-in implementation of these standards.

2. Nutritional Requirements Under Current Law

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 for food is that at least 35 percent of the products offered in vending machines must meet nutritional guidelines. One-third of beverages must meet specified nutritional standards, and a separate one-third of the offered beverages must meet the nutritional standards, be flavored milk, have less than 20 calories per 12 ounce serving, or be at least 50 percent fruit juice that may contain non-caloric sweeteners.

For beverages, the products meeting the nutritional standards under this law are the following:

- Water.
- Milk, including, but not limited to, soy milk, rice milk, and other similar dairy or nondairy milk.
- Electrolyte replacement beverages that do not contain more than 42 grams of added sweetener per 20-ounce serving.
- One hundred percent fruit juice.
- Fruit-based drinks that are composed of no less than 50 percent fruit juice and that have no added sweeteners.

For food, the products must meet the following nutritional standards:

- Not more than 35 percent of its total calories are from fat. This clause does not apply to nuts, seeds, or whole grain products.
- Not more than 10 percent of its total calories are from saturated fats.
- Not more than 35 percent of its total weight is from sugar. This clause does not apply to fruits and vegetables.

3. Supporting Arguments

According to the bill sponsors, SB 912 is needed in order to “make sure that California does not go backwards from the progress it has made in combating the obesity epidemic. More than half of adults and teens in the state are either overweight or obese. In California, lost productivity and medical care costs of the consequences of obesity are estimated to be \$41.2 billion; employers and taxpayers bear much of these costs.”

4. Opposition Arguments

There is no formal opposition to this bill.

5. Maintaining Nutritional Requirements Encourages Improvement in State Employee Health

In support of the 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 SB 912 can continue 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. Lifting the sunset date means the vendors must continue to comply with the 35% nutritional requirement beyond January 1, 2015. This enables State employees to continue to have access to more healthy food and beverage options in vending machines. It also continues the progress achieved in reducing this population’s risk for obesity and diabetes, two main drivers of increased health care costs.

6. 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.

Continuing to require healthier food choices at work allows State employees 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.

BUDGET AND FISCAL IMPACTS

1. Benefit 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 five 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 one percent reduction in the chronic conditions could ultimately save CalPERS \$3.6 million per year.

2. Administrative Costs

Absorbable costs to continue conforming vending machine contracts to the current nutritional requirements.

BENEFITS/RISKS

1. Benefits of SB 912 Becoming Law

- It may 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.

2. Risks of SB 912 Becoming Law

- Because SB 912 simply makes existing vending machine nutritional requirements permanent, any risk is associated with failure of this bill to become law, and the potential rise of obesity-related conditions among the State employee population, thus increasing their health care costs.

ATTACHMENTS

Attachment 1 – Legislative History

Attachment 2 – Support and Opposition

DANNY BROWN, Chief
Office of Governmental Affairs

ANN BOYNTON
Deputy Executive Officer
Benefit Programs Policy and Planning