

MEETING  
STATE OF CALIFORNIA  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
BOARD OF ADMINISTRATION  
PENSION & HEALTH BENEFITS COMMITTEE  
OPEN SESSION

ROBERT F. CARLSON AUDITORIUM  
LINCOLN PLAZA NORTH  
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SACRAMENTO, CALIFORNIA

TUESDAY, MAY 16, 2017

2:18 P.M.

JAMES F. PETERS, CSR  
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A P P E A R A N C E S

COMMITTEE MEMBERS:

Ms. Priya Mathur, Chairperson

Mr. Michael Bilbrey, Vice Chairperson

Mr. John Chiang, represented by Ms. Jeree Glasser-Hedrick

Mr. Rob Feckner

Mr. Richard Gillihan

Ms. Dana Hollinger

Mr. Henry Jones

Ms. Theresa Taylor

Ms. Betty Yee, represented by Mr. Alan Lofaso

BOARD MEMBERS:

Mr. J.J. Jelincic

Mr. Ron Lind

Mr. Bill Slaton

STAFF:

Ms. Marcie Frost, Chief Executive Officer

Ms Liana Bailey-Crimmins, Chief Health Director

Mr. Matt Jacobs, General Counsel

Ms. Donna Lum, Deputy Executive Officer

Dr. Kathy Donneson, Chief, Health Plan Administration  
Division

A P P E A R A N C E S C O N T I N U E D

STAFF:

Ms. Anita Jones, Committee Secretary

Ms. Shari Little, Chief, Health Policy Research Division

Dr. Melissa Mantong, CalPERS Pharmacist

Mr. Anthony Suine, Chief, Benefit Services Division

ALSO PRESENT:

Mr. Tim Behrens, California State Retirees

Mr. Al Darby, Retired Public Employees Association

Mr. Neal Johnson, Service Employees International Union,  
Local 1000

Ms. Donna Snodgrass, Retired Public Employees Association

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1 P R O C E E D I N G S

2 CHAIRPERSON MATHUR: Good afternoon, everyone.  
3 I'm going to call the Pension and Health Benefits  
4 Committee to order.

5 First order of business is roll call.

6 COMMITTEE SECRETARY JONES: Good afternoon.  
7 Priya Mathur?

8 CHAIRPERSON MATHUR: Good afternoon.

9 COMMITTEE SECRETARY JONES: Michael Bilbrey.

10 VICE CHAIRPERSON BILBREY: Here.

11 COMMITTEE SECRETARY JONES: Jeree Glasser-Hedrick  
12 for John Chiang?

13 Rob Feckner?

14 COMMITTEE MEMBER FECKNER: Good afternoon.

15 COMMITTEE SECRETARY JONES: Richard Gillihan?

16 COMMITTEE MEMBER GILLIHAN: Here.

17 COMMITTEE SECRETARY JONES: Dana Hollinger?

18 COMMITTEE MEMBER HOLLINGER: Here.

19 COMMITTEE SECRETARY JONES: Henry Jones?

20 COMMITTEE MEMBER JONES: Here.

21 COMMITTEE SECRETARY JONES: Theresa Taylor?

22 COMMITTEE MEMBER TAYLOR: Here.

23 COMMITTEE SECRETARY JONES: Alan Lofaso for Betty  
24 yee?

25 ACTING COMMITTEE MEMBER LOFASO: Here.

1 CHAIRPERSON MATHUR1: And please note that Ms.  
2 Glasser-Hedrick has joined us, and also that Ron Lind is  
3 in the attendance.

4 Thank you.

5 Next item on the agenda is the executive reports.

6 DEPUTY EXECUTIVE OFFICER LUM: Good morning,  
7 Madam Chair, members of the Committee.

8 CHAIRPERSON MATHUR: Good morning.

9 DEPUTY EXECUTIVE OFFICER LUM: Donna Lum CalPERS  
10 team member. I have a couple of brief updates for you  
11 today.

12 First, I just wanted to share with you that last  
13 week I had the opportunity to attend the annual CEM global  
14 benchmarking conference. There were about 125 attendees  
15 representing 52 different systems, and seven different  
16 countries. This conference is a great opportunity for  
17 CalPERS to share our best practices and to learn from the  
18 other systems. In this year, we had a cup of nice  
19 takeaways that we'll be incorporating as we continue to  
20 update the Committee in the future on our CEM activities.

21 I'm also pleased to share with you that CalPERS  
22 was selected to participate in a newly formed steering  
23 committee with CEM. And I'm happy to let you know that I  
24 will be the representative for this steering committee.  
25 And the nice thing about this steering committee is

1 they're basically going to be looking at three different  
2 areas.

3           The first is developing and identifying pension  
4 related research topics. Secondly, to identify ideas for  
5 best practices and information to share at the annual  
6 conference. And then third, to provide a forum for  
7 discussing other aspects of CEM benchmarking services.

8           And as you know, as a participant in CEM, we  
9 often talk about some of the differences and similarities  
10 with regards to our system and others. And so having a  
11 seat at the table, I think is real going to give us a  
12 great opportunity to have a voice and to possibly steer  
13 some of the changes that we've been looking for with CEM.

14           In addition to that, CalPERS was one of two  
15 systems that was recognized for participation in what's  
16 called the CEM peer network. And this network is  
17 responsible for sharing out information, inquiries, doing  
18 best practices, and asking for opinions of other systems.

19           And as a very active and engaged participant, it  
20 was nice to know that other systems really look forward to  
21 and seek out our responses in this peer network. So it  
22 was nice for the System to be able to be awarded that  
23 recognition.

24           The second thing I'd like to share with you is  
25 just a brief update on the regular -- the draft

1 regulations that are -- with regards to pensionable  
2 compensation. The public comment period ends on June 5th,  
3 as of current, we have not received any questions or  
4 comments. And so we are on track to bring the final  
5 package back to you in August.

6 Continuing with our updates on the CalPERS  
7 Benefit Education Events. We hosted an event in Eureka on  
8 April 28th and 29th. And as we have seen with all of our  
9 previous events, we had again record high attendance. We  
10 doubled the attendance from the last time that we were in  
11 Eureka.

12 And it was interesting to note how far our  
13 members are willing to drive to be able to attend our  
14 CBEEs. I think one of the ones that we noticed that came  
15 the furthest was from Rancho Mirage which was about a five  
16 and a half hour drive. So the fact that we continue to  
17 host our CBEEs in the larger metropolitan areas, and as  
18 well as some of the more rural areas has really proven  
19 beneficial, because our members are willing to travel and  
20 attend.

21 I had the pleasure of being at this event. And  
22 again, I was glad to see Mr. Jelincic and President  
23 Feckner at the event as well.

24 Our next event is later this week. It's on May  
25 19th and 20th -- or excuse me, so I made a mistake. We



1 were actually in Fresno on the 28th and 29th. We are  
2 going to be in Eureka this week May 19th and May 20th.

3           And then lastly, it's with mixed emotion that I  
4 share with you that one of my team members is retiring.  
5 Ms. Bev Augustine who has served as the Chief of the  
6 Customer Service and Outreach Division is retiring. In  
7 fact, today is her last day after serving 33 years with  
8 the State.

9           And during her tenure as the -- at CalPERS, Bev  
10 achieved a number of important milestones. And I just  
11 want to share and highlight a few of them for you. She  
12 led our customer service team partnering with the Office  
13 of Public Affairs to produce the Planning Your Financial  
14 video series which is featured on our website. And if you  
15 recall last month, I shared a sample of one of the ten  
16 videos with you.

17           These videos have proven to be very beneficial  
18 again to our membership. We've seen that they already  
19 have over 19,000 views and the videos were just launched  
20 last month.

21           She also was very effective in reducing the call  
22 wait times in our call center. As you know, we take in  
23 more than a million calls a year. And last year was no  
24 exception. And she, through here leadership, was able to  
25 achieve an average call wait time of 75 seconds, which is

1 extraordinary. But more importantly, the survey results  
2 that we get from our customers, our members who interact  
3 with our regional offices and the call center achieved a  
4 satisfaction rating of 91 percent. So a nice balance of  
5 the call wait time as well as satisfaction.

6 And then lastly, through our education and  
7 outreach programs with the regional offices, we assisted  
8 over 60,000 members in making important retirement  
9 decisions by providing more than 1,736 classes, which is a  
10 pretty large number when you consider the membership that  
11 we serve.

12 So if you wouldn't mind, I'd like to ask Bev to  
13 stand and please join me in thanking her for her work and  
14 wishing her the best in retirement.

15 (Applause.)

16 DEPUTY EXECUTIVE OFFICER LUM: All right. Well,  
17 we might have missed a queue given the change of times  
18 with the committees.

19 (Laughter.)

20 DEPUTY EXECUTIVE OFFICER LUM: And I apologize  
21 for that. She might have been caught off guard with that.

22 CHAIRPERSON MATHUR: Well, please convey our  
23 regards and congratulations to her.

24 DEPUTY EXECUTIVE OFFICER LUM: I will. Thank  
25 you.

1           And so on the heels of that I'd also like to  
2 share with you that Bev's position has been filled with  
3 Carene Carolan. Many of you are familiar with Carene.  
4 She was previously serving as the team lead of our Member  
5 and Account Management Division. Carene, over the past  
6 two years, and she, in that position was overseeing health  
7 and -- the health functions, as well as service credit  
8 purchases, and our admin function.

9           Prior to coming to campers, however, Carene  
10 served as the center -- as the Center Director for Covered  
11 California overseeing their statewide call center. It was  
12 a multiple call center -- multi-site call center of over  
13 1,100 employees. Carene has over nine years of contact  
14 center leadership, and outreach and education experience.  
15 And between her work at Covered California and Department  
16 of Managed Health Care, she's held positions -- a  
17 leadership position for over 22 years in both Health and  
18 Human Services. Carene is very well suited, experienced,  
19 and knowledgeable to lead our education team, our CSOD  
20 team. And so I'd like to ask Carene to stand, so that you  
21 can also congratulate her.

22           (Applause.)

23           DEPUTY EXECUTIVE OFFICER LUM: Madam Chair, that  
24 completes my report.

25           CHAIRPERSON MATHUR: Thank you. We do have a

1 question from the Committee.

2 Mr. Jelincic.

3 BOARD MEMBER JELINCIC: A comment on the Fresno  
4 BEE. I thought it was really well done, and I know the  
5 members really enjoyed it. So I want to commend staff for  
6 all the effort.

7 The other -- but I do have a question. You said  
8 that on the pensionable comp, the regular -- the comment  
9 period is June 5th. Does that mean that the agency let it  
10 go over to OAL this time?

11 DEPUTY EXECUTIVE OFFICER LUM: So it has already  
12 sent over to OAL. We did get some questions from the  
13 Department of Finance, which have been satisfied on some  
14 of the forms that are related to the reg. And unless we  
15 get a number of questions here in the last couple of  
16 weeks, we don't anticipate that there will be any  
17 concerns.

18 BOARD MEMBER JELINCIC: Thank you.

19 CHAIRPERSON MATHUR: Thank you.

20 Ms. Bailey-Crimmins.

21 CHIEF HEALTH DIRECTOR BAILEY-CRIMMINS: Well,  
22 good afternoon, Madam Chair, members of the Committee.  
23 Liana Bailey-Crimmins, CalPERS team member. This is my  
24 first report as the Chief Health Director. And as an  
25 honor and privilege to serve our members and employers,

1 and I just want to say that I have an amazing team in the  
2 Health Policy and Benefits group, and I look forward to  
3 continuing to work with them.

4 I have three updates for you. One is OptumRx.  
5 We've made significant progress and we're actually  
6 highlighting that with working with Public Affairs. And  
7 the Affordable Health Care Act. As many of you heard,  
8 House representatives barely passed it, so I want to  
9 provide you a quick update in relation to that. And then  
10 the Health Care Beliefs, which will be something that we  
11 would bring back to the Committee in July.

12 So first up is OptumRx. Since our last report,  
13 CalPERS -- the team has made significant progress at  
14 improving our members' experience and resolving issues.  
15 And in April, CalPERS went down to the Costa Mesa call  
16 center and provided one-on-one face-to-face training for  
17 their contact representatives that interact with CalPERS.

18 And what we did was we actually left behind a  
19 desk manual, and that allowed them to flag things that  
20 were important. We also recorded each session, which we  
21 feel is important. If any of the members were unable to  
22 participate, they were able to get that training later.

23 And obviously, if there's every turnover with the  
24 team, it allows them also to have that training available  
25 to new members that come aboard.

1           And then as promised, OptumRx has also expanded  
2 their Select 90 retail program. So as of this month, we  
3 now have nearly 100 more retail pharmacies available to  
4 our members. And we are currently finalizing the website  
5 changes to reflect those added pharmacies so it makes it  
6 easier for our members to find those locations.

7           And then in May, Optum put in place a dedicated  
8 prior authorization team. And why this is important  
9 because this ensures that individuals at OptumRx have  
10 benefit design information for both our Medicare and basic  
11 members, and it also allows for any medication concerns to  
12 be addressed specifically by this team.

13           It's obviously important. They will be in place  
14 for 30 days, by the time we go and visit them in June, to  
15 make sure that they are clearly set up for success.

16           And then as I was stating, we worked with Public  
17 Affairs and recently sent out communications to our  
18 stakeholder groups to ensure that they know and are aware  
19 of the steps that we are taking to improve our relations  
20 and holding OptumRx accountable for our members'  
21 experience over the last couple months.

22           And then going on to ACA repeal on May 4th. The  
23 House of Representatives passed the American Health Care  
24 Act, which is to repeal and replace the Affordable Care  
25 Act. The House bill will now go to the Senate. As we've

1 heard from many senators, they're actually developing, in  
2 some cases, their own legislation. As -- what's different  
3 from the House of Representatives versus Senate, they must  
4 wait for the Congressional Budget Office to give the cost  
5 estimate.

6           And what the Senate has actually reached out  
7 recently to providers and to large purchasers, like  
8 ourselves, to see if we have letters of recommendation, so  
9 as they start to craft new legislation, they take in  
10 account the larger population and our concerns.

11           And so what our federal reps are saying  
12 basically, they believe either June or July, or late fall,  
13 is when we will see that hit the floor, and hopefully  
14 we'll see where it goes from there. The CalPERS team will  
15 continue to monitor and bring back any significant changes  
16 as we progress over the next few months.

17           And then last, but not least, is the -- at the  
18 April Pension and Health Benefits Committee, we talked  
19 about Health Beliefs. And so today, I'd like to provide  
20 you an update of where we -- our progress and the  
21 deliverables that we have to date. We -- I went out and  
22 visited Butte County recently, and that was a wonderful  
23 experience, because we went and talked to them about  
24 benefits, but we also talked about where our Beliefs are  
25 going in July. And so they're providing some feedback, so

1 it was wonderful. I want to thank Butte County for  
2 welcoming me.

3 And then in next 30 days, we'll be beginning a  
4 series of roundtable discussions with our stakeholder  
5 groups that have already been established, and we will  
6 also be sending out a survey to allow members to have a  
7 voice in what the -- how those Beliefs are crafted.

8 And so those Beliefs will be brought back to the  
9 July off-site for the Committee to -- then to vote on. So  
10 that's pretty exciting for all of us.

11 And, Madam Chair, that concludes my comments.  
12 And I'm open for questions.

13 CHAIRPERSON MATHUR: Thank you, Ms.  
14 Bailey-Crimmins. Well, on behalf of the Committee,  
15 congratulations on your new appointment as Chief Health  
16 Director.

17 CHIEF HEALTH DIRECTOR BAILEY-CRIMMINS: Thank  
18 you.

19 CHAIRPERSON MATHUR: And we have great confidence  
20 in you. So look forward to working with you over the next  
21 many years.

22 (Applause.)

23 CHIEF HEALTH DIRECTOR BAILEY-CRIMMINS: Thank  
24 you.

25 CHAIRPERSON MATHUR: Okay. I see no other



1 requests to speak from the Committee, so we'll move on to  
2 Agenda Item number 3, which is approval of the April 18,  
3 2017 meeting minutes.

4 COMMITTEE MEMBER TAYLOR: Move approval

5 COMMITTEE MEMBER JONES: Second.

6 CHAIRPERSON MATHUR: It's been moved by everybody  
7 on the Committee.

8 (Laughter.)

9 CHAIRPERSON MATHUR: By Ms. Taylor and seconded  
10 by Mr. Jones.

11 Any discussion on the motion?

12 Seeing none.

13 All those in favor say aye?

14 (Ayes.)

15 CHAIRPERSON MATHUR: All opposed?

16 Motion passes.

17 With respect to Agenda Item number 4, we haven't  
18 had any requests from the Committee members to take  
19 anything off the -- off consent, but we do have public  
20 comment on this item. So Mr. Darby, if you would come  
21 forward, and take one of these two seats over here on my  
22 left. The mic will be turned on for you. If you could  
23 identify yourself and your affiliation for the record.  
24 And you'll have three minutes in which to speak.

25 MR. DARBY: Thank you. Al Darby, Vice President,

1 Retired Public Employees Association. RPEA has a large  
2 population of public agency employees who do not receive  
3 social security or receive reduced Social Security  
4 payments. We applaud CalPERS support of the Equal  
5 Treatment of Public Servants Act. RPEA fully supports the  
6 provisions of this federal legislation to repeal the  
7 Windfall Elimination Provision.

8 Many public agencies and school members are  
9 affected by WEP, and I'm sure will be very grateful for  
10 the repeal of this law -- this federal law and will be  
11 forever grateful to you for your support.

12 Thank you. Al Darby.

13 CHAIRPERSON MATHUR: Thank you very much.

14 So let's move on then to Agenda Item number 5,  
15 Customer Services and Support Performance. Ms. Lum and  
16 Mr. Suine.

17 DEPUTY EXECUTIVE OFFICER LUM: Good afternoon  
18 again. Donna Lum, CalPERS team member.

19 Agenda Item number 5 is an information item.  
20 It's our periodic update on the performance of Customer  
21 Services and Support Team. This agenda item provides an  
22 opportunity for us to update you on our strategic  
23 measures, as well as key initiatives and events that are  
24 within our various program areas. At this time, I'd like  
25 to turn the presentation over to Mr. Anthony Suine.

1           BENEFIT SERVICES DIVISION CHIEF SUINE: Thanks,  
2 Donna. Good afternoon, Madam Chair, members of the  
3 Committee. Anthony Suine, CalPERS team member.

4           This agenda item is our periodic update of the  
5 performance of our Customer Services and Support Team. It  
6 provides an opportunity to update you on our strategic  
7 measures, as well as some key initiatives and events that  
8 are happening in our various program areas.

9           I'd like to start by addressing exceptions in our  
10 strategic measures, where we fell below our established  
11 thresholds in our benefit payment timeliness and customer  
12 satisfaction.

13           While we continue to excel at paying nearly all  
14 our benefits timely and accurately, we have continued to  
15 fall below our threshold for the survivor benefit  
16 payments. And this is due to workload increases, and  
17 vacancies in our Survivor Benefits Section that have seen  
18 the trend of our payments fall below the threshold.

19           We have recently filled a significant number of  
20 vacancies in our Survivor Benefits Section. And as  
21 that -- those team members are becoming more experienced  
22 and trained, we have seen increases in our performance in  
23 the most recent months.

24           When we do fall below our payment timeliness  
25 goals, we like to focus and pay close attention to our

1 customer satisfaction results in the same areas to make  
2 sure we're still being responsive to our customers' needs.  
3 And thankfully, we have seen our customer satisfaction in  
4 the survivor benefits area remain with high results in  
5 that area.

6           So while we're missing our targets on the payment  
7 timeliness, the satisfaction of our customers has still  
8 been high. So we'll continue to monitor that as we move  
9 forward and increase our payment timeliness.

10           For customer satisfaction, again, the majority of  
11 our business processes are in the 90 percentile on our  
12 customer satisfaction. However, we have fallen below our  
13 thresholds in two areas. The first being new participants  
14 of the replacement benefit plan. And they continue to  
15 show their frustration with the program due to the lack of  
16 our direct deposit for their funds in this payment type,  
17 as well as the timeliness of their first payments, if  
18 their employers have not satisfied their invoices with us  
19 timely.

20           So because we don't want to add additional  
21 administrative costs, which are then turned back and  
22 charged to the participants of the plan, we don't plan to  
23 pursue the direct deposit at this time. And we do  
24 continue to communicate with our employers to ensure their  
25 timely payment of their invoices to expedite those

1 payments to these participants for their payments of this  
2 plan.

3           However, due to the limited number of  
4 participants in this plan, and the low number of  
5 respondents to this survey, we do expect that the ongoing  
6 survey results will continue to below in this area.

7           In the area of service credit purchase, we  
8 continue our outreach to our members to educate them on  
9 the benefits of purchasing service credit to enhance their  
10 benefits. As a result, it's significantly increased the  
11 volume of requests in the service credit purchase area.  
12 Because of this, our timeliness has suffered a bit, and  
13 our satisfaction results in this area have reflected  
14 those -- those timeliness issues.

15           But, however, through the implementation of  
16 business process improvements and some strategic  
17 realigning of the workforce, we have been able to make  
18 adjustments and improve our timeliness, and we would  
19 expect our satisfaction scores to increase  
20 correspondingly.

21           I'd also like to take this opportunity to update  
22 you on activities in CSS focused on streamlining benefits  
23 and educating our members. As you are aware, we launched  
24 a retirement option simplification effort, a year or so  
25 ago. And we are on target to implement those new

1 retirement options January 2018. So outreach efforts,  
2 education efforts to our members and employers continue,  
3 and to our internal teams who are learning the new options  
4 and we're programming for those new options to be able to  
5 handle those retirement applications for January 1 and  
6 later. Effective July 1 of 2017, members will be able to  
7 go on-line and get those estimates for those new  
8 retirement options.

9 In an effort to enhance the financial literacy of  
10 our customers, Donna had mentioned these educational  
11 videos that we've produced, and they're available on our  
12 CalPERS YouTube channel. And they cover various topics,  
13 such as budgeting, Social Security, and debt management.  
14 All topics that can impact retirement readiness. So we  
15 feel they have a lot of value to our members and retirees.

16 As you're also aware, we have made recent  
17 efficiencies in the delivery of our health statements and  
18 more recently with our direct deposit statements to our  
19 retirees. And besides being able to provide our members  
20 with more current and relevant information on-line, we are  
21 also reducing the amount of paper that's being generated  
22 from this system, and we will recognize savings of over a  
23 million dollars from the direct deposit statements.

24 In addition, we expect -- in our second year of  
25 our electronic delivery of health statements, we expect

1 another million dollars in savings, while also providing  
2 more specific related information to our members by  
3 providing those on-line during this upcoming open  
4 enrollment period.

5           We are also focused on our retirees and our  
6 upcoming retirees and being more informed about their  
7 retirement experience. We've recently done an outreach by  
8 providing retirement checklists, and information that's  
9 available to our retirees or upcoming retirees. And we  
10 believe that these retire -- these efforts will make our  
11 retirees more educated about the services they provide, as  
12 well as empower them to make a more informed decision,  
13 even after retirement.

14           Lastly, Donna touched on our Benefit Education  
15 Events. We're finalizing our calendar of CBEEs for fiscal  
16 year '17-'18. We have three confirmed as of right now.  
17 In July, we'll be Santa Clara. In August, we'll be in  
18 Pasadena. And, in September, we'll be in Garden Grove.

19           And as we finalize the rest of those events, that  
20 information will be available on the CalPERS website. And  
21 that concludes my presentation. And I'm happy to take any  
22 questions.

23           CHAIRPERSON MATHUR: Thank you. Well, I just  
24 first want to really commend the team for their continued  
25 commitment to survivor benefits. That is -- it's such a

1 vulnerable time for families and really appreciate that  
2 even with the influx of deaths and the loss of team  
3 members that you were able to really target that area and  
4 focus on it. So it's really important.

5 BENEFIT SERVICES DIVISION CHIEF SUINE: Thank  
6 you.

7 CHAIRPERSON MATHUR: I also just wanted to  
8 mention on -- or ask a couple questions on the IRC 415  
9 benefit -- replacement benefit plan. Do you have a cost  
10 estimate for what it would cost to do direct deposit. I  
11 mean, how -- it doesn't sound to me like something that  
12 should be very costly.

13 BENEFIT SERVICES DIVISION CHIEF SUINE: It is  
14 fairly costly, because we -- it's a separate retirement  
15 roll process, so we'd have to establish a new interface  
16 with the State Controller's Office.

17 CHAIRPERSON MATHUR: Okay.

18 BENEFIT SERVICES DIVISION CHIEF SUINE: There's  
19 some fees there ongoing with the State Controller's Office  
20 to process that retirement roll. And then the -- you  
21 know --

22 CHAIRPERSON MATHUR: I see.

23 BENEFIT SERVICES DIVISION CHIEF SUINE:

24 -- implementing that into our my|CalPERS system,  
25 and the financial transactions that go along with it. So



1 it can be costly to implement the direct deposit.

2 CHAIRPERSON MATHUR: Okay.

3 BENEFIT SERVICES DIVISION CHIEF SUINE: And the  
4 savings that are offset would be minimal, because there  
5 are so few checks going out from the program, so --

6 CHAIRPERSON MATHUR: Right. How many are in the  
7 program?

8 BENEFIT SERVICES DIVISION CHIEF SUINE: That's  
9 about a thousand in the program right now.

10 CHAIRPERSON MATHUR: So you can't really spread  
11 those over a large population.

12 BENEFIT SERVICES DIVISION CHIEF SUINE: No.

13 CHAIRPERSON MATHUR: Yeah. And with respect to  
14 employers who are late in their, you know, payment of our  
15 invoices, how -- how many employers are we talking about?  
16 How many employees or members are they covering?

17 BENEFIT SERVICES DIVISION CHIEF SUINE: Sure. So  
18 we bill about 550 employers for these various -- so each  
19 one --

20 CHAIRPERSON MATHUR: Okay, has one or two people.

21 BENEFIT SERVICES DIVISION CHIEF SUINE: Yeah, on  
22 average and so we give them 30 days to pay the invoice.  
23 But, you know, it's usually the members putting the  
24 pressure on their former employer to get those invoices  
25 paid. And we stay on top of them, and reach out to them,

1 and communicate to them. Some of them are new to the  
2 program, so we try to educate them on what the bill is  
3 for, and why they need to satisfy the invoice, so we  
4 continue that communication.

5 CHAIRPERSON MATHUR: Okay. Well, it sounds like,  
6 not just in this program but elsewhere, we also have an  
7 issue with some employers being regularly late in their  
8 payments of various invoices. And maybe it's -- maybe we  
9 need to take sort of a holistic enterprise wide look at  
10 this at how do we work with the employers to encourage  
11 their own internal processes, so that we don't continue to  
12 have these issues.

13 BENEFIT SERVICES DIVISION CHIEF SUINE: And I  
14 feel in the IRC area, it's less about financial solvency.  
15 It's more about getting them to understand, sometimes  
16 they're new to the program, have never been part of it  
17 before, so --

18 CHAIRPERSON MATHUR: And -- yeah, and who's desk  
19 is the invoice landing on, and who knows. Who knows?

20 BENEFIT SERVICES DIVISION CHIEF SUINE: Yes,  
21 exactly.

22 CHAIRPERSON MATHUR: Okay. Thank you.

23 We do have another question. Mr. Bilbrey.

24 VICE CHAIRPERSON BILBREY: Thank you, Madam  
25 Chair. A quick question. So on filling the positions,

1 are we considered now filled, or are we still a little bit  
2 behind, or where are we -- I know you said we filled  
3 something, but --

4 BENEFIT SERVICES DIVISION CHIEF SUINE: Yeah, as  
5 you're aware, there's always a flux in this area with so  
6 many team members, but we had over 20 vacancies at one  
7 time. We now have about five vacancies.

8 VICE CHAIRPERSON BILBREY: Okay. So there's --

9 BENEFIT SERVICES DIVISION CHIEF SUINE: And those  
10 are just more attrition type of situations not a mass  
11 issue.

12 VICE CHAIRPERSON BILBREY: So we are in much  
13 better shape, okay.

14 BENEFIT SERVICES DIVISION CHIEF SUINE: Very good  
15 shape.

16 VICE CHAIRPERSON BILBREY: I noticed in the new  
17 options going January 2018, did you say a specific date  
18 when they could start doing the estimates?

19 BENEFIT SERVICES DIVISION CHIEF SUINE: Yes, July  
20 1, they're be able to go on-line and get those estimates.  
21 Our regional office are equipped with information about  
22 the new benefits if somebody were to inquire, if they have  
23 a future retirement date.

24 VICE CHAIRPERSON BILBREY: Thank you. That's  
25 very helpful. And I do want to commend the video series.

1 It's excellent.

2 BENEFIT SERVICES DIVISION CHIEF SUINE: Thank  
3 you, Mr. Bilbrey.

4 CHAIRPERSON MATHUR: Thank you.

5 Okay. Well, this brings us -- that concludes  
6 that item. That brings us now to Agenda Item number 6,  
7 the item that most of the audience is probably here for,  
8 the preliminary 2018 health rates and contracts

9 (Thereupon an overhead presentation was  
10 presented as follows.)

11 CHIEF HEALTH DIRECTOR BAILEY-CRIMMINS: Thank  
12 you, Madam Chair. Liana Bailey-Crimmins, CalPERS team  
13 member.

14 I'd like to highlight for the members and  
15 employers that are watching via the webcast that the rates  
16 are on the CalPERS website. So if they want to look at  
17 those, I just wanted to make sure that they knew that they  
18 were available. I also want to highlight that these are  
19 preliminary rates. There's a lot of hard work between now  
20 and June to ensure that we have best price and best rate  
21 possible for our members and employers. So I just wanted  
22 to make sure that I highlighted that before I turned it  
23 over to Shari Little.

24 HEALTH POLICY RESEARCH DIVISION CHIEF LITTLE:

25 Good afternoon, Madam Chair and members. Shari

1 Little, CalPERS team member.

2 Today, I'm pleased to present to you the  
3 unadjusted and risk-adjusted preliminary health plan rates  
4 for 2018. In addition to that, you'll see contracting  
5 agencies by region. And for those of you who are in the  
6 room, there are plan rates at the back of the room, and as  
7 Ms. Bailey-Crimmins mentioned, also available on-line.

8 So a few high lights for this year. First of  
9 all, we have the addition of Western Health Advantage.  
10 We're very pleased to offer another option for our  
11 members.

12 Also under consideration, pending DMHC approval,  
13 is the change from Monterey County to -- from an EXPO to  
14 an HMO product, as it has been requested by several of our  
15 members to expand the provider network.

16 --o0o--

17 HEALTH POLICY RESEARCH DIVISION CHIEF LITTLE:

18 We're also providing, as you'll see in the slide  
19 right here, county expansion for several of our plans to  
20 include additional areas for consideration.

21 As always, we continue to monitor Medicare. But  
22 as you know, we are largely dependent upon the federal  
23 adjustment Budget Act adjustments. But we watch those  
24 trends to see how they will impact and affect our trends  
25 moving forward.

1                   --o0o--

2           HEALTH POLICY RESEARCH DIVISION CHIEF LITTLE: So  
3 on slide four -- slide four, I wanted to point out some of  
4 the trends you've seen over the past three years. Over  
5 the past three years from 2016, we saw an overall average  
6 weighted increase of 7.4 percent in our premiums. For  
7 2016, we saw 3.32. And our preliminary health plans for  
8 this year show 3.24.

9           Now, that number will change, of course. As we  
10 mentioned several times, and we want to point out  
11 repeatedly, these are preliminary, and we will see a shift  
12 moving forward, but we're pleased with what we see overall  
13 so far.

14                   --o0o--

15           HEALTH POLICY RESEARCH DIVISION CHIEF LITTLE: So  
16 our next steps. We will continue to look at emerging data  
17 through our health plans as we consider those against what  
18 our data warehouse indicates, and our refresh data from  
19 claims experience.

20           We'll also continue our dialogue with the health  
21 plans. Some of the issues or concerns that we may have  
22 and trends that we see moving forward. And we will  
23 finally bring forward to you a risk-adjusted rate next  
24 month.

25           With that, I will conclude my report and I

1 welcome any questions you may have.

2 CHAIRPERSON MATHUR: Thank you. We do have some  
3 questions from the Committee.

4 Mr. Feckner.

5 COMMITTEE MEMBER FECKNER: Thank you Madam Chair.  
6 I first want to thank staff for all the hard work that you  
7 guys have done so far getting to this point. I wish I  
8 could say the same about some of our plans.

9 I'd just say that I don't if United is in the  
10 room today, but, you know, we partnered with you to bring  
11 in your Medicare plan, and brought you a lot more work and  
12 a lot more members. And yet, I'm looking at a \$365 a  
13 month increase for public employees. That's unacceptable  
14 as far as I'm concerned. So if you need a pencil  
15 sharpener, I'd be happy to give you one, but I would  
16 certainly hope that you'd go back to the drawing board and  
17 come back with a better plan next month.

18 CHAIRPERSON MATHUR: Ms. Taylor.

19 COMMITTEE MEMBER TAYLOR: I also wanted to thank  
20 our health plan folks for such hard work. Ms.  
21 Bailey-Crimmins, I appreciate it. I also wanted to just  
22 highlight some of -- I'm hoping that we're not seeing a  
23 trend here, but I see Anthem HMO Select, Anthem  
24 traditional kind of getting close together, those plans.  
25 And I'm hoping that as we go through the risk adjustment

1 for next month and come out with final rates, we'll see a  
2 better plan for that.

3 And then I'd also like to hopefully see Health  
4 Net come out with some better pricing. I'm just -- I'm  
5 shocked. I just -- I think that -- I think Health Net  
6 needs to also break out that pencil sharpener and look at  
7 what they're doing here.

8 So again, thank you very much for your hard work  
9 on this.

10 CHAIRPERSON MATHUR: Thank you.

11 COMMITTEE MEMBER TAYLOR: I know we have more to  
12 do.

13 CHAIRPERSON MATHUR: Mr. Jelincic.

14 BOARD MEMBER JELINCIC: You had identified  
15 certain counties that we were expanding in. That's not  
16 necessarily the whole county, isn't that correct?

17 HEALTH POLICY RESEARCH DIVISION CHIEF LITTLE:

18 That's correct, Mr. Jelincic. That's certain zip  
19 codes within counties in some cases. And we can provide  
20 you that specific information if you'd like that.

21 BOARD MEMBER JELINCIC: I just wanted to make  
22 sure that our members knew that it didn't necessarily mean  
23 the whole county. I assume that the zip codes are  
24 available someplace on our web if they want --

25 HEALTH POLICY RESEARCH DIVISION CHIEF LITTLE:



1 Yes, we will make them available.

2 BOARD MEMBER JELINCIC: Okay. Thank you.

3 CHAIRPERSON MATHUR: Thank you.

4 Mr. Jones.

5 COMMITTEE MEMBER JONES: Yeah. Thank you, Madam  
6 Chair. I would like to just echo Mr. Feckner and Ms.  
7 Taylor's comments, and let them know that we don't have a  
8 lot of time for them to sharpen that pencil, because we  
9 are looking at next month to adopt some rates. So the  
10 message to them is to -- we need you to respond right now  
11 to deal with these exorbitant rate increases. So we're  
12 looking forward to them working with our staff to bring  
13 those rates down that are more reasonable.

14 CHAIRPERSON MATHUR: Thank you, Mr. Jones.

15 Mr. Bilbrey.

16 VICE CHAIRPERSON BILBREY: I want to echo the  
17 same as my other fellow Board members. I do -- those who  
18 did -- who have done a good job in bringing in some pretty  
19 acceptable rates, I want to thank you. But the others,  
20 you know it's -- next month is either approval or not  
21 approval, so please keep that in mind. These -- there's  
22 some serious work that needs to be done here.

23 Thank you.

24 CHAIRPERSON MATHUR: Thank you.

25 Mr. Jelincic.

1           BOARD MEMBER JELINCIC: Yeah. You know, I --  
2 we're obviously having problems with Kaiser getting data  
3 and material. And I see Kaiser in the room. I just want  
4 them to remember there was an incident that we went  
5 through, apparently 14 years ago, that got their attention  
6 and is something that may need to be considered again, and  
7 that is not allowing them to take in new members.

8           CHAIRPERSON MATHUR: Thank you, Mr. Jelincic.

9           So the CalPERS health team began negotiating with  
10 our health plans just shortly after the start of the year  
11 for the 2018 rates. Overall, as the team has indicated,  
12 we're generally pleased with the preliminary weighted  
13 average increase of 3.24 percent. And while better than  
14 last year, we expect that we will have at even lower by  
15 June.

16           However, I do want to note, as many of our -- my  
17 fellow Board members have noted, that given our  
18 established relationships with UnitedHealthcare, Kaiser,  
19 and Health Net of California, we are really concerned that  
20 over the past few months of negotiations, they have not  
21 provided us with complete information to justify their  
22 proposed increases, as you see before you today.

23           And the five-year -- I just want to note too that  
24 the five year contract's terms of our HMO plans are set to  
25 expire next year, and this Committee and the Board will be

1 looking closely at the alignment of the plans with our own  
2 objectives in determining what our plan lineup will be  
3 moving forward.

4           So the CalPERS Board is scheduled to make a final  
5 decision on health rates for 2018 in June. And until  
6 then, we will continue to negotiate with all of our health  
7 plans to achieve the lowest possible rates.

8           So with that, we do have one member of the public  
9 who wishes to speak. Ms. Snodgrass, if you would please  
10 come forward. If you could take a seat to my left, and  
11 the microphone is on. If you could identify yourself and  
12 your affiliation for the record. You'll have three  
13 minutes to speak.

14           MS. SNODGRASS: Good afternoon and thank you.  
15 I'm Donna Snodgrass, Director of Health Benefits, RPEA,  
16 and I've got the throat thing going on too, sorry. The  
17 last couple of months have been a little stressful for us  
18 as retirees concerning the combined insurance families.

19           But looking at the information today, and  
20 speaking with staff, it appears that the CalPERS staff did  
21 hear us the last couple of months and they're working  
22 diligently to find a better solution for the members who  
23 were and will be affected by that combined situation.

24           RPEA would like to say thank you to Shari Little  
25 and Kathy Donneson and the rest of their staff who are

1 working on this issue. And we know it isn't finished yet,  
2 but we just wanted you to know that we appreciate the  
3 effort.

4 CHAIRPERSON MATHUR: Thank you for your comments.

5 Seeing no further requests to speak from the  
6 Committee, we'll move on to Agenda Item number 7, which is  
7 medical and pharmacy benefit strategies.

8 (Thereupon an overhead presentation was  
9 presented as follows.)

10 HEALTH PLAN ADMINISTRATION DIVISION CHIEF

11 DONNESON: Thank you Madam Chair, and members of the  
12 Committee. This is Agenda Item number 7, which is an  
13 update to you on what we discussed last month regarding  
14 the medical and pharmacy benefit strategies. To my left  
15 is Dr. Melissa Mantong, CalPERS PharmD and pharmacy -- or  
16 pharmacy consultant too, and she will help -- be assisting  
17 me in addressing some of the future strategies that are  
18 part of this agenda item.

19 --o0o--

20 HEALTH PLAN ADMINISTRATION DIVISION CHIEF

21 DONNESON: Excuse me, while we...

22 Today, I'm going to talk about two things  
23 primarily for this item. And that is we're going to  
24 continue the discussion from April, which proposed some  
25 additional benefit designs. In addition, we're bringing

1 forward some information on a program called  
2 SilverSneakers.

3 The second part of this agenda will be to present  
4 the pharmacy benefit strategy for 2019 and beyond.

5 --o0o--

6 HEALTH PLAN ADMINISTRATION DIVISION CHIEF

7 DONNESON: The 2018 proposed medical benefit designs for  
8 the CalPERS self-funded plans are consistent with  
9 strategic planning goal, that is health care  
10 affordability. These benefit designs are also consistent  
11 with the Let's Get Healthy California triple aim, that is  
12 to provide better health, better care at lower costs.

13 And finally, the five proposed benefit design  
14 changes with the addition of SilverSneakers for our -- for  
15 the self-funded -- is for the self-funded PPO Medicare  
16 members.

17 --o0o--

18 HEALTH PLAN ADMINISTRATION DIVISION CHIEF

19 DONNESON: This slide you have seen before. I would like  
20 to remind you that these continue to be the 12 proposed  
21 ambulatory surgery center reference price procedures,  
22 which we would like to have our members who can safely go  
23 to an ambulatory surgery center, use that site of care as  
24 a lower site of care versus the outpatient hospital.

25 We also provided for you some estimates of

1 mileage where the ASCs are located for our membership.  
2 That is also in the agenda item.

3 --o0o--

4 HEALTH PLAN ADMINISTRATION DIVISION CHIEF

5 DONNESON: For site of care management for medical  
6 pharmacy, this one is -- I wanted to provide a little more  
7 information on this one. This primarily is to direct our  
8 members who need infusions or provider-delivered pharmacy  
9 services from the outpatient hospital to three different  
10 locations, depending on their preference.

11 So we want them to have the option of having  
12 either an infusion or provider-administered drug done in  
13 their home, in the physician's office, or in an infusion  
14 center.

15 --o0o--

16 HEALTH PLAN ADMINISTRATION DIVISION CHIEF

17 DONNESON: These are lower cost sites of care with the  
18 same quality and safety. And Anthem has -- there was a  
19 pilot conducted by Anthem in 2012 and 2013 that showed,  
20 and we were apart of that pilot, that 75 percent of the  
21 members could be safely redirected.

22 We're also projecting a potential savings through  
23 this program of 3.1 million that would be included in the  
24 final rates for the PPO self-funded plans.

25 --o0o--

1 HEALTH PLAN ADMINISTRATION DIVISION CHIEF

2 DONNESON: Looking at net savings and PMPM admin fees, the  
3 newest benefit design to add the SilverScripts for the  
4 self-funded PPO members is not produced here as we -- it  
5 is a -- it's a program for Medicare, and I will talk about  
6 that shortly.

7 The Trivity contracting group is a subcontractor  
8 of Anthem Blue Cross. They would administer the  
9 SilverSneakers program, which is to provide a healthy  
10 lifestyle similar to what we have provided to Kaiser and  
11 to the Medicare Advantage plans through United.

12 So this is a subcontracting relationship, in  
13 which the cost for the SilverSneakers program is based on  
14 a per visit cost. And it's difficult for us to estimate  
15 at this time, but we wish to have a better number for you  
16 in June. It's difficult for us to estimate how many  
17 visits a senior, which could be someone 65 to 110 might  
18 use the program. We will look at our experience with the  
19 Kaiser plan and the United plans to see if we can get an  
20 estimate

21 --o0o--

22 HEALTH PLAN ADMINISTRATION DIVISION CHIEF

23 DONNESON: So the -- through the Trivity program, the cost  
24 of \$4.25 is the per visit cost. And so you'll see a cost  
25 of 1.7 versus eight million. And that's -- the eight

1 million for the cost is as if everyone used it. Not  
2 everyone may use it, so Anthem has advised us that it  
3 would be capped at \$5.14 PMPM. Again, I have not -- Carl,  
4 can you go back a slide.

5           Again, I have not included the cost yet, because  
6 we're still looking for a reliable estimate in terms of a  
7 PMPM, that it would be added to the PPO premiums for 2018.

8                               --o0o--

9                               HEALTH PLAN ADMINISTRATION DIVISION CHIEF

10 DONNESON: Also, on slide six, I want to talk about the  
11 additional programs that we want to continue. We want to  
12 continue the Castlight tool, which is an important tool,  
13 if you're going to reference price either pharmacy or  
14 medical benefits, so that our members know where to go to  
15 seek the appropriate sites of care.

16           We wish to continue the Welvie on-line service  
17 for our PPO members, which is an alternative to -- is an  
18 information website on alternatives to surgery.

19           And we would like to expand that -- the Welvie  
20 tool to the Medicare population, which we believe is also  
21 a patient safety issue. That is they -- that population  
22 should really have access to tools that give them options  
23 to surgery.

24           And then the total savings that you see up here  
25 for all of our benefit design changes is approximately



1 \$5.4 million. That does not include the additional costs  
2 that we might experience with SilverSneakers or -- and so  
3 we will come back in June with the final estimates of both  
4 savings and cost with adjustments, if -- should you  
5 approve these designs to the PPO self-funded premiums for  
6 2018.

7 --o0o--

8 HEALTH PLAN ADMINISTRATION DIVISION CHIEF

9 DONNESON: Moving onto the next slide, Carl, which is the  
10 2019 and beyond benefit strategies. I've asked Dr.  
11 Melissa Mantong to speak to what those proposed designs  
12 are all about.

13 DR. MANTONG: Good afternoon. Melissa Mantong,  
14 CalPERS team member. The CalPERS team identified four  
15 potential pharmacy benefit strategies for plan year 2019  
16 and beyond. The first strategy is reference pricing for  
17 selected therapeutic classes. CalPERS team members have  
18 held preliminary discussions with the university of  
19 California at Berkeley and with the company RXTE  
20 concerning the rationale and operational aspects of  
21 reference price based -- sorry, excuse me --  
22 reference-based pricing for drugs for selected therapeutic  
23 classes under the OptumRx benefit.

24 The aim is to develop a formal proposal for  
25 physician in mid-2018, with an implementation day of

1 January 1st, 2009.

2 The United Food and --

3 HEALTH PLAN ADMINISTRATION DIVISION CHIEF

4 DONNESON: 2019?

5 DR. MANTONG: 2019, sorry. Thank you.

6 The United Food and Commercial Worker Trust Fund  
7 implemented a reference price design when it needed to  
8 reduce its pharmaceutical expenditures to meet collective  
9 bargaining agreement terms without costs shifting to its  
10 membership or making benefit changes, with an estimated  
11 annual savings of 15.7 million.

12 The second strategy is value-based insurance  
13 design. The CalPERS team will evaluate strategies, such  
14 as outcome based contracts, where rebate payments are  
15 based on the actual performance of the drugs in CalPERS  
16 members, and indication-based contracts for selected  
17 drugs.

18 The third strategy is carve out selected pharmacy  
19 benefit management tasks in the next five-year PBM  
20 contract.

21 The fourth and last strategy is modify  
22 prescription drug copayment structure. Blue Shield of  
23 California have asked CalPERS to approve redefining the  
24 current generic, preferred brand, and non-preferred brand  
25 tiers to numerical tiers, such as 1, 2, and 3, based on

1 the drug price in 2019.

2 Other copayment structure modifications for  
3 consideration are standardize 30-day supply for one co-pay  
4 across all plans. Currently, PERSCare members receive 34  
5 day supplies for one co-pay, and eliminate partial co-pay  
6 waivers for non-preferred brand. Both modifications  
7 reduce administrative complexity.

8 Now, I would like to turn it back over to Dr.  
9 Donneson.

10 --o0o--

11 CHAIRPERSON MATHUR: Your microphone.

12 Thanks, Kathy.

13 HEALTH PLAN ADMINISTRATION DIVISION CHIEF

14 DONNESON: Thank you.

15 We wanted to bring these forward to you today as  
16 we continue to think about the strategic planning process  
17 for 2017 to 2022 that begins in July. From this slide,  
18 you can see that our over -- overarching goal, as part of  
19 that strategic plan, is health care affordability to  
20 transform the health care purchasing and delivery to  
21 achieve affordability.

22 That is connected to three -- three objectives.  
23 The one we have talked about today, in part, is to  
24 restructure our benefit designs, to achieve four of nine  
25 initiatives: Value-based insurance design, site of care

1 management, pharmacy benefit manager pilot, reference  
2 pricing expansion. And we believe the ones that we have  
3 presented today meet -- begin to meet those initiatives.

4 --o0o--

5 HEALTH PLAN ADMINISTRATION DIVISION CHIEF

6 DONNESON: For our next steps, as all of us will be doing  
7 who are working on the strategic plan throughout the  
8 enterprise, we will be developing our action plans related  
9 to our goals, objectives, and initiatives.

10 For 2018, we will return with the -- to request  
11 that you approve the benefit designed that we have put  
12 forward. Over the next one to five years, we will be  
13 producing ongoing results for each of our initiatives, and  
14 periodically reporting our progress.

15 And that concludes my presentation. Thank you.

16 CHAIRPERSON MATHUR: Thank you very much both of  
17 you. We do have several members of the Committee who wish  
18 to speak.

19 Mr. Jones.

20 COMMITTEE MEMBER JONES: Yeah. Thank you, Madam  
21 Chair.

22 Yeah, Ms. Donneson, thank you for the report. A  
23 couple of questions. The first one is the SilverSneakers.  
24 In the data it said nationwide there's about 13,000  
25 locations. So what is the anticipated number of

1 locations, if this was approved throughout our member  
2 State locations?

3 HEALTH PLAN ADMINISTRATION DIVISION CHIEF

4 DONNESON: I would like to direct your attention to the  
5 actual agenda item, which is page four of six. So it's a  
6 broad classification of locations that include multiple  
7 gyms. It includes flex classes that are provided through  
8 parks, community centers, and other venues for fitness  
9 workouts. And then there are exclusive SilverSneaker  
10 opportunities for yoga, strength training, flexibility,  
11 cardiovascular improvement, and movement classes. So it's  
12 a broad -- it's not a set of gyms. It's a broad set of  
13 services that are covered by SilverSneakers and would be  
14 administered through Trivity.

15 COMMITTEE MEMBER JONES: Okay. So the  
16 accessibility would be very easy then throughout the  
17 State.

18 HEALTH PLAN ADMINISTRATION DIVISION CHIEF

19 DONNESON: It appears to be so. We will continue to make  
20 sure that's true.

21 COMMITTEE MEMBER JONES: Okay. The second  
22 question is that on your proposals, and the net savings,  
23 if going -- in the future, is it possible to identify the  
24 number of members affected by these various proposals that  
25 come to us, because it was like earlier today, we heard

1 Mr. Mr. Suine, where we were talking about the IRC plan.  
2 And, you know, he said it's a million dollars, but we  
3 found out it's only a thousand people. So your reaction  
4 would be different if it was a large number of people  
5 affected.

6 HEALTH PLAN ADMINISTRATION DIVISION CHIEF

7 DONNISON: Correct.

8 COMMITTEE MEMBER JONES: So if you could -- as  
9 you move forward, if you could begin to give us some sense  
10 of how many members would be affected with some of these  
11 proposals. I think that would be helpful.

12 HEALTH PLAN ADMINISTRATION DIVISION CHIEF

13 DONNISON: We will certainly make that clear by June.

14 COMMITTEE MEMBER JONES: Okay.

15 HEALTH PLAN ADMINISTRATION DIVISION CHIEF

16 DONNISON: It is all of -- all three plans for our PPOs,  
17 so -- but we'll clarify.

18 COMMITTEE MEMBER JONES: Okay. Thanks

19 CHAIRPERSON MATHUR: Thank you.

20 Mr. Gillihan.

21 COMMITTEE MEMBER GILLIHAN: Thank you, Madam

22 Chair. I just -- I'm a bit concerned about this

23 SilverSneakers program. I'm sure it's a fine program.

24 But at the start of this discussion, you know, I heard

25 several of my colleagues up here express concerns about

1 the progress of negotiations. And the context under that  
2 is the cost of these plans.

3 And so I'm concerned that we're adding yet  
4 another cost drive. We don't know how much it's going to  
5 cost. It could be close to \$2 million. It could be as  
6 high as \$8 million at full exposure. So I would just ask  
7 my colleagues to think about these things, because, you  
8 know, these are costs that are largely borne by the  
9 employers, as they're added to the plans.

10 And I don't know what value we're getting out of  
11 them, and what other options that are members could get,  
12 you know, directly without funneling these things through  
13 CalPERS, so...

14 CHAIRPERSON MATHUR: Thank you.

15 Ms. Taylor.

16 COMMITTEE MEMBER TAYLOR: Yes. Thank you, Madam  
17 Chair.

18 So I had a couple of questions. I wanted to  
19 clarify on slide -- well, page four of nine, that these 12  
20 reference pricings and savings for 12 procedures is going  
21 to be for our PPO programs or is that for our Medicare  
22 program?

23 HEALTH PLAN ADMINISTRATION DIVISION CHIEF

24 DONNISON: The reference pricing on the 12 additional  
25 procedures is basic only. It does not apply to Medicare.

1           COMMITTEE MEMBER TAYLOR: Okay. That's what I  
2 wanted to make sure. And then I know that it's also for  
3 basic only the next page, five of nine. For the --  
4 reducing use of ER for urgent care for our PPO plans, and  
5 didn't we do that already?

6           HEALTH PLAN ADMINISTRATION DIVISION CHIEF  
7 DONNESON: This is -- this is an education program that we  
8 were part of a pilot, which shows that it's effective and  
9 actually improving a member's use of urgent care over the  
10 emergency room. But what we're proposing here is the full  
11 program, which includes the education plus a device  
12 application that it goes on a cell phone or an iPad, where  
13 a member can actually look up an alternative to the  
14 emergency room.

15           COMMITTEE MEMBER TAYLOR: A nearby urgent care,  
16 something like that?

17           HEALTH PLAN ADMINISTRATION DIVISION CHIEF  
18 DONNESON: And then go to urgent care.

19           COMMITTEE MEMBER TAYLOR: Okay.

20           HEALTH PLAN ADMINISTRATION DIVISION CHIEF  
21 DONNESON: And this one is for both the Medicare and the  
22 basic population.

23           COMMITTEE MEMBER TAYLOR: Nice. What I have seen  
24 out of this though, it doesn't seem like our prices go  
25 down all that much, based on, what is it, \$0.20, \$0.16?



1 It doesn't seem like a whole lot, but -- and then  
2 finally -- wait, I had page seven of nine.

3 And then I wanted to know, you were talking about  
4 redefining the drug copayment structure from generic,  
5 non-generic to a numbered system. And I did not  
6 understand what you meant by that, so if I could get kind  
7 of a better explanation on that.

8 DR. MANTONG: Sure. The current co-pay structure  
9 is based on the drugs, whether it is a generic product or  
10 brand name product, or a non-preferred brand product.

11 COMMITTEE MEMBER TAYLOR: Right.

12 DR. MANTONG: So instead of using that  
13 definition, the proposal is to just define them by number,  
14 one, two, and three, increasing in drug cost based on the  
15 cost of the drug.

16 COMMITTEE MEMBER TAYLOR: So which is higher, one  
17 or three?

18 DR. MANTONG: Three would be highest, one would  
19 be lowest.

20 COMMITTEE MEMBER TAYLOR: Okay.

21 DR. MANTONG: Yes. And as you may be aware -- as  
22 you may be aware that there are a lot of high cost  
23 generics. That we need to address.

24 COMMITTEE MEMBER TAYLOR: All right. Thank you.

25 CHAIRPERSON MATHUR: Thank you, Ms. Taylor.

1 Mr. Lofaso.

2 ACTING COMMITTEE MEMBER LOFASO: Thank you, Madam  
3 Chair. Just two questions. One, I think you allude to  
4 this Dr. Donneson, but the things we're talking about for  
5 2018 are PPO only. And I know it's millions, not billions  
6 in the savings. But did you indicate they've already been  
7 incorporated into the preliminary rates that were on the  
8 last item or does that come in June?

9 HEALTH PLAN ADMINISTRATION DIVISION CHIEF

10 DONNESON: It is for the PPOs only for the three plans  
11 that are part of our self-funded program. We have not  
12 incorporated these savings. Also, I would like to just  
13 talk a little more, since there are questions, about page  
14 five of six, which shows the table with the savings.

15 These -- while they may seem small in terms of  
16 per member per month, it actually allows you to see that,  
17 one, over what you're spending in terms of your admin fees  
18 to administer the programs. That's what that box is  
19 there.

20 If you look to the left, these are net savings.  
21 So gross minus net provides -- or gross -- sorry, gross  
22 minus admin fee provides the net savings. But I'd also  
23 like to remind the Board that the reference priced  
24 procedures, this assumes a minimum of ten percent  
25 migration.

1 Over one to two years, we see 10 to 15 percent  
2 migration. So this is sort of the start-up savings, but  
3 we would expect to see more. And also, around site of  
4 care management itself, the more services that can be  
5 provided outside of the outpatient hospital setting,  
6 safely with quality, and convenience to the members is  
7 actually consistent both with the triple aim that I've  
8 talked about, as well as savings beyond what you see here,  
9 not just for the 2018 rates, but going forward into 2019,  
10 and beyond.

11 ACTING COMMITTEE MEMBER LOFASO: Appreciate that  
12 answer. And I did want to highlight the initiative to  
13 save costs that you're all talking about.

14 My second question, and since we're still kind of  
15 on reference pricing, in terms of the initiatives we're  
16 talking about for 2019, a two-part question. One, for the  
17 pharmacy benefit reference pricing, that would be HMOs and  
18 PPOs? And my second question is there's a medical  
19 necessity exception. And the staff memo kind of indicates  
20 that it's well liked, for lack of a better term.

21 Is that medical necessity exception process, does  
22 it have the look and feel of a prior authorization process  
23 now or is it a substantially different process?

24 HEALTH PLAN ADMINISTRATION DIVISION CHIEF

25 DONNISON: Well, I'd like to talk about the medical side

1 of pharmacy, which includes moving members to safe sites  
2 of care that are less expensive than the outpatient  
3 hospital, as well as reference price procedures. It is  
4 the physician or the surgeon that makes the determination  
5 in terms of what is safe for the patient.

6 So that -- because these are elective and  
7 precertified, any surgeon that doesn't believe in  
8 outpatient hospital facility -- or that believes that  
9 that's the site of care that's safest for the patient,  
10 they sign a certification. It's not like the prior  
11 authorization process for drugs.

12 And the similar thing holds for medical pharmacy.  
13 If the site of care is safest in the outpatient hospital,  
14 then the physician does the certification through Anthem.

15 ACTING COMMITTEE MEMBER LOFASO: Thank you.  
16 That's very helpful. And would that program in the future  
17 apply to both HMOs and PPOs?

18 HEALTH PLAN ADMINISTRATION DIVISION CHIEF  
19 DONNISON: The reference pricing and the medical pharmacy  
20 is for the PPOs only. The proposed reference pricing  
21 for -- by therapeutic class for -- would apply to any drug  
22 program managed through Optum, so yes, it would apply to  
23 both, the reference pricing on therapeutic class.

24 ACTING COMMITTEE MEMBER LOFASO: Thank you.

25 Thank you, Madam Chair.

1           CHAIRPERSON MATHUR: Thank you.

2           Mr. Bilbrey.

3           VICE CHAIRPERSON BILBREY: Thank you, Madam  
4 Chair. I just wanted to note my colleague mentioned about  
5 SilverSneakers. While I understand and agree that we need  
6 to worry and watch about costs, we also need to take into  
7 effect of what will this program have in reducing our cost  
8 by keeping people out of the doctor's office or out of the  
9 hospital?

10           Some preventative care around our wellness  
11 programs that we were trying to build, I think this may  
12 actually have more of a positive than we realize. So we  
13 should keep that in consideration. And we will see when  
14 the pricing comes back next month.

15           CHAIRPERSON MATHUR: Thank you.

16           Mr. Jelincic.

17           BOARD MEMBER JELINCIC: Yeah. I want to follow  
18 up on Theresa's point on the prescription drug copayment  
19 structure. You know one, two, three as a label. And the  
20 problem I'm going to raise is addressable. I'm not sure  
21 exactly how. But right now, when we say generic,  
22 preferred, and non-preferred, we deliver a very clear,  
23 understandable message to both the member and the doctor.

24           When we say one, two, three, I'm not sure that  
25 that message doesn't get seriously muddled. As I said,

1 I'm sure it can be resolved, but I think we need to be  
2 conscientious about making sure that we do keep a clear  
3 message.

4 Thank you.

5 CHAIRPERSON MATHUR: Thank you.

6 Well we'll hear more on this next month and in  
7 the months to come. We do have -- we have -- I don't  
8 think there are any more comments or questions from the  
9 Committee, but we do have one member of the public who  
10 wishes to speak. Mr. Johnson, if you'd come forward. You  
11 can take a seat over here to my left. The microphone will  
12 be turned on for you. And if you could identify yourself  
13 and your affiliation for the record. You'll have three  
14 minutes in which to speak.

15 MR. JOHNSON: Neal Johnson, SEIU Local 1000. I  
16 thank you for the opportunity.

17 The -- in the 25 years I've been following the  
18 health program here at PERS, one of the common things has  
19 been emergency room use. And while I think we support the  
20 proposal and really think education is the first step in a  
21 program, part -- and Anthem, I guess, did a pilot study.  
22 And I would encourage in this program to really collect  
23 some good data on, you know, why -- for example, why are  
24 people going to the emergency room not urgent care? You  
25 though, is it a time issue? In other words, 3:00 in the

1 afternoon versus 3:00 in the morning type things. Is it  
2 geographic location? Is it particular medical conditions?

3           Because we really don't know whether that choice  
4 of going to the emergency room is one of convenience or  
5 one of more a necessity because of the lack of other  
6 options.

7           We also probably want to know is it the same  
8 people that continue -- you know, and I don't want to use  
9 concept of a repeat offender, but we all -- you know, the  
10 first time you can explain easily, okay, there might have  
11 been an error, or in my case Blue Shield on its advice  
12 line says if I experience a certain condition, go directly  
13 to the emergency room. Don't pass go.

14           And fortunately I haven't had to do that, but --  
15 so that, you know, there's a provider saying this is where  
16 we want you to go. So I think we really need good data to  
17 really understand how -- whether this program works or  
18 not. I really hope the program does work, and I think  
19 we're supportive of it.

20           Then finally, I would like to take a brief moment  
21 of personal privilege and thank Mr. Rob Honaker for his  
22 answers to a series of questions I had last week at the  
23 stakeholder engagement meeting with respect to the  
24 reference pricing model. And thank you, Rob.

25           And thank you, Committee.

1           CHAIRPERSON MATHUR: Thank you very much, Mr.  
2 Johnson.

3           Okay. That brings us now to the end of our  
4 agenda. Agenda Item number 8 is Summary of Committee  
5 Direction.

6           CHIEF HEALTH DIRECTOR BAILEY-CRIMMINS: Madam  
7 Chair, I took one direction that was based on to provide  
8 context and help the Committee with decision making. From  
9 this point forward, we would actually provide the number  
10 of members affected when we were bringing benefit design  
11 or these types of decisions in front of the Committee.  
12 That was the only action item or direction that I had  
13 taken.

14           CHAIRPERSON MATHUR: Okay. Sounds good. Thank  
15 you. And then finally, the brings us to Agenda Item  
16 number 9, Public Comment. I do have one member of the  
17 public who wishes to speak. Mr. Behrens, Tim Behrens, if  
18 you could come forward.

19           That's you.

20           (Laughter.)

21           CHAIRPERSON MATHUR: You can take a seat to my  
22 left. Your mic is on. If you could identify yourself and  
23 your affiliation for the record. You have three minutes.

24           MR. BEHRENS: Thank you, Madam Chair and Board  
25 members. I gave public comment at the November 2016



1 Pension and Health Benefits Committee drawing attention to  
2 a \$100 million reporting discrepancy for the cost of  
3 pharmaceutical drugs for the year 2014.

4 As you may recall, we found CalPERS staff had  
5 reported to the Board in December 2015 that the total cost  
6 of drugs to CalPERS for 2014 was \$1.8 billion, a  
7 significant increase over 2013. Then in September 2016,  
8 it was reported to you that the cost of drugs for 2015,  
9 2.1 billion, an increase of nearly 10 percent over 2014  
10 cost of 1.9 billion.

11 In reports nine months apart, the reported costs  
12 were 0.1 billion, or 100 million, different. We asked for  
13 an explanation and suggested in the future that such drug  
14 cost reports to the Board and stakeholders should be in  
15 100,000s rather than billions for greater accuracy and to  
16 assure rounding of such large expenditures was not  
17 occurring.

18 As I recall, Mr. Jones suggested staff go back  
19 and research this issue and get back with the  
20 stakeholders. I am happy to report that this occurred.  
21 In the March 2017 stakeholder's briefing, Dr. Sun reported  
22 to us that they had completed their analysis and that  
23 neither report to the Board had been completely accurate.

24 The true cost of drugs for 2014 should have been  
25 reported as 1.86 billion in both the drugs for 2014 should

1 have been reported at 1.86 billion in both the 2015 and  
2 2016 reports. There was no explanation why they were off  
3 by 86 million for 2015, and 14 million in 2016. But they  
4 did agree to our recommendation that future reports be  
5 given in 100,000 of dollars.

6 I want to report the outcome of this issue to the  
7 Board, thank the staff for looking into it and reporting  
8 back to the California State Retirees, and other retiree  
9 groups, and for agreeing to report in smaller  
10 denominations in the future.

11 Thank you very much.

12 CHAIRPERSON MATHUR: Thank you, Mr. Behrens.

13 Well, that brings us to the end of the agenda. I  
14 don't see any further requests to speak.

15 Does anyone else wish to speak at this time?

16 Seeing none, we are adjourned.

17 Thanks, everyone.

18 (Thereupon the California Public Employees'  
19 Retirement System, Board of Administration,  
20 Pension & Health Benefits Committee open  
21 session meeting adjourned at 3:24 p.m.)  
22  
23  
24  
25

## 1 C E R T I F I C A T E O F R E P O R T E R

2 I, JAMES F. PETERS, a Certified Shorthand  
3 Reporter of the State of California, do hereby certify:

4 That I am a disinterested person herein; that the  
5 foregoing California Public Employees' Retirement System,  
6 Board of Administration, Pension & Health Benefits  
7 Committee open session meeting was reported in shorthand  
8 by me, James F. Peters, a Certified Shorthand Reporter of  
9 the State of California;

10 That the said proceedings was taken before me, in  
11 shorthand writing, and was thereafter transcribed, under  
12 my direction, by computer-assisted transcription.

13 I further certify that I am not of counsel or  
14 attorney for any of the parties to said meeting nor in any  
15 way interested in the outcome of said meeting.

16 IN WITNESS WHEREOF, I have hereunto set my hand  
17 this 22nd day of May, 2017.

18  
19  
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21 

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24 Certified Shorthand Reporter  
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