


California Public Employees' Retirement System

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

May 16, 2017



The Pension and Health Benefits Committee (PHBC) met in Open Session on Tuesday, May 16, 2017, in the Lincoln Plaza North Building, 400 Q Street, Sacramento, California.

The meeting was called to order at 2:18 p.m. with the following members present:

Priya Mathur, Chair
Michael Bilbrey, Vice Chair
Jeree Glasser-Hedrick for John Chiang
Rob Feckner
Richard Gillihan
Dana Hollinger
Henry Jones
Teresa Taylor
Alan LoFaso for Betty Yee

Other Board Members Present:

JJ Jelincic
Ron Lind
Bill Slaton

Agenda Item 2 – Executive Report(s)

Donna Lum, Deputy Executive Officer (DEO), Customer Services and Support (CSS), provided a few updates. Ms. Lum shared that she had an opportunity to attend the annual Cost Effectiveness Measurement (CEM) global benchmarking conference where there were about 125 attendees representing 52 different systems, and seven different countries. The California Public Employees' Retirement System (CalPERS) was selected to participate in a newly formed steering committee with CEM, and Ms. Lum will be the representative for the steering committee. The areas that they will be looking at are; developing and identifying pension related research topics, identifying ideas for best practices and information to share at the annual conference, and to provide a forum for discussing other aspects of CEM Benchmarking services. In addition, CalPERS was one of two systems that was recognized for participation in what's called the CEM Peer Network. This Network is responsible for sharing out information, inquiries, and discussing best practices.

Ms. Lum provided an update on the regulations for Pensionable Compensation. The public comment ends on June 5, 2017, and to date, we have not received any questions or comments. We are on track to bring the final package to the Committee in August. Ms. Lum also gave an update on the CalPERS Benefit Education Events (CBEE). Members continue to attend the CBEEs in record numbers.

Liana Bailey-Crimmins, Chief Health Director, Benefit Programs Policy and Planning, provided an update on OptumRx, the Affordable Care Act (ACA) repeal, and Health Care Beliefs. Since the last report, the team has made significant progress at improving our members' experience and resolving issues. In April, CalPERS visited the Costa Mesa call center and provided one-on-one face-to-face training for their contact representatives that interact with CalPERS. A desk manual was left behind that will allow them to flag things that are important. In addition, each session was recorded so that if any of the agents were unable to participate, they were able to get that training later. OptumRx has also expanded their Select 90 retail program, so currently there are nearly 100 more retail pharmacies available to our members. The website is currently being finalized to reflect those added pharmacies so that it will make it easier for our members to find those new locations. In May, OptumRx put in place a dedicated prior authorization team. This will ensure that individuals at OptumRx have benefit design information for both our Medicare and Basic members and it also allows for any medication concerns to be addressed specifically by this team. Working with Public Affairs, we recently sent out communications to our stakeholder groups to ensure that they know, and are aware of, the steps being taken to improve relationships and also holding OptumRx accountable for our members' experience over the last few months.

The House of Representatives passed the American Health Care Act, which is to repeal and replace the ACA, and it is now in the Senate. The Senate has actually reached out recently to providers and to large purchasers, like CalPERS, to see if we have letters of recommendation, so as they start to craft new legislation, they take into account the larger population and our concerns. The CalPERS team will continue to monitor and bring back any significant changes.

Ms. Bailey-Crimmins also provided an update on Health Care Beliefs. She visited Butte County recently and talked to them about benefits and also where our beliefs are going in July, so they are providing some feedback. Within the next 30 days, we will begin a roundtable discussion with our stakeholder groups that have already been established, along with sending out surveys to members and stakeholders to allow them a voice in how those Beliefs are crafted. Those Beliefs will be brought back to the July off-site for the Committee to vote on.

Agenda Item 3 – Consent Items

The Committee accepted the following Action Consent Items:

- 3a. Approval of the April 18, 2017, Pension and Health Benefits Committee Meeting Minutes.

Agenda Item 4 – Consent Items

The Committee accepted the following Information Consent Items:

- 4a. Annual Calendar Review
- 4b. Draft Agenda for the June 20, 2017, Pension and Health Benefits Committee Meeting
- 4c. Federal Health Care Policy Representative Update
- 4d. Federal Retirement Policy Representative Update

Al Darby, Vice President, Retired Public Employees' Association (RPEA), spoke on this item.

Agenda Item 5 – Customer Services and Support Performance Update

As an information item, Ms. Lum gave a periodic update on the performance of the CSS Team and the strategic measures, and key initiatives and events that are within the various program areas.

Anthony Suine, Chief, Benefit Services Division, addressed exceptions in their strategic measures, where they fell below their established thresholds in the benefit payment timeliness and customer satisfaction. While they continue to excel at paying nearly all benefits timely and accurately, they have continued to fall below the threshold for the survivor benefit payments due to workload increases and vacancies in the Survivor Benefits Section. Mr. Suine states that

although the majority of their business processes are in the 90 percentile on customer satisfaction, they have fallen below their thresholds in two areas. The first area centers around new participants of the replacement benefit plan. The new participants continue to show their frustration with the program due to the lack of direct deposit for their funds in this payment type, as well as, the timeliness of their first payments if their employers have not satisfied their invoices with them timely. Because the Benefit Services Division doesn't want to add additional administrative costs, which are then turned back and charged to the participants of the plan, they don't plan to pursue direct deposit at this time. The department continues to communicate with the employers to ensure their timely payment of their invoices to expedite those payments to these participants. Due to the limited number of participants in this plan and the low number of respondents to this survey, they do not expect that the ongoing survey results will continue to be low in this area.

In the area of Service Credit Purchase, the Benefit Services Division continues outreach to our members to educate them on the benefits of purchasing service credit to enhance their benefits. As a result of this outreach, it has significantly increased the volume of requests in the service credit purchase area and in turn, the timeliness has suffered and the satisfaction results in this area have reflected those timeliness issues. Through the implementation of business process improvements and some strategic realigning of the workforce, they have been able to make adjustments and improve the timeliness. Mr. Suine also shared an update on activities in CSS. A retirement option simplification effort was launched a year or so ago and they are on target to implement those new options in January 2018. As a result of outreach efforts, education efforts, and internal team education, effective July 1, 2017, members will be able to go on-line and get those estimates for the new retirement options. Educational videos to enhance financial literacy are available on the CalPERS YouTube channel. Efficiencies in the delivery of health statements and direct deposits statement to our retirees have been made.

Agenda Item 6 – Preliminary 2018 Health Rates and Contracts

Ms. Bailey-Crimmins highlighted for the members and employers watching via the webcast that the preliminary rates were posted on the CalPERS website and that there were copies at the back table for those in the room. Shari Little, Chief, Health Policy Research Division, presented the unadjusted and risk-adjusted preliminary health plan rates for 2018 and contracting agencies by region. This year, Western Health Advantage has been added and will be offered as another option for members. Under consideration and pending Department of Managed Healthcare approval, is the change of Monterey County from an Exclusive Provider Organization to a Health Maintenance Organization product to expand the provider network, as requested by several members. Next steps will include looking at emerging data through our health plans as we consider those against what our data warehouse indicates, and our refresh data from claims experience. We will also continue our dialogue with the health plans. Finally, we will bring forward a risk-adjusted rate in June.

Donna Snodgrass, Director of Health Benefits, RPEA, spoke on this item.

Agenda Item 7 – Medical and Pharmacy Benefit Strategies

Kathy Donneson, Chief, Health Plan Administration Division, presented this information agenda item as an update of discussions held last month regarding the medical and pharmacy benefit strategies. Melissa Mantong, CalPERS PharmD and pharmacy consultant, helped address some of the future strategies that are part of the agenda item. In addition to discussion of proposed additional benefit designs, the SilverSneakers program for our self-funded Preferred Provider Organization Medicare members was discussed. The 2018 proposed medical benefit designs for the CalPERS self-funded plans are consistent with the strategic planning goal of health care affordability. The benefit designs are also consistent with the Let's Get Healthy California Triple Aim, which is to provide better health, better care at lower costs.

Ms. Donneson discussed the 12 proposed Ambulatory Surgery Center (ASC) reference price procedures, provided estimates of mileage where the ASCs are located for our membership, information on site of care management for medical pharmacy and the additional programs that we want to continue. Ms. Mantong spoke to the 2019 and beyond benefit strategies and proposed designs. The CalPERS team identified four potential pharmacy benefit strategies; reference pricing for selected therapeutic classes, value-based insurance design, carve-out selected pharmacy benefit management tasks in the next five-year Pharmacy Benefit Manager contract, and to modify prescription drug copayment structure.

Neal Johnson, Service Employees' International Union, Local 1000, spoke on this item.

Agenda Item 9 – Summary of Committee Direction

Ms. Bailey-Crimmins provided a summary of the Committee direction from the May 16, 2017, meeting. The Committee directed staff as follows:

- To provide context and assist with decision making, the Committee directed staff to include the number of impacted members on future benefit design agenda items.

Agenda Item 10 – Public Comment

Public Comment was received from Tim Beherens, California State Retirees, regarding staffs follow-up to pharmaceutical drug cost reporting discrepancies.

The meeting was adjourned at 3:24 p.m.

The next meeting of the PHBC is scheduled for June 20, 2017, in Sacramento, California.

Liana Bailey-Crimmins
Chief Health Director
Benefit Programs Policy and Planning