


California Public Employees' Retirement System

**Board of Administration
Pension and Health Benefits Committee
Meeting Minutes**

April 18, 2017



The Pension and Health Benefits Committee (PHBC) met in Open Session on Tuesday, March 14, 2017, in the Lincoln Plaza North Building, 400 Q Street, Sacramento, California.

The meeting was called to order at 9:01 a.m. with the following members present:

Priya Mathur, Chair
Michael Bilbrey, Vice Chair
Eric Lawyer for John Chiang
Rob Feckner
Katie Hagen for Richard Gillihan
Dana Hollinger
Henry Jones
Teresa Taylor
Alan LoFaso for Betty Yee

Other Board Members Present:

JJ Jelincic
Ron Lind
Bill Slayton

Agenda Item 2 – Executive Report(s)

Donna Lum, Deputy Executive Officer (DEO), Customer Support Services, provided an update of the regulation for Pensionable Compensation under PEPR. The regulation package has been delivered to the Office of Administrative Law and it is expected that the public comment period will be from April 21, 2017 to June 6, 2017. It is anticipated that the regulations will come back to the committee in August for final approval.

Ms Lum stated that communication and information for the direct deposit of warrants was mailed out to about 470,000 retirees on April 17, 2017, with a due date of July 1, 2017. The communication provides information about the direct deposit initiative, why we're doing it, and some of the benefits. A postage-paid attached postcard provided will enable the retiree to elect to opt in to paper if that is something they choose to do. A draft of the communication was shared with the retiree associations, and they did provide some feedback to help us ensure that the communication is clear for the membership.

Ms Lum also stated that the attendance for the CalPERS Benefit Educational Events continues to grow. The last event was held in Santa Barbara on March 17th and 18th and the attendance tripled from the prior event. Due to federal budget constraints, there has been an absence of participation from the Social Security Administration. In order to ensure that our members continue to get information regarding Social Security, our CalPERS Social Security team stepped in and provided the presentations and staffed the exhibit booths so they could continue to provide information to our members. The next event is in Fresno on April 28th & 29th and for next year, we currently have tentative dates and locations for nine events.

This is Financial Literacy Month and the customer support team in partnership with the Public Affairs Office has developed a video series, "Planning Your Financial Future" that goes over several topics including, budgeting, managing debt, retirement income sources, examples of tax-deferred savings, personal savings and health care costs (a video related to personal savings was shown). Marketing is being done via the employer bulletin, social media, waiting rooms, benefit educational events, the Educational Forum and on the website. This is part of a project that we discussed with the Committee during the business planning process: Senator Rand financial literacy education for our members. It is important for our members to understand their responsibilities and benefits related to retirement planning at an early stage, and with the changes that have been brought about by PEPRA.

Liana Bailey-Crimmins, Interim Deputy Executive Officer (DEO), Benefit Programs Policy and Planning, provided an update on the ACA and three taxes/fees that impact CalPERS, the successes we have had in relation to our employer outreach, and a highlight of the accomplishments we've made to date with OptumRx. There are three taxes/fees that currently impact CalPERS. One is the excise tax (also known as the Cadillac Tax), the Patient Center Outcomes Research Trust Fund (also known as the PCORI fee), and the Health Insurer Tax (HIT).

The PCORI expires at the end of 2018, which is good news, so unless there is an agreement at a federal level and it is extended beyond 2018, we will no longer have to pay that fee. The fee accounts for about a little bit less than 20 cents per member per month. In 2016 HIT accounted for about three percent of our rate increase in our plans. As we hit 2017, the federal government waived that tax and so our rates then went down. But for 2018, it is unknown if it will continue, and as such, some of the plans, as we are going into rate negotiations are including the tax and others are not so that will be something we will be watching. With the excise tax, it was supposed to go into effect in 2018, but it has been extended into 2020 which is right in the middle of our five-year agreement that runs from 2019 to 2024. The Health Policy and Research Division, along with the Legislative Affairs Division and our health care federal reps is currently monitoring, as 2020 approaches, that we are completely aware of potential impacts to our agreements. We will keep you apprised of any progress made.

Ms Bailey-Crimmins also went over the successes they had in March with the completion of another round of employer outreach sessions. The focus engaged on employers on the upcoming policy changes and the potential impacts of ACA. At the Sacramento event, we started with 21 employers participating and because we open it up and created a call-in feature we ended up with an additional 19 employers able to participate. Based on the comments received, we are working with the stakeholder engagement team to have another session at the end of June.

Ms Bailey-Crimmins went over some issues/challenges with OptumRX. They are at the 100 day mark and working with Public Affairs on communication. Some of the most critical issues that still remain are EGWP and Medicare Part D, so we are working with Optum Rx. Our clinical team and their clinical team have boosted up the prior authorization review process so the approval rates can be increased. We also want to decrease appeals and want to improve the member's experience. Walgreen's access in rural areas is not always available, so in the next 60-90 days additional sites are opening for easier access in these areas. The customer service contact center needs more education. In addition to hiring an ombudsman, a Customer Service Representative Manager has been hired who reports directly to CalPERS and meets with us on a daily basis to go over any escalations.

Ms Bailey-Crimmins states that Dr. David Cowling has been asked to present at the June Academy Annual Health Research Meeting. There will be about 2,500 health service researchers across the nation that will be attending. At an academic conference, they choose who is going to speak through submittals and only ten percent of those submittals actually get accepted for an oral presentation. Dr. Cowling has done a poster review on our Sacramento

ACO and he is also being recognized on an oral report related to Castlight, which is our medical services compare shopper tool.

Agenda Item 3 – Consent Items

The Committee accepted the following Action Consent Items:

- 3a. Approval of the March 14, 2017 Pension & Health Benefits Committee Meeting Minutes.

The motion to approve the minutes was made by Michael Bilbrey and seconded by Theresa Taylor. Motion passes.

Agenda Item 4 – Consent Items

The Committee accepted the following Information Consent Items:

- 4a. Annual Calendar Review
- 4b. Draft Agenda for the May 16, 2017, Pension & Health Benefits Committee Meeting
- 4c. Federal Health Care Policy Representative Update
- 4d. Federal Retirement Policy Representative Update

Agenda Item 5 – Health Plan Trend Report

Shari Little, Chief, Health Policy Research Division, as an information item, presented Health Care Cost Trend analysis reports findings for fiscal year 2016. This report highlights the key membership trends and costs overall. Costs were stated in per member per month (PMPM) terms. This information will be used as we move into our rate development process. CalPERS will continue to analyze on an ongoing basis and will want to continue to deliver the best care at the lowest cost.

Agenda Item 6 – Health Benefit Design Proposals for 2018

Kathy Donneson, Chief, Health Plan Administration Division, and Dr. David Cowling, Chief, Center for Innovation, as an information item, presented information concerning potential benefit design changes for 2018, including expanding reference pricing for ambulatory surgery centers to an additional twelve procedures; adding medical site of care for pharmacy in terms of moving our members to less costly sites for drugs that are administered through providers in their offices; adding an educational program designed to reduce the unnecessary use of emergency rooms, and continuing the Castlight and expanding the Welvie tools. The Castlight and Welvie tools are currently available to the basic plan members, however, under a Center for Medicaid and Medicare Innovation grant, Medicare has identified that this tool is also valuable to the elderly in giving them an option in terms of their care, so we would like to recommend that this be expanded to the Medicare population as well.

Agenda Item 7 – Health Care Beliefs – Planning

Ms Bailey-Crimmins, DEO, as an information item, presented information for the framework and approach regarding the Health Policy Research Division's (HPRD) path forward for developing the CalPERS Health Beliefs. The timeline of events will be milestones over the next seven to eight months; in our inclusive approach, we will be reaching out to our stakeholders, which are actives, employers, our retirees and we will be asking them their priorities of where we will have the strongest voice on behalf of the health care industry, and then we will show some of the considerations that we will be discussing as we develop health care belief statements. HPRD will then present an initial set of draft belief statements for discussion. Based upon input and ratings by the Board and the Health team, HPRD will develop a final set of Health Beliefs for approval at a future Board meeting.

Agenda Item 8 – Health Care Combination Enrollments

Ms Little, and Karen Páleš, CalPERS staff, presented as an information item, the request from the Committee from the Board meeting in February to review and bring back to the committee, potential cost, rate, and other implications in accordance to separate enrollments and combination plans. The concept of allowing individuals enrolled in a combination plan to separately enroll in plans offered by different health carriers was one of many ideas HPRD

considered over the past five years as a way to potentially optimize Medicare plan benefits for CalPERS members. In our analysis of what the CalPERS health benefits landscape would look like if we allowed members to enroll in health plans offered by multiple carriers, the multi-carrier concept would cost between \$12 and \$15 million for CalPERS system changes and would take about four years to submit a budget change proposal and then develop and implement the system change.

The multi-carrier concept would mean departing from the group health plan model of an eligible subscriber and their eligible dependents currently used to develop our rates and transmit electronic data. Instead, we would have to use something similar to what is used in the individual market. Any of CalPERS' external business partners such as our health plans or the contracting employers or the State Controller's office would need to make changes to their systems also and their health contribution and deduction processes. Allowing multi-carrier enrollments for combination enrollment families could result in increased administrative costs, potentially leading to higher health premiums. It would also be a variance from established electronic data handling practices that help ensure HIPAA compliance.

The Committee received comment from Donna Snodgrass, RPEA, and Larry Woodson, CSR, regarding Health Care Combination Enrollments.

Agenda Item 9 – Summary of Committee Direction

Ms Bailey-Crimmins provided a summary of the Committee direction from the April 18, 2017 meeting. The Committee directed staff as follows:

- Agenda Item 7 – Bring back additional information regarding whether the Castlight and Welvie tools can be used for HMO members.
- Agenda Item 8 – Bring back analysis associated with the feasibility of soliciting for another plan option for combination enrollments that reside outside of the United Health Care Basic coverage area and the Kaiser Medicare coverage areas.
- Bring back additional information regarding reference pricing across California.

Agenda Item 10 – Public Comment

There was no public comment.

The meeting was adjourned at 9:42 am.

The next meeting of the PHBC is scheduled for May 16, 2017, in Sacramento, California.

Liana Bailey-Crimmins
Interim Deputy Executive Officer
Benefit Programs Policy and Planning