



Pension and Health Benefits Committee Agenda Item 6

March 14, 2017

Item Name: Federal Health Care Priorities

Program: Legislation

Item Type: Action

Recommendation

California Public Employees' Retirement System (CalPERS) staff recommends that the Pension and Health Benefits Committee approve the proposed 115th Congress Federal Health Care Priorities for the 2017-18 congressional session, as identified in this agenda item.

Executive Summary

The Trump Administration and 115th Congress have indicated a significant shift in the dynamics of federal health care regulatory policy and legislation, specifically with regard to repeal and replace of the Affordable Care Act (ACA). As with any new administration, CalPERS will need to proactively advocate on federal legislative and regulatory issues that impact the CalPERS Health Benefits Program.

Accordingly, the CalPERS Board of Administration (Board) sets the policy direction for the CalPERS Health Benefits Program, including advocating and engaging on federal health care policy issues of relevance to CalPERS members and the CalPERS Trust. In response, CalPERS staff and our federal representatives, Avenue Solutions and Jennings Policy Strategies, have developed a broad set of policy priorities in the 2017-18 congressional session as follows:

- Reduce disruption in repeal and replace of the ACA
- Quality Medicare coverage
- Constrain prescription drug costs
- Limit health care cost growth
- Enhance public agency and school employer participation in the CalPERS Health Benefits Program

Strategic Plan

This agenda item supports Goal 2, Health Care Affordability, Objective 1 of the 2017-22 Strategic Plan, which is to transform health care purchasing and delivery, to make it affordable while providing the best value in health care to our members, and by seeking to understand rising health care costs and the impact of wellness on those costs.

Background

The Federal Health Care Priorities item follows a discussion at the January Offsite between the Board, CalPERS staff, and our federal representatives, to identify potential issues of relevance with regard to CalPERS' federal legislative priorities in the 115th Congress. The Board directed staff and the federal representatives to develop a list of priorities for review and approval by the Pension and Health Benefits Committee and Investment Committee at their March meetings.

The Federal Health Care Priorities provide a policy framework for CalPERS to engage in federal legislative, regulatory, and policy proposals consistent with the Board's existing beliefs, principles, and policies. They are developed from the CalPERS Strategic Plan, the Legislative and Policy Engagement Guidelines for Health Care, Investment Beliefs, and Pension Beliefs, along with input from the federal representatives' knowledge of issues likely to surface in the 115th Congress. They do not bind the Board in considering or adopting a position on any specific proposal, nor do they supersede or alter any existing policies, beliefs, or principles.

Analysis

CalPERS, through its system-wide and successful purchasing track record, is in a compelling position to inform and influence the health care reform discussion in Washington, DC with the new Administration and Congress. Already, CalPERS staff and our federal representatives interact with key members of Congress, regulatory agencies, Administration officials, and other influential stakeholder groups. Maintaining and strengthening these relationships enhance CalPERS' influence on federal actions that affect its membership and benefits programs.

The federal health care priorities seek to assist CalPERS in fostering an appropriate understanding among policymakers about CalPERS' benefits and programs, allow CalPERS staff and its federal representatives to address relevant health care policy issues on a proactive basis, and facilitate consensus building and alignment on those issues. CalPERS staff and our federal health care policy representatives, Avenue Solutions, and Jennings Policy Strategies, have drafted the proposed 115th Congress, 2017-18 Federal Health Care Priorities for the Board's consideration in key health care policy areas that include:

- Reduce disruption of likely repeal of/amendment to significant parts of the ACA and other health reform changes.
 - Advocate for parts of the law important to CalPERS including delivery system reforms.
 - Advocate against proposals that increase cost-shifting to CalPERS, including federal payment, insurance coverage policies, and tax reforms that shift – rather than contain – program costs.
 - Embrace likely repeal of the Excise Tax on High Cost Employer-Sponsored Health Coverage and advocate against a replacement with a cap on the employer exclusion.
 - Advocate against limits on federal tax incentives for health coverage that create inordinate pressure on employers to excessively reduce benefits and/or increase cost-sharing.
- Ensure affordable, quality Medicare coverage for members.
- Constrain prescription drug costs.
 - Maintain appropriate quality of and access to brand name, generic, biosimilar, and interchangeable drugs.
 - Advocate for increased pharmaceutical market competition.

- Advocate for direct negotiation of pharmaceuticals to secure more affordable and predictable prescription drug costs.
- Advocate against anti-competitive arrangements between brand and generic pharmaceutical companies.
- Limit health care cost growth.
 - Test, evaluate, and expand new payment structures while maintaining quality and access to care.
 - Promote transparency in cost and quality reporting for not-for-profit and for-profit health plans, insurers, providers, hospitals, and physicians.
 - Strengthen the Medicare program to constrain cost growth, implement payment reforms that shift away from fee-for-service, and sustain the Medicare Trust Fund.
 - Advocate for proposals that establish and implement benchmarks and targets intended to improve delivery of health care services, patient health outcomes, and population health, in addition to prioritizing measures and data that identify the highest value interventions.
- Stabilize and enhance public agency and school employer participation in the CalPERS health program.

As California's largest purchaser of public employee health benefits, and the nation's second largest public purchaser, CalPERS has a vested interest in the health of its members. This long-term relationship with active and retired members drives a need for comprehensive, quality health benefits. Although CalPERS has been successful in moderating health premium increases, costs are still expected to rise. In addition, the cost of prescription drugs continues on an upward trend.

With a new Administration and Congress in place, and an explicit commitment to repeal the Affordable Care Act, it will be important to build and strengthen an accurate understanding of CalPERS benefits and programs, and create a channel of communication to a new array of key policymakers and staff.

Budget and Fiscal Impacts

Not applicable.

Benefits and Risks

- The benefit of adopting the 115th Congress, 2017-18 Federal Health Care Priorities is that it reinforces the Board's commitment to taking proactive positions to educate and/or influence federal policy discussions or federal legislative proposals having a direct impact on the CalPERS Health and Benefits Program.
- There are no known risks associated with enacting this recommendation.

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