



Agenda Item 10

August 18, 2015

ITEM NAME: Wellness Strategy Update

PROGRAM: Health Benefits

ITEM TYPE: Information

EXECUTIVE SUMMARY

This information item provides an update of activities performed to research the potential adoption of a California Public Employees' Retirement System (CalPERS) Health and Wellness solution. Staff will be seeking feedback from the Committee regarding possible strategies for further evaluation.

BACKGROUND

For the past three years CalPERS staff have measured the effectiveness of current wellness offerings and assessed the CalPERS-covered employer and employee desire for wellness programs. At the January 2015 CalPERS Board of Administration and Executive Offsite, the Board heard an overview of wellness program research findings, approaches and challenges, and also Optum's presentation of possible wellness vendor solutions. The Board directed staff to report back with wellness solution pricing options.

ANALYSIS

As a result of Board feedback and its interest in potential wellness options and pricing, staff began researching wellness vendors in greater detail and initiated a pilot implementation of an online wellness solution at a contracting agency worksite.

Health and Wellness Request for Information

On June 1, 2015, CalPERS staff released a Request for Information (RFI) to solicit information from health and wellness vendors about the services they could provide active employees, retirees, and adult dependents while addressing CalPERS' unique position as a purchaser of health benefits for the State of California and more than 1,200 contracting agency employers. The health and wellness solutions were to be independent of any current CalPERS health plan offerings and also offer a platform that:

- Could be coordinated and consistent in its application by employers
- Is flexible enough that employers can pick the efforts they want to undertake
- Can help employers improve health outcomes for their employees and promote an overall culture of health in the workplace and beyond.

Thirteen companies responded to the RFI and offered services that ranged from online software solutions to full-service wellness management and on-site staffing. The RFI responses included cost and implementation details, and preliminary analysis reveals that CalPERS has a wide range of options to offer employers which can be loosely categorized as follows:

- **Lean** solutions that require the lowest level of effort for development and implementation, and would rely primarily on existing contracts and communication channels already available. For example some solutions could include:
 - Synchronized health plan wellness offerings to members
 - Increased outreach and education to employers and members through CalPERS print publications and web pages
 - Mobile or web-based solutions to engage members and track participation

- **Moderate** solutions that incorporate the lean elements above and also include:
 - Health risk assessments (HRAs) administered by CalPERS health plans
 - Vendor-facilitated, employer-driven wellness challenges
 - HRA data and participation reports

- **Deluxe** solutions that include everything listed above as well as:
 - Vendor-managed online web portals
 - Biometric screenings
 - Case management and counseling services.

The RFI responses showed that pricing varies depending upon the vendor and type of solution. Lean solutions, like online products that engage users and track participation, can cost anywhere from \$0.50 per member per month (PMPM) to \$4.50 PMPM. And deluxe solutions, in which a vendor would manage a full suite of screening, engagement and reporting solutions, could cost CalPERS approximately \$7.50 PMPM and hundreds of thousands of dollars annually for management fees. In addition, many of the vendor solutions rely on the use of monetary incentives to drive employee participation which CalPERS cannot fund directly. Ultimately, any costs associated with the health and wellness platform must be weighed against our cost containment strategies relative to the 2018 Affordable Care Act (ACA) Excise Tax on High Cost Employer-Sponsored Health Coverage and the risk of additional costs causing more health plan premiums to trigger ACA Excise Tax coverage thresholds sooner than anticipated.

In addition to costs, other implementation details were included in the responses. It is widely accepted, and also proven through various CalPERS worksite wellness

pilots, that employer and labor collaboration is essential for any health and wellness strategy to be successful. Because CalPERS is a health plan purchaser and not an employer, CalPERS may encounter challenges maintaining a health and wellness platform that relies on employers to implement. The geographic dispersion and diversity of work sites throughout the state, as well as the unique communication needs of wellness program participants, may place unrealistic demands on CalPERS staff's ability to partner with wellness vendors and employers to engage and sustain employee, dependent, and retiree participation.

Online Wellness Solution Pilot

In addition to the RFI, CalPERS staff partnered with Weight Watchers and the Bay Area Rapid Transit District (BART) to offer additional wellness solutions to BART employees as part of their ongoing On Track to Wellness pilot program, which was formed jointly by BART management and labor. The Weight Watchers *OnlinePlus* mobile and web-based product implementation will produce useful and measureable data as the solution is marketed to individuals who are dispersed geographically. Weight Watchers *OnlinePlus* will be available to eligible employees and their adult dependents beginning August 1, 2015 and preliminary participation data is expected in November 2015. The pilot ends April 30, 2016.

BUDGET AND FISCAL IMPACTS

Adoption of a CalPERS health and wellness platform will impact health premiums.

Any impact to CalPERS budget will depend on the type and cost of the health and wellness platform.

BENEFITS/RISKS

The primary benefit of offering a health and wellness platform is to positively impact the health of our members. Investing in a health and wellness program is one strategy that may help reduce disability claims, improve employee job satisfaction, impact employee productivity, reduce the number of sick days used, or decrease presenteeism.

A major risk of adding a health and wellness platform to CalPERS benefit design is that the increased costs associated with the platform may cause health premiums to exceed Excise Tax thresholds sooner and by a greater degree. Other potential risks include the following:

- There is no guarantee that CalPERS, as a health insurance purchaser, can successfully encourage uptake in an offered wellness platform.
- CalPERS may incur staffing costs in addition to the vendor fee in order to successfully implement and manage a health and wellness platform.
- Employers could utilize engagement and participation strategies that do not align with federal and State laws and could create a legal risk to CalPERS.

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ATTACHMENTS

Attachment 1 – Wellness Strategy Update

DOUG P. McKEEVER, Chief
Health Policy Research Division

ANN BOYNTON
Deputy Executive Officer
Benefit Programs Policy and Planning