MEETING

STATE OF CALIFORNIA

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BOARD OF ADMINISTRATION

PENSION & HEALTH BENEFITS COMMITTEE

OPEN SESSION

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

COMMITTEE MEMBERS:

Ms. Rob Feckner, Chairperson

Ms. Theresa Taylor, Vice Chairperson

Mr. John Chiang, represented by Ms. Ruth Holton-Hodson

Mr. Richard Gillihan, also represented by Mr. Danny Brown

Mr. Henry Jones

Ms. Priya Mathur

Mr. David Miller

Mr. Bill Slaton

Ms. Betty Yee, represented by Mr. Alan Lofaso

BOARD MEMBERS:

Ms. Margaret Brown

Mr. Richard Costigan

Ms. Dana Hollinger

Mr. Ramon Rubalcava

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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

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

STAFF:

Dr. Kathy Donneson, Chief, Health Plan Administration Division

Ms. Jennifer Jimenez, Committee Secretary

Ms. Shari Little, Chief, Health Policy Research Division

Mr. Gary McCollum, Senior Life Actuary

ALSO PRESENT:

Mr. Tim Behrens, California State Retirees

Mr. Terry Brennand, Service Employees International Union

Mr. Jerry Fountain, California State Retirees

Mr. Ehteshau Hamid, Fresenius Kidney Care

Mr. Thomas Hiltachk, California Dialysis Council

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

Mr. George Linn, Retired Public Employees Association

Ms. Crystal McCray, Service Employees International Union

Mr. David Miller, Service Employees International Union

Ms. Michelle Vollrath, UnitedHealthCare

Mr. Larry Woodson, California State Retirees

I N D E X

P R O C E E D I N G S

CHAIRPERSON FECKNER: Good afternoon. We're going to call the Pension and Health Committee open session to order. The first order of business will be to call the roll, please.

COMMITTEE SECRETARY JIMENEZ: Rob Feckner?

CHAIRPERSON FECKNER: Good afternoon.

COMMITTEE SECRETARY JIMENEZ: Theresa Taylor?

VICE CHAIRPERSON TAYLOR: Here.

COMMITTEE SECRETARY JIMENEZ: Ruth Holton-Hodson for John Chiang?

ACTING COMMITTEE MEMBER HOLTON-HODSON: Here.

COMMITTEE SECRETARY JIMENEZ: Danny Brown for Richard Gillihan?

ACTING COMMITTEE MEMBER BROWN: Here.

COMMITTEE SECRETARY JIMENEZ: Henry Jones?

COMMITTEE MEMBER JONES: Here.

COMMITTEE SECRETARY JIMENEZ: Priya Mathur?

COMMITTEE MEMBER MATHUR: Here.

COMMITTEE SECRETARY JIMENEZ: David Miller?

COMMITTEE MEMBER MILLER: Here.

COMMITTEE SECRETARY JIMENEZ: Bill Slaton?

COMMITTEE MEMBER SLATON: Here.

COMMITTEE SECRETARY JIMENEZ: Alan Lofaso for Betty Yee?

ACTING COMMITTEE MEMBER LOFASO: Here.

CHAIRPERSON FECKNER: Please note Mr. Rubalcava and Ms. Brown joining us on the -- at the Committee level.

First of all, I want to apologize to everybody for the late start today. But there was a lot of business to be discussed this morning that you'll see here in a little bit. Part of that being that the report that we're waiting to get printed for you is still about 10 minutes out. So it will be in the back of the room. We'll let you all know when it's here. We're going to continue on with the first part of the meeting until we get to that point. But there were a lot of moving parts that we were trying to deal with. So just so you all know.

It brings us to Agenda Item 2, Executive Report.

Ms. Lum.

DEPUTY EXECUTIVE OFFICER LUM: Good afternoon, Mr. Chairman, members of the Committee. Donna Lum, CalPERS team member. In the interests of time, I'm going to provide you with a very brief executive report this afternoon.

I do have two updates that are related to the CalPERS Benefit Education Events for you today. First is an update on the event that recently took place this weekend at Olympic Valley on May 11th and 12th. This is one of our -- one of our most remote events. And we use

it as a bridge for our members that are in the more northern and eastern part of this state.

We had nearly 400 attendees, which represents an increase of 25 percent over the last time that we were at this location. We also had members that traveled from as far as three hours away, to be able to get to this event. So again, it does indicate that the effort that we put into some of these smaller events in the -- in the remote areas are really well attended by our members.

We did have a very kind of little exciting event that happened on Saturday. Unfortunately, there was a false fire alarm that took place. And we were fortunate that one of the members that was attending the CBEE was a firefighter. And he geared up, made the call in, and along with our team members we were able to calmly get all of the members out of the classrooms, get them to the evacuation location, and likewise calmly get them back into the classes. It was about an eight minute impact.

But certainly, it was probably the first time we'd experienced something like that, and we were very pleased to know that the staff were able to handle that very well.

In addition to that, our next CBEE is going to be held at -- in Riverside at Riverside Convention Center on June 15th and 16th.

The second update that I wanted to provide to you regarding the CBEEs is that we have the final schedule that has been prepared for the first half of 2019. If you recall in March, I provided the schedule for the remainder of 2018. And now we have the rest of the schedule for the first half of 2019. We have prepared fliers. They're in the back of the room. And I believe that you received the fliers as well.

The dates and the locations have all been updated on the CalPERS website. And again, we are very pleased with the level of attendance that we are seeing at all of the CBEEs and the feedback that we've been receiving. And the team did want to once again thank Mr. Feckner for his attendance at this event.

The next update is related to the regulations -- the proposed regulations regarding full-time employment that we brought forward to the Committee in February for your approval to move them on to the Office of Administrative Law to be released for public comment.

The public comment period began on April 13th. And to date, we have not received any comments. In addition, there have been no requests for a public hearing, and the final date to request a hearing has passed.

The public comment period will end on May 28th.

And assuming we receive no comments, we will be prepared to bring the regulation back to you in June. However, if we do receive comments, we'll need sufficient time to respond to them and we will bring the regulation back for final adoption at a later date.

Lastly, I just wanted to share with you that we -- the off -- or the building that our San Diego Regional Office is in is going to undergo some mandatory maintenance on May 23rd. Therefore, the building will not be open to the public from 8:00 a.m. to 10:00 a.m. We are being very proactive notifying the membership that the regional office will be closed for those two hours.

Fortunately, we only had three prescheduled appointments, and those members are being contacted to reschedule, and we will make sure that we can accommodate whatever their needs are in terms of timing for rescheduling the appointments.

In addition to that, we'll work closely with building management in the future to try to minimize closures that would impact our membership.

So, Mr. Chairman, that completes my report. And I'm happy to answer any questions that you may have.

CHAIRPERSON FECKNER: Thank you. I do want to say again what a pleasure it was to go to the CBEE. The staff is always very attentive to everyone. I was -- the

first main session I went into, there were actually only three empty seats, which was really nice to see, especially in such a remote location. Beautiful, cold, but it was great to see so many there.

And I actually talked to that firefighter before that happened. So it was good to see a good turnout what I thought was there, especially for such a remote area.

So thank the staff again for another great job.

DEPUTY EXECUTIVE OFFICER LUM: We will. Thank you.

CHAIRPERSON FECKNER: Thank you.

Ms. Bailey-Crimmins.

CHIEF HEALTH DIRECTOR BAILEY-CRIMMINS: Good morning, Mr. Chair and members of the Committee. Liana Bailey-Cimmins, CalPERS team member.

For my opening remarks, I have three highlights. The first is to update you on the CalPERS data warehouse solicitation. The second is to share some good news. We actually will have a mobile app for the health open enrollment period. So we're going to highlight that.

And lastly, provide just a quick executive summary on what to expect from today's Pension and Health Benefits Committee agenda items.

So for the past 14 and a half years, CalPERS has contracted with the third-party data warehouse and actuary

analytics firm. One of the key reasons CalPERS is a strong negotiator when it comes to rates is because we run analytics against our own data warehouse. We have the date and the science to know exactly what the aggregate member claim information is so we can accurately account for the medical and pharmacy services we are consuming as an organization.

Since CalPERS is not for profit, our annual health premium must accurately reflect the true cost of Chair. Therefore, having the cost history is fundamental to the annual rate negotiations with our health plans. I'd also like to point out that all the health data is aggregate and it's masked. So CalPERS does not have specific details on any one individual member's information. We instead look at the population as a whole.

November 2019, our current five-year contract expires. And during this year's solicitation, the Health team did something different. We actually did a phased procurement approach. Our requirements were the same, but many of you know that analytics and technology is advanced, and so we wanted to make sure our solution took advantage of these advancements.

The phased procurement requires several stage gates. The first was of August of 2017. We had minimum

qualifications sent out to the community, and we had 23 bidders that were interested. Then we went through another stage-gate that we actually provided the detailed business and technical requirements.

At that point, we then got down to 10 bidders. And then we decided to do a proof of concept, because when we look at proposals, they look one way on paper, but in actuality, we wanted to see how it's going to work, how the team is going to work with our team. And so we had another session where we ran the vendor through, with two top vendors, through what typical analytics we would normally nee, how well they worked with the team, and how well they did the knowledge transfer.

In addition, we made sure that we had third-party validation on business capabilities. We don't want smoke and mirrors, because it looks one way some -- we wanted to make sure we knew exactly what we were getting ourselves into.

So up of the top two, we ended up on April 27th awarding the new contract to Truven Health Analytics who will legally become IBM Watson in August.

I would like to personally thank our current vendor Milliman for their work and dedication. And we look forward to our new partnership with Truven Health Analytics for the next five years.

For the second item, have you ever wanted to have CalPERS members self-service health plan information at your fingertips? Our members remind us that they have their smartphones on them all the time. And so if you want to look up health plan information, who wants to go and drive home and access via computer desktop?

So I'm excited that we are developing a new mobile app that will provide help -- health open enrollment information that is currently available via the my|CalPERS member self-service. So this includes viewing health plan information, coverage information, using find a medical plan search tool, the ability to compare plans side by side, and also for retirees making a plan change.

And then the highlights to look forward to during this open session is for the PPO benefit design, there are two decisions in front of the Board. One is to recommend to eliminate Castlight. The other recommendation will be to be change the PPO urgent care and specialist copay by $15.

For the preliminary rates we ant to remind that -- remind everyone that the 2019 rates are preliminarily, and they are being still negotiated.

This is the first time not only do our members se the progress, but it is also the first time the health plans see each other's numbers. And this is typically

when the pencils start to get sharpened between now and June. We will discuss more of that during that session.

And then CalPERS dialysis cost and utilization. There were two dialysis ballot initiatives as of the writing of this agenda item. As of May 1st, one failed because it did not have enough signature votes -- or signatures. CalPERS has been providing data to the LAO and SEIU, so we wanted to make sure that you had a copy of the data that we've been providing, and also be open to ask -- answer any questions that you may have regarding CalPERS' specific cost and utilization.

So with that, Mr. Chair, that concludes my opening remarks and I'm available for any questions.

CHAIRPERSON FECKNER: Thank you. Seeing none. Appreciate the report.

Item 3 is the consent action calendar.

VICE CHAIRPERSON TAYLOR: So moved.

COMMITTEE MEMBER MATHUR: Move approval.

Second.

CHAIRPERSON FECKNER: We have a motion by Ms. Taylor, second by Mathur to approve the minutes from April 17th. Any discussion on the motion?

Seeing none.

All in favor say aye?

(Ayes.)

CHAIRPERSON FECKNER: All opposed no?

Motion carries.

Item 4, the consent calendar. I've seen -- had no request to pull anything off the information consent items.

So that will take us to Item 5. Action items. Approval of the Preferred Provider Organization 2019 Benefit Design Changes.

Ms. Donneson.

(Thereupon an overhead presentation was presented as follows.)

HEALTH PLAN ADMINISTRATION DIVISION CHIEF DONNESON: Good afternoon, Mr. --

CHAIRPERSON FECKNER: Before you start, Ms. Donneson, for those of you that don't know, the forms I talked about are in the back of the room now, so don't all run at once, but...

(Laughter.)

CHAIRPERSON FECKNER: Mr. Henka, don't push anybody.

(Laughter.)

CHAIRPERSON FECKNER: Go ahead, Ms. Donneson.

HEALTH PLAN ADMINISTRATION DIVISION CHIEF DONNESON: Thank you. Thank you, sir.

Mr. Chairman members of the Committee. This is

Agenda Item number 5. This is an action item. There are two benefit design changes that we will be proposing. The first is the elimination of the Castlight product, and then to consider some additional copay changes for 2019.

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HEALTH PLAN ADMINISTRATION DIVISION CHIEF DONNESON: I'll being with a brief discussion of the recommendation regarding the discontinuation of the Castlight product for all PPO plans in 2019.

I'll then cover recommended benefit design changes regarding the urgent care and specialist copays for 2019.

And Gary McCollum has joined me at the dais to discuss some of the premium implications in terms of this design change.

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HEALTH PLAN ADMINISTRATION DIVISION CHIEF DONNESON: First, I'd like to start with the Castlight evaluation and the recommendation to discontinue it in 2019. In 2014, we did a pilot to add a transparency tool that would allow our members to identify quality of care with providers, cost of providers. It was a search tool as well as a transparency tool.

Over the ensuing years, between 2014 and 2018, we expected that the program would be -- there would be

uptake of the program, and that it would be a useful tool for our members. And indeed, I think for the members who did use it, it was a useful tool.

Unfortunately, only about 24 percent of households actually engaged with tool over that period of time. It was evaluated by an academic from Harvard, Ateev Mehrotra with David Cowling of our Center for Innovation at the time. And they did a comparison to a -- sort of a control group and an experimental group. Those who used it versus those who did not essentially.

And they didn't find any significant difference, and that significant difference in a statistical sense with the overall rate of use of the tool to control spending growth or non-use of the tool.

In April, we came forward to the Committee to propose eliminating the Castlight tool, thereby saving $1.8 million in costs and spend for this tool. IN discussions with Anthem, they will provide a transparency tool for 2019, so we do have a replacement product through our third-party administrator.

We request approval to discontinue Castlight, thereby saving $1.8 million in program costs.

The second change -- benefit design change that we're requesting is an increase of $15 in the copay for urgent care, and an increase of $15 in the copay for the

specialist care.

There have not been any changes in copays or coinsurance or deductibles in these two plans. That -- this is a change for PERSCare and PERS Choice. And there have not been any changes since about 2005.

We are experiencing an increase in urgent care utilization. In 2017, it went up 17 percent compared to a six percent drop in the use of primary care. Urgent care is a higher intensity site of care for service, which means more intense resources that are being utilized. We do, and we have, discussed the importance of urgent care as the alternative to a emergency care. So in that sense, if you look at sites of care, emergency care does have a copay and a deductible. And in many instances emergency care can be handled very -- in a very fine manner in urgent care.

So that is a good alternative site of care. But in terms of primary care where the resource -- the use of less expensive resources occurs, we are seeing a drop.

We'll talk later about the premium savings. Mr. McCollum will be discussing that with you. But essentially, increasing these copays from $20 to $35 is about a $6 per member per month savings equating to $72 per member per year. That $72 savings could cover two copay visits a year. The rationale then for the increase

in urgent care copay is to fund the utilization of higher cost services.

For specialty care, we also recommend a $35 copay. Again, our members can go directly to a specialist, rather than going through primary care. And specialists tend to order more and greater use of expensive services.

The treatment -- the treatment cost with the specialist care is higher than if they go to primary care. And often the primary care specialist can manage most of the medical needs of the patient, and then refer them to a specialist, if necessary. So the increase in the copay is to differentiate the total claims cost increases associated with specialist care.

In April, you asked us to present more information on the financial aspects of these two copay changes. And Mr. Gary McCollum is here to do just that.

Gary.

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SENIOR LIFE ACTUARY McCOLLUM: Thank you, Kathy. Good morning, Mr. Chair, members of the Committee. I'm Gary McCollum, CalPERS team member. The estimated savings that we're talking about are based on the 2018 unadjusted premiums. This provides us with the appropriate comparison to what will occur in the 2019 premiums, the

since risk adjustment will not be used.

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SENIOR LIFE ACTUARY McCOLLUM: Now this slide here shows the estimated premiums savings for the State and for the five regions. You can see they range from $5 to $9 per month or $60 to $108 on an annual basis.

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SENIOR LIFE ACTUARY McCOLLUM: So in total, these copay changes are estimated to save employees 8.3 million and save employers 2.6 million annually, for a total savings of almost $11 million.

So now I'd like to illustrate the impact to the member. On page four of your agenda item, there are two tables showing the premium savings for the employer and the employee.

The top table is PERS Choice, and the bottom table is PERSCare. Now, the savings for the public agency members are based on the assumption, or the average savings to an -- to a public agency member of 69 percent.

So if you look at the tables, you can see that the smallest savings for any member would be in the Los Angeles area for PERS Choice at $3.42 per month. Now, that's about $41 annually. That premium savings would cover the $15 increase for almost three visits to a specialist or an urgent care center.

And if we want to look at the largest estimated savings, that would be a State employee in the PERSCare plan, which is $6.97 per month, which is almost $84 annually.

Now, that's enough to pay the additional copay. The additional copay, the $15 increase, for five visits in a year to a specialist or an urgent care center with change left over to stop at Starbucks on the way home, if you'd like to.

(Laughter.)

SENIOR LIFE ACTUARY McCOLLUM: So you can see that at a minimum, even with this copay -- or with this -- yeah, this copay increase, the premium savings to a member would pay for at least two visits without incurring any addition out-of-pocket cost.

So I'll turn it back to Kathy now for questions.

HEALTH PLAN ADMINISTRATION DIVISION CHIEF DONNESON: Again, today, we seek two decisions. The first decision will be to discontinue Castlight, and the second decision will be for you to approve the urgent care and specialty care increase in copays by $15 each.

After we take your questions, we will ask the Board to vote on Castlight, and have -- and have that decision made, and then ask the Board to vote on the copay increases for urgent care and specialty care.

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HEALTH PLAN ADMINISTRATION DIVISION CHIEF DONNESON: If the Board approves to discontinue Castlight, we will look to decommission this tool for 2019. And to mitigate any member disruption, we will look to add the Anthem tool in 2019 at no additional cost. We will also incorporate any decision about the copay changes into the final RDP.

And this concludes our presentation. And we're happy to take questions.

CHAIRPERSON FECKNER: Thank you, Ms. Donneson, Mr. McCollum.

Mr. Miller.

COMMITTEE MEMBER MILLER: Yes. I just want to make sure I'm clear. This relates to the copay changes. So the increased copay for specialist visits is for any specialist visit, whether it was a referral from a primary care physician first, or whether the member went directly to that specialist?

HEALTH PLAN ADMINISTRATION DIVISION CHIEF DONNESON: That's correct.

COMMITTEE MEMBER MILLER: Okay. So again, the concern I have is -- and this is more concern for the future as we look at these plan designs for PPO. In light of what we learn with VBID, and some of the features of

the changes that we've made recently in that offering is I worry that the patients, our members who most need to utilize specialty care, who have the higher acuity situation, who or sicker than typical who have chosen this plan for that reason are not disproportionately bearing the impact, because this could be really significant for some much our members. So that's my concern that we're really cognizant of the out-of-pocket impact this will have on folks going forward.

CHAIRPERSON FECKNER: All right. Seeing no other requests to speak, we do have two issues before us, action issues. We'll take up the Castlight first. What's the pleasure of the Committee?

VICE CHAIRPERSON TAYLOR: I'd like to move.

COMMITTEE MEMBER MATHUR: Second.

CHAIRPERSON FECKNER: Like to move?

VICE CHAIRPERSON TAYLOR: I didn't get to finish. I'd like to move that we discontinue

CHAIRPERSON FECKNER: Your microphone.

VICE CHAIRPERSON TAYLOR: I'm sorry is my mic on?

CHAIRPERSON FECKNER: No.

VICE CHAIRPERSON TAYLOR: No. I'd like to move that we discontinue the Castlight.

COMMITTEE MEMBER MATHUR: Second.

CHAIRPERSON FECKNER: It's been moved by Taylor,

seconded by Mathur.

Any discussion on the motion?

Seeing none.

All in favor say aye?

(Ayes.)

CHAIRPERSON FECKNER: Opposed, no?

Motion carries.

All right. The second item before us. Ms. Donneson, you want to highlight it again, please.

HEALTH PLAN ADMINISTRATION DIVISION CHIEF DONNESON: Yes, sir. We're asking approval to increase the urgent care visit copay from $20 to $35, and increase the specialist copay visit from $20 to $35.

CHAIRPERSON FECKNER: Thank you.

Mr. Jones.

COMMITTEE MEMBER JONES: Yeah. Thank you, Mr. Chair. Would you remind us about the copay changes in the VBID program that we did a few months ago?

HEALTH PLAN ADMINISTRATION DIVISION CHIEF DONNESON: Those copay changes are $35 for urgent care and for specialist care.

COMMITTEE MEMBER JONES: In VBID?

HEALTH PLAN ADMINISTRATION DIVISION CHIEF DONNESON: That is VBID as well.

COMMITTEE MEMBER JONES: Okay. Thank you.

CHAIRPERSON FECKNER: Okay. What's the pleasure of the Committee?

COMMITTEE MEMBER GILLIHAN: Move staff recommendation.

COMMITTEE MEMBER MATHUR: Second.

CHAIRPERSON FECKNER: It's been moved by Mr. Gillihan, seconded by Mathur.

Any discussion on the motion?

Seeing none.

All in favor say aye?

(Ayes.)

CHAIRPERSON FECKNER: Opposed, no?

Motion carries.

Thank you. That brings us to Agenda Item 6, information items. First one is Item 6, Preliminary 2019 Health Rates.

Ms. Little.

(Thereupon an overhead presentation was presented as follows.)

HEALTH POLICY RESEARCH DIVISION CHIEF LITTLE: Good afternoon, Mr. Chair and members of the Committee. Shari Little, CalPERS team member.

Today, I'm here to do our first public preview of our rate setting cycle. As you know, it runs from January to June. And this sort of the first time we share this

information with everyone on a public setting.

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HEALTH POLICY RESEARCH DIVISION CHIEF LITTLE:

It's been an exciting year. As you heard, my colleague Kathy has been negotiating contracts. And that's been running parallel to the rate development process. And it's been a little bit more interesting than it is normally, a little bit more busy as well.

We've had a lot of improvement in the last month, as we have continued to get better information from our health plans, and experience data.

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HEALTH POLICY RESEARCH DIVISION CHIEF LITTLE: So this is the time of the year that you know we're sitting down with health plans a lot. You will -- some of the changes you'll see are also as it relates to service coverage areas with regard to Health Net. They have requested, and the Board has approved, exit of the Sacramento region. And that includes Sacramento, Yolo and Placer counties for -- from its SmartCare product, excuse me, at the end of the year.

Additionally, the Board knows that we had considered adding Aetna to our products. And we have decided that it's not going to provide an added value at this point in time, and not add additional service areas

that aren't already existing.

So we'll continue to evaluate that as it relates to other plans, as part of the rate negotiation development process, and update you as we receive more information.

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HEALTH POLICY RESEARCH DIVISION CHIEF LITTLE: So moving to rates. For the 2019 preliminary rates, I want to remind everyone that these are just that, preliminary rates. It's this first opportunity everyone has, not only to see their own rates in a public way, but to see other rates from the health plans. It's a great time for us to really get down to the detail, and talk about what works and what doesn't work.

Some of the initial observations we have with regard to the HMOs is that the -- wanted to point out that the 2018 -- in 2018, we risk adjusted. We eliminated that for the 2019 year. So what we've tried to do is provide a hard copy in the back of the room, as well as providing that on-line. I apologize. It's late in the game. But to give you kind of a comparison so you see what was unadjusted to adjusted final premiums, as it relates to preliminary rates in the 2019 cycle.

And for -- you will notice that most all increases were diminished as a result of the elimination,

but for two plans, with Blue Shield and Anthem.

On the PPO side, we wanted to talk about the fact that we see again some of the consequence of the risk adjustment -- elimination of risk adjustment are some experiences you'll see. We're taking a look at the increases that we've seen so far, and coming back to the Board in our June meeting to talk about potential options and ways of addressing that and how we want to proceed.

So I wanted to remind anyone -- everyone one mere time. We do this over and overly. Liana did it already, but that this is preliminary. It's an ongoing process. We move through it every day.

With regard to the --

CHIEF HEALTH DIRECTOR BAILEY-CRIMMINS. Can I just make on comment.

HEALTH POLICY RESEARCH DIVISION CHIEF LITTLE: Sure.

CHIEF HEALTH DIRECTOR BAILEY-CRIMMINS: I just want to make one point related to the PPO rates. As many of you will see in the back of the room and on-line is that PERSCare has gone up significantly, but we have an important decision before the Board between new and June. And in June open, what the Board is directed is they'd like to hear public comment before they make that final decision on what the rate is.

So I just wanted to sign-post to our members, and to our stakeholders that that is a key decision, and that typically we would be having the June final rates at the beginning. But because we want to wait till June, open session we'll wait to publish the June rates till the end of that session.

CHAIRPERSON FECKNER: Thank you.

HEALTH POLICY RESEARCH DIVISION CHIEF LITTLE: Thanks for the clarification, Liana.

I also wanted to point out with regard to public agencies, you will see it in attachment 2 of your agenda item, and also at the back of the room for everyone here today.

I wanted to call out a couple of things. With regard to the regional factor, we know that the cost of care needs to reflect the price with an given region. There's one plan that specifically calls out attention to us, and that's UHC at this point with regard to their Bay Area and other northern areas. We've been working with them and will continue to do so, as we move toward June and a final rate.

We are mandated, as you know, to really reflect costs of care to actual -- excuse me, our premiums to actual cost of care. So this is a particularly important subject for us. We've been talking about regions and

regional factors for a while, and we'll have that in our July session with further analysis on that. But it does directly correlate to rates. I think this is a good example of that.

So between now and June, again, we're working hard. We're trying to get to the right space. And I will -- that concludes my presentation. I welcome any questions you may have for me.

CHAIRPERSON FECKNER: Thank you.

I first want to start out by saying I understand that these are preliminary rates. But as I said last year, pencils didn't seem to get sharpened yet. And it's it time that we take this seriously. I think some of the plans have forgot who they're actually serving here. These are the public servants that serve California. It's not the top one percent.

So when we're looking at these kind of increases, they cannot be sustained. So I think we need to step back. We need to do a better job of sharpening these pencils, and coming to the table seriously. Let's not take it for granted that this Board has in the past dropped health plans. And it's not something that we're not apt to do again.

So I want to make sure that everyone is on board knowing that we want the best rates possible for our

members going forward. We here to protect the system and protect these members. And we want to make sure that everybody is doing their job. So if the health plans are here, which I know they are, please heed these warnings. We want you to come to the table with your best prices, your best pencils, your smartest folks that can help work with our staff. I know our staff has been working very hard to work through this process, but the plans need to come to the table as well.

So we want to make sure from my perspective that these are not -- most of these rates are not acceptable, and we need to make sure that we're getting a better job. And it shouldn't have to be every year we have to make this same statement in May, so we can play this dance game and come back in June with better numbers.

Show up the first time with good numbers, so we don't have to have these discussions. So with that, I will move on.

Ms. Taylor.

VICE CHAIRPERSON TAYLOR: Yes. Thank you, Mr. Chair. I also want to echo what Chair Feckner said. I -- one of the things that I worry about as every time these rates go up, my members, myself included, lose pay. So we get a raise and it gets eaten up by health care rates every single time every single year. And, as Mr. Feckner

said, these are unacceptable rate increases. We -- I talked about this earlier in closed session. There's specific plans here that I think we fought with them long enough. I'm not sure we need to continue having these plans in our portfolio. I don't know that that's necessary.

But what I do know is if we are going to continue to deal with them, the last thing I want to see next year is May and us not having answers -- final answers for our members. And for this year, they need to go back and really, really work with our staff to make sure they come in with rates that our members can afford.

I'm very disappointed in a lot of these rates. I'm looking at the regional rates, and it's appalling. I'm looking at some of the State rates from some of the plans, and they're appalling.

And I request that these -- the insurers go back and do better. That's what I'm asking you guys to do.

Thank you.

CHAIRPERSON FECKNER: Thank you.

Mr. Jones.

COMMITTEE MEMBER JONES: Yeah. Thank you, Mr. Chair.

Yes, I echo my colleagues' comments also about the rates and negotiations. And a matter fact, I think it

was even two years ago we entered into the same kind of dialogue, where we're going back and forth. And for one, I've indicated to staff to let them know that if they can't make the changes, don't even come back to discuss it with us anymore, because we've gone through this process more than once. And if they're coming back with the same numbers, we don't want to hear it.

So just let them know that we're not going to even listen when they come back, if it's the same.

CHAIRPERSON FECKNER: Thank you.

Ms. Mathur.

COMMITTEE MEMBER MATHUR: Thank you.

Well, I concur with my colleagues that there are definitely certain plans that need to do a lot better than they've done up till now in terms of the rates. I do have a question. On the -- in the agenda item on page -- sorry, page -- the last page of the agenda item. I don't have a page number on it. Sorry. It talks about the pharmacy trend. And particularly it calls out that while OptumRx is the PBM for the majority of our HMO plans, it is not for Blue Shield, and, of course, Kaiser which has -- is an integrated system.

Have we reconsidered whether that is appropriate -- that it remains the right decision to carve out Blue Shield from the PPM contract?

HEALTH POLICY RESEARCH DIVISION CHIEF LITTLE: Great question. And it's one of the trends that we're really reviewing right now. For this year, it's here to stay, but that's something we'll be evaluating in the next rate cycle.

COMMITTEE MEMBER MATHUR: Okay. I think we really should look at that --

HEALTH POLICY RESEARCH DIVISION CHIEF LITTLE: Thank you for the question.

COMMITTEE MEMBER MATHUR: -- particularly if that is an element driving the rates. We want to make sure that we have as much control over how the -- around the pharmacy trend. And I think we've been doing a lot of innovative things, adopting a lot of innovative pilot initiatives that could help us to continue to bend the trend, so -- on pharmacy, so thank you.

CHAIRPERSON FECKNER: Thank you.

Mr. Miller.

COMMITTEE MEMBER MILLER: Again, I concur with the comments of my colleagues. And the additional thing I would highlight again is the impact on the out-of-pocket cost to our members. And where I really -- my eye just immediately jumps to the PERSCare increase, the magnitude of this increase for those members who have chosen that plan because they need that plan because of its features,

because of their health care needs and issues, people with more serious health care issues, higher acuity issues, who really chose that plan because it's the plan they need, this kind of increase, they're probably the least likely to be able to afford this. So it has a really disparate impact on those folks. And we've really got to do better for them.

CHAIRPERSON FECKNER: Thank you.

Mr. Lofaso.

ACTING COMMITTEE MEMBER LOFASO: Thank you, Mr. Chair.

Just a clarification for staff. I also want to say I appreciate all the other members' comments and I agree. I don't want to get ahead of staff, but I just want to underscore, apropos to the issue that Mr. Miller just raise, about the Sharp comparison between the '18 PERSCare rate and the '19 PERSCare rate. Just to clarify that in prior May sessions, we've given the public an unadjusted rate comparison year over year, and a risk-adjusted rate comparison year over year.

But because this year we've discontinued risk adjustment, now they're get a comparison of a adjusted rate from 2018 with a non-adjusted rate for 2019, which notably brings some rates down and sharply increases some other rates. And the notable ones to focus on would be

Blue Shield, Access, and PERSCare. Maybe one or two others.

Can I just get some conf. from staff just to make sure that the public's understanding this difference between the retail adjusted, and retail non-adjusted rates from '18 to '19.

HEALTH POLICY RESEARCH DIVISION CHIEF LITTLE:

That's correct. Thank you for the comment, Mr. Lofaso. You are correct and we should have clarified that a little better, but that's exactly right.

ACTING COMMITTEE MEMBER LOFASO: Appreciate that. That, of course -- I also just want to quickly comment on the regional rating issue and your attention to UnitedHealthcare. I know we had a good discussion about this at the January off-site about how we're approaching the regional rating factors. I really appreciate what you all are doing with UnitedHealthcare and making sure those swings are manageable and reflected by the appropriate cost measure

Candidly, I hope we do more of this going forward, but really appreciate what you're doing with UnitedHealthCare at this juncture.

Thank you.

CHAIRPERSON FECKNER: Thank you.

Seeing no other requests from the dais, we do

have a number of requests from the audience. So when I -- I'll call your name, three at a -- I'll call three at a time. Please come down to the -- your right, my left, and the microphones will be turned on for you. You'll have up to three minutes to speak. And please give your name and affiliations for the record.

First I have Michelle Vollrath followed by Tim Behrens, followed by Larry Woodson.

Go ahead.

MS. VOLLRATH: Good afternoon, Mr. Chair and fellow Board members. This is Michelle Vollrath. I'm the Vice President from UnitedHealthcare.

Thank you for the opportunity to speak today. We truly appreciate the privilege to serve those who serve us. And we do not take responsibility lightly. During the past four and a half years, we have priced our basic plan offering utilizing all the data available, and done so appropriately and responsibly.

Some of the factors impacting our rates include contract changes, different vendors offerings entering and leaving the different markets, our -- the claims experience of our members, and the demographics.

Although, our membership looks relatively unchanged from 2017 to 2018, we saw significant movement, change in our overall footprint in both the north and

south, which does impact our rates as well.

With that said, our regional factors continue to be supported by experience in those regions. And as we gain insight to another month of experience, we continue to see similar trends emerging. We heard your concerns last year, and we worked with staff offering a potential solution by utilizing the elimination of the ACA taxes to offset the Bay Area regional rates rather than spreading the impact across all of the regions. After providing some modeling, these options were rejected by staff. Therefore, we provided some additional alternative options to consider.

One option was to subsidize the Bay Area region where the costs exist with the other regions. And the other option was to consider a network change in the Bay Area specifically that would result in savings.

Unfortunately, these also were rejected too, but we are committed to continuing to provide a strong option for CalPERS members, and will continue to work collaboratively with staff to do so. Thank you for the opportunity to speak.

CHAIRPERSON FECKNER: Thank you. We hope that you continue to work hard for staff to do a better rate for our members.

MS. VOLLRATH: Absolute.

CHAIRPERSON FECKNER: They're still too high.

MR. VOLLRATH: Thank you.

CHAIRPERSON FECKNER: Thank you.

Mr. Behrens.

MR. BEHRENS: Thank you, Chairman Feckner, and members of the Committee. I'm Tim Behrens, the President of the California State Retirees. Thank you for the opportunity to comment. California State Retirees is very concerned with the preliminary released this afternoon, and with the process itself. Anthem HMO traditional, Blue Shield Access+, Anthem EPO Del Norte, PERS Choice and PERSCare all show large premium increases over the current year.

While staff provides us with the monthly premium rates, they don't give us the CalPERS contribution rates, so we will know how these increases will actually affect our out-of-pocket costs. I think several of you mentioned that.

We don't see them till June when the rates have been permanently fixed. While those on Medicare who are fully vested will likely have their premiums fully covered, those retirees not on Medicare, but on basic plans and retirees on Medicare but with spouses and college age children on their insurance will likely be hit hard by those increased premiums.

For those on PERSCare, they will get a double whammy, by having their deductibles in increase for urgent care and specialists. We think it was ill-advised for CalPERS to abandon using risk adjustment for the 2019 season, because that will clearly increase our out-of-pocket costs for those on the more expensive plans.

For those in the 18 rural counties, this forces those on PERSCare to choose between paying much more in premiums per month, using current year CalPERS contribution amounts, or choosing a cheaper plan that has worse coverage, PERS Choice, PERS Select, and having to pay twice as much coinsurance for non-preventive medical treatment.

These preferred rates seem to arbitrarily single out a particular subset of retirees and force them to pay more for the same coverage or choose a lesser plan and even face having to change physicians in some cases.

We ask the Board members and the staff to find a fairer method of rate setting before finalizing these rates in June.

Thank you very much.

CHAIRPERSON FECKNER: Thank you.

Mr. Woodson.

MR. WOODSON: Larry Woodson, California State Retirees. Thank you for the opportunity to comment.

There's a lot of information here. I hope I don't run over three minutes. I hope you will indulge me a little bit if I do.

As Mr. Behrens stated, the preliminary rates released - I have just this morning, but it's afternoon now - will create hardships for members especially combination plan members and those retirees not on Medicare. Unfortunately, we aren't provided with the preliminary rates for combo families or for two or three parties plans. This is only for single party. And also, we don't see how much CalPERS contribution rates for fully vested 100/90 members is. So we're pretty much in the dark on exactly how hard we're going to be hit.

But for the single-party information that we do you have, and the five plans that Mr. Behrens mentioned, they're significant increases. And, of course, Board Members have already pointed out the significant hit for PERSCare.

And I'll just speak for a second to the issue of the insurance rates, because PERSCare -- the PPOs are self-funded plans, and it's a different manner in which you reach these rates. For the insurance companies, frankly, and I mentioned this before, but with the tax cuts of 15 percent to these insurance companies, they're going to be reaping millions and millions of dollars in

profits in 2019, the same year you're implementing these rates. And so I would hope that there would be a little more flexibility on the part of the insurers.

Regarding the self-funded rates, you're setting them based on actuarial data from the previous year. And there's not a lot of flexibility, I suppose, you're not negotiating with anyone, and so it makes it more onerous to see this high rate.

I don't know what this 929 figure is. There's an asterisk here. I don't really understand what the asterisk means. Maybe that's what you hope to come in with at the final. So what I did is just I ran the numbers of the 1,114 and that's $389 more a month just for a single payer. And if you use the 929, that's still $205 more a month for a single payer. That's $2,460 in a year. This isn't for multiple plan, multiple family member plans. This is just for the single. They're going to be more for the multiple family plans.

The last thing I want to cover is the risk adjustment by -- not by abandoning risk adjustment, which is something that did bring PERSCare and would bring PERSCare down. You -- just the nine months ago, there was a report to this Committee that said quote, risk adjustment allows the Board and plan carriers flexibility to differentiate without adverse impact to members

financially; two, it addresses cherry picking, carriers pricing premiums to attract healthiest members; three, its currently being done by University of California and other major providers in California; and lastly, it -- the positive aspects include more data from carriers than before it was implemented, more plan choice since it was implemented, and may be partly responsible for the very modest premium increases CalPERS has been experiencing in 2017 and '18.

So why that's been abandoned as a tool, I don't know. I don't understand. And the results are before us in a monthly premium of $1,114, which will basically force people in rural counties into less coverage, worse plans, they don't have choices of HMOs. I hope that the Board will take a serious look and the staff at making major revisions, particularly in the self-funded plans. This is it just not fair.

Thank you.

CHAIRPERSON FECKNER: Thank you. Before we go to the next three, would someone from staff like to get up and explain the asterisk.

CHIEF HEALTH DIRECTOR BAILEY-CRIMMINS: Sure. Can you bring up that slide please.

So one of the things that we wanted to highlight is that for PERS -- for PERSCare and PERS Choice so

everyone is aware, they are the exact same networks. PERSCare is a 90/10 plan, and PERS Choice is an 80/20. So they're exactly the same. They just have -- one has a richer benefit than the other.

Historically, PERS Choice -- the other PPO plans have been offsetting the cost of PERSCare. So that's what risk adjustment did. With eliminating risk adjustment, what we are seeing between the 2018 final premium and the 2019 preliminary is purely the result of right-sizing -- that is the true cost of a 90/10 plan is $1,114.41.

What we talked about in closed, and I'm just going to mention it again, is we wanted to provide options to the Board. And as such, what the Board has decided is during open session in June, we will be bringing back an open dialogue, and be able to vote at that time if we want to figure out a way to get the premium down to $929.88.

And so it's to potentially offset, so we don't have this huge swing and kind of smooth it out between now and over, you know, the 2019 rate period.

CHAIRPERSON FECKNER: Okay. Thank you.

CHIEF HEALTH DIRECTOR BAILEY-CRIMMINS: You're welcome.

CHAIRPERSON FECKNER: So the next three to speak George Linn, Neal Johnson, Crystal McCary. Please come forward.

Mr. Linn.

MR. LINN: Yeah. Good afternoon. My name is George Linn. Mr. Chair, Committee members, other Board members, while I don't disagree with anything that you've already heard, I'm on a little different track. I'm a contract agency person. And, you know, let's take a look at the these contract agency things. I live in the Bay Area. So the premium is 1,504, but if I'm in Los Angeles it's 629, that's $875 difference. That's more than a hundred percent difference over the Los Angeles area.

And the previous year, the difference was 769. So why did the difference go up? I thought that we were looking at finding ways to kind of massage these regions so that there was some equity in these regions, remembering that the contract agencies are not part of the State, and so the State employees who have the 100/90 formula and those kind of things, contract agencies don't have those. So this is a direct hit on the members that live in those areas.

And, you know, I find that even if you're looking at the difference between United Health -- I'm talking about UnitedHealthcare obviously. If I'm looking at the UnitedHealthcare for southern -- for the Sacramento area, if I'm looking at the difference between anything, and the Bay Area, the Bay Area people are just being hijacked.

We need to find a way. We keep hearing that we're going to have this wonderful gathering and meeting to try and figure out ways to massage these regions. I may not live that long. And I plan to live a long time, in spite of what things may seem.

(Laughter.)

MR. LINN: But, you know, I think we need to get on the track on this thing, because it is outrageous that that difference is that great. Maybe there's a difference, but that much?

So that's my concern. I think that we need to take a better look at that number, especially the UnitedHealthcare Bay Area number, as it relates to other regions in the State.

Thank you.

CHAIRPERSON FECKNER: Thank you. Mr. Johnson.

MR. JOHNSON: Could you take her first?

CHAIRPERSON FECKNER: Certainly. Ms. McCray.

Neal is still writing.

MS. McCRAY: Yes. Good afternoon, Chair, Board members. It is an honor to be speak with you today. My name is Crystal McCray, and I work for the State of California, California Environmental Protection Agency. I'm an AGPA and I've been with State 30 years this year in February. So the decisions that you make affect me deeply

and in real-time.

As I listen to the conversations about the health care increases today, I'm going to take a slightly different tact. The numbers are important. But for me, I think that what's important are my family, our quality of life, and the families of the 95,000 members that we represent at SEIU Local 1000.

Myself, I am the doting grandmother of three beautiful grandchildren. And since they've been born - the ages are 11, 11, and 3 - I have tried to think of ways that I can really have a long-lasting impact on their lives. Rather than buying video games and toys, I've decided to invest in experiences. Those experiences include ballet, Boys and Girls Scouts of America, and tutoring.

And each time that I get a raise, and my greatest thought is how can I invest in them and their future even greater, the health care increases takes away just a little bit. And every time I take away from an experience of these children, I take away from the future of America. And that's how it impacts my household.

Now, don't get me wrong, I have co-workers who have to make the choice between health care, medication, therapy, and all type of physical ailments against their wallets, which is also very unfair. Thankfully, I do not

have a health care story, but please consider myself, the 95,000 members that we represent at SEIU Local 1000, and the children of America and their futures. This is also being affected.

And the one thing I'd like to say is that it's not just here for our members that health care is becoming unsustainable and unbearable. It's all over America. We must hold these insurers accountable. And I would like to say that we want to partner with you, the PERS Board, as we move forward in understanding that it is important that our members not only have a living wage, but attainable and sustainable health care costs.

Thank you so much for your time, and thank you so much for listening.

CHAIRPERSON FECKNER: Thank you.

Mr. Johnson.

MR. JOHNSON: Neal Johnson, SEIU 1000.

I come today to talk a little about options. The Board -- and some of those have been mentioned a little. You know, we could eliminate plans in the future. We -- another option that has been used before is to freeze enrollments. That one I think was fairly effective. We could -- in the example that was talked about a little earlier about pharmacy benefits. You know, we -- Optum provides pharmacy benefits for a number of the plans, but

we have three plans that still run their own pharmacy. We may want to think about do we really want all of those plans running pharmacies.

And another one, which has been also tried, is removing certain providers, hospital networks, or something. I know that it may create problems with access in certain areas and HMO licensing, but those are options.

We have looked over the last few years at risk adjustment, and now are going away from it, for better or for worse. But those are some of your options. The health plans also have options. And Mr. Feckner I think in his opening remarks was very apropos. You've got to really sharpen your pencil, really work to roll these rates to somewhat reasonable numbers.

I mean, we see -- my I first reaction was a real mixed bag of some going down, some going up. Mr. Lofaso pointed out that, yes, that -- we previously had risk adjustments. So we're looking at one set of numbers versus another that aren't totally similar, but some of the rates we were seeing were really obscenely increased -- seeing increases. And so maybe that really will force the Board to exercise one of its options, or the plan are choosing their option of saying goodbye and no longer being public servants to California.

And those, I think, are the options that really

need to be explored over the next 30 days. And some of them are maybe longer term issues of how, you know, we go five-year plans. We might want to go one-year with some of them. And if you haven't shaped up, that's sayonara time.

Anyway, I wish you the best of luck on these deliberations, and we will provide whatever input we can. Thank you very much and...

CHAIRPERSON FECKNER: Thank you. So that exhausts the speakers requests list. We want to say let's just stay tuned. We have 30 days. We'll be back having this discussion again, and hopefully the plans that are here have been paying attention, and they'll decide to sit down and work diligently with our staff and decide whether or not they choose to stay in our fund system or not.

So with that, we can move on to Item 7, CalPERS dialysis utilization and cost.

Ms. Bailey-Crimmins.

(Thereupon an overhead presentation was presented as follows.)

CHIEF HEALTH DIRECTOR BAILEY-CRIMMINS: Good afternoon, Mr. Chair --

CHAIRPERSON FECKNER: Good afternoon.

CHIEF HEALTH DIRECTOR BAILEY-CRIMMINS: -- and Board members. Liana Bailey-Crimmins, CalPERS team

member. Today before you is an information item on the utilization and cost of dialysis treatment for CalPERS' members. We bring this item today to you because at the time we were preparing this agenda item, there were to ballot initiatives related to establishing State regulation on kidney dialysis clinics.

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CHIEF HEALTH DIRECTOR BAILEY-CRIMMINS: The first initiative was 1810. It set limits for patient charges and imposed penalties when charges were deemed excessive.

The second initiative was 1811, which places operational requirements, such as staffing standards, as well as limits when it comes to the price dialysis clinic -- clinics may charge. Due to having not enough signatures, 1811 initiative, which was the second initiative, failed on May 1st.

The Legislative Analyst's Office has contacted us for information to assist them during their analysis phase of the ballot initiative. And SEIU has also requested information for us -- from us. So in your Board books and also in the back of the room, we've included the data analysis that was provided to date under full transparency.

We also want to point out there was a typo. That's one of the reasons that it is also in the back of

the room. Instead of HMO Medicare, it said HMO basic, so we've corrected that. And then again, it's available in the back of the room.

We felt that it was important that you as Committee members receive the same formation and have an opportunity to ask the health team questions, if you have them, in regards to this particular agenda item.

As a reminder, a member diagnosed end-stage renal disease, or permanent kidney failure, is -- requires long-term dialysis treatment. And as such, the law states that a person diagnosed with ESRD who's on a commercial health plan, which our members are, can be become eligible for Medicare during a three-month waiting period and a 30-day coordination period.

So after 33 months, CalPERS is deemed the primary insurer. It's an automatic qualifier. So for CalPERS members on our health plans, once the 33-month coordination period has elapsed, they now may become Medicare, and Medicare will become the primary insurer, CalPERS will become the secondary insurer.

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CHIEF HEALTH DIRECTOR BAILEY-CRIMMINS: So when it comes to our data, in 2017, there were 1,550 CalPERS members receiving dialysis treatment, which is about one percent of our health program members, 998 were on

Medicare, and 552 in basic, again, as people transition, depending on where that 33-month period is.

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CHIEF HEALTH DIRECTOR BAILEY-CRIMMINS: Slide 5 show our utilization and cost. So In 2017, CalPERS spent $62 million on dialysis treatment, and the basic members, because we were the primary insurer, received 33 percent of the treatment, but was 58 percent of the CalPERS cost.

CalPERS is a strong negotiator and as such our unit price for dialysis treatments are below the benchmark.

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CHIEF HEALTH DIRECTOR BAILEY-CRIMMINS: The benchmark is MedInsight which is a Milliman actuary tool. And if you can see on the slide, our unit price in basic plans was $632 -- or $631, which was 8.2 percent below the benchmark, and for Medicare it was $227, which is seven percent below the benchmark.

In summary, the CalPERS legislative team will continue to monitor this initiative and will keep the Board apprised if we get any addition information request.

With that, that concludes my opening -- or my comments, and if there's any questions I'd be happy to take them?

CHAIRPERSON FECKNER: Thank you. Ms. Mathur.

COMMITTEE MEMBER MATHUR: Yes, I -- you know, I've read several news reports around dialysis, and not just the pricing of dialysis, but also how well some of these private providers of dialysis are really treating and delivering care to our -- to members -- or to patients rather.

And some of the concerns I've heard are that they try to get too much throughput and they don't do an adequate job of recalibrating and cleaning the equipment. And so members -- or patients could get an infection or some other -- or some other problem could arise from that. Another is that patients might not be apprised of their options, that dialysis might not be their only option, that perhaps a kidney transplant would actually be a better option for prolonging life and ensuring quality of life. But that because these dialysis centers are trying to increase their numbers, they are not adequately advising patients around those -- so those are a couple of the concerns that I've heard.

And I'm wondering have you looked at this from a quality of care, best practices, evidence-based care perspective, and some of those risks to our -- to patients and our members specifically?

CHIEF HEALTH DIRECTOR BAILEY-CRIMMINS: So specifically this information was just to show you the

data of who is, from a demographics, from a cost utilization. We have not dived into the quality of care piece. Obviously, that's related. Wd don't have access to the medical records, but we can definitely see if there are appeals, if there are issues, are the outcomes of what we're expecting for our members for any condition that they have, are being treated as such.

Obviously, we have one view into it as the primary insurer, and then after 33 months they go into Medicare. So that lens shifts a little bit. But if you're interested in getting more information around that, we would be happy to bring that back.

COMMITTEE MEMBER MATHUR: I do think it would be worth doing a survey of what studies are available around the kind of care that's being delivered. And I'm not necessarily setting a particular timeframe when this should be -- come back. I think we should work with the Chair as to what's appropriate. But I do think it would be worth ensuring that our members are getting the best possible care, and that they're being well taken care of.

And so I would suggest that we should look -- we would dive a little deeper into this issue.

Thank you.

CHAIRPERSON FECKNER: Thank you. Ms. Taylor.

VICE CHAIRPERSON TAYLOR: So, yes, I -- I want to

echo Ms. Mathur's sentiments here, because as I understand it, we're 58 percent cost out of 33 percent usage, is that correct? Is that what I'm looking at?

CHIEF HEALTH DIRECTOR BAILEY-CRIMMINS: So what we're saying is that the 1,550 members, the one percent, when we looked at that, there's two groups. There's the people that we are the primary insurer on --

VICE CHAIRPERSON TAYLOR: Right.

CHIEF HEALTH DIRECTOR BAILEY-CRIMMINS: -- which is the 552 basic members. Then there's the 998 people that are Medicare worthy where we are the secondary insurers. For basic members, which is the 552 --

VICE CHAIRPERSON TAYLOR: I get it.

CHIEF HEALTH DIRECTOR BAILEY-CRIMMINS: -- they received 33 percent of the treatment, but obviously were 58 percent of the cost because we were the primary insurer.

VICE CHAIRPERSON TAYLOR: Right. So -- and I think that's part of one of the problems that we see here. There's very few companies. There's no competition. And these companies tend to charge what they can -- all the market can bear, and I think that's what we're seeing when it -- when we have to pay for it for our first 33 months or whatever -- however long it was.

So I think it's important and imperative that we

kind of do a deep dive on the care, the cost. And I have heard more than a few reports over the level of care of these facilities and how dangerous they are.

That and that they aren't giving them -- they aren't giving their patients the options. They're not even informing them of the options of possibly a transplant. And I think that it's important that we look at these issues, because it is -- these are not a lot of our members, but these are some of our members.

CHAIRPERSON FECKNER: Thank you --

Seeing no other requests to speak, I do have a number of requests from the audience. So I'll call you down two at a time. Please over here on my left, your right.

Ladies, please stay there in case there's any questions.

We have first two are David Miller -- all right get off the dais --

(Laughter.)

CHAIRPERSON FECKNER: -- and Thomas Hiltachk, please come on down.

COMMITTEE MEMBER MILLER: There's a lot of us.

(Laughter.)

MR. MILLER: Hello. I'm David Miller from SEIU UHW. I'm the Research Director. And I wanted to thank

you for raising this issue. Thank you, Chair and Board. It's a very important issue. We think dialysis is a very significant cost driver throughout health care. And so to that end, I think we'll be seeking your endorsement for our ballot measure, the Fair Pricing for Dialysis Act. It runs right at this issue. This issue of competition was raised. We've hopefully circulated a study from Blue Sky, which will show you that there is significant problems with competition in the market. Eighty percent of the market is consolidated into -- I'm sorry, 70 percent of the market is consolidated into two providers. When you run an HHS index, which the justice department uses to look at consolidation of markets, it is considered an extremely consolidated market, which is troubling.

As a purchaser of health care, you're going to have difficulties getting a good price. Monopolies also have other side effects, lower quality, lower patient choice. We think this actually may be impacting the transplant issue that people have raised.

If you look at -- I mean, I also handed out a quick PowerPoint that the for-profits have a significantly lower rate of putting people on the transplant list, which means you have less chance of getting a transplant, than the non-profits.

So we think the profit motive is raising serious

questions. So we think there's a lot to dive in here. We think our ballot measure addresses a lot of these issues. We use a medical loss ratio to regulate the industry, so that the cost of providing care is not necessarily impacted. It's a metric that's used on the insurance side of the industry. For that very reason, you want to pay for direct medical care, you want to limit overhead and profits, so that why -- is why we selected it.

And then I would just say, you'll probably see things in the news about what's included and what's weighs not included in our ballot mesh. And I just want to say for the record that physicians and medical directors are actually covered under our ballot measure. So I just want to be crystal clear on that, because there's been some misinformation

Thank you.

CHAIRPERSON FECKNER: Thank you.

MR. HILTACHK: Good afternoon, members. My name is Tom Hiltachk. I'm representing the California Dialysis Council this afternoon, and also the ballot measure committee opposed to the dialysis measure.

The members of the California Dialysis Council serve about 66,000 Californians, who receive daily dial -- or three times a week dialysis treatment for periods of four hours at a time, and about 1,500 CalPERS members as

you've been told.

About 75 organizations have already taken positions against the initiative, including the California Medical Association, the California chapter of American College of Emergency Physicians, the American Nurses Association, and many other health leaders.

This measure is dangerous for patients, and is costly for CaPERS. I wrote a letter to Ms. Bailey-Crimmins last week, and I've made a copy of that available to you that outlines many of the issues that I'm going to discuss briefly today.

For starters, CalPERS itself has, as a government payer, is exempt from the initiative itself. And therefore, their -- because CalPERS is a government payer, there is no benefit, a financial benefit, to CalPERS. And, in fact, because of the way the initiative is written, there's actually a financial hit to CalPERS, mainly in higher cost for your members.

Simply put, this initiative has the -- creates a business operating situation where clinics will be driven out of business. They'll have to reduce access, limit care, or actually leave the field of dialysis treatment. The reason for that is because the price limit is set at 115 percent of direct patient care costs, but the definition of direct patient care cost is extremely

limited.

And therefore, Bill Hamm, the former Legislative Analyst for the State of California, and now a economic consultant with the Berkeley Research Group analyzed this initiative, and concluded that as many as 83 percent of clinics would have net operating losses as a consequence of this initiative.

That directly affects access and care for your CalPERS members. More importantly, what happens is when a patient is unable to get treatment at a outpatient setting like a dialysis clinic, they're left really no alternative except to go to the hospital. And in most cases, that's the emergency room. And as you know that's probably the most expensive place to receive medical care.

That direct affects the cost drivers that affect your health premiums as you've been talking about this afternoon.

So for all these reasons, and the reasons outlined in my letter, we will be respectfully requesting you to oppose this initiative. It's dangerous for your members and costly for CalPERS.

Thank you.

CHAIRPERSON FECKNER: Thank you.

The next two are Ehteshau Hamid and Terry Brennand.

I'm sure I butchered that, but I tried not to.

MR. HAMID: That was a good try.

(Laughter.)

MR. HAMID: It took me 30 years just how to learn how to spell it, so --

(Laughter.)

MR. HAMID: -- so...

CHAIRPERSON FECKNER: Mr. Hamid, please.

MR. HAMID: Thank you. Thank you very much for letting me speak over here. My name is Ehteshau Hamid. And I am actually a caregiver with Fresenius. And I'd just like to say I oppose this initiative -- this ballot initiative. So that's all I want to say.

CHAIRPERSON FECKNER: Thank you.

MR. HAMID: Thank you very much.

CHAIRPERSON FECKNER: Mr. Brennand.

MR. BRENNAND: Mr. Chair and members, Terry Brennand on behalf of SEIU California. I'm not going to belabor you with a discussion about the initiative, per se. I think that once it's before you, we'll have that debate and conversation.

I want to echo the comments of Ms. Mathur and Ms. Taylor about gathering accurate information about the industry, and what this initiative does relative to the industry when it's before you I think sometime in June.

I'd encourage you to look very closely, because even though you have a small one percent of your population currently in dialysis, it's one of the fastest growing medical procedures in the entire medical industry. And if it's not a problem for you now, it will be soon. And this business model is not sustainable for your members, and your health systems.

Thank you for your time.

CHAIRPERSON FECKNER: Thank you.

Seeing no other requests, anything else Ms. Bailey-Crimmins?

CHIEF HEALTH DIRECTOR BAILEY-CRIMMINS: No, that's it, Mr. Chair.

CHAIRPERSON FECKNER: All right. Thank you.

That brings us to Agenda Item 8, Summary of Committee Direction. Do you have any summaries.

CHIEF HEALTH DIRECTOR BAILEY-CRIMMINS: I have one item, based on the dialysis conversation we just had. We would like to provide a survey or at least some analysis regarding a full dialysis study regarding health outcomes and costs for our members, and to be able to bring that back to you.

The question I'd like to ask is, is there a specific time that you'd like that to come before you.

Ms. Mathur.

CHAIRPERSON FECKNER: I don't think there's a time frame. Ms. Taylor said she could wait till August, so...

CHIEF HEALTH DIRECTOR BAILEY-CRIMMINS: Thank you.

CHAIRPERSON FECKNER: All right. Thank you.

Brings us to Agenda Item 9 -- oh, Mr. Jones. Just a second.

Yes, sir.

COMMITTEE MEMBER JONES: Thank you, Mr. Chair. Yeah, Mr. Chair, I wonder if it would -- and maybe they are planning to do this, but a few of the speakers talked about the actual rates the member pays in our proposals. So I wonder if we could get that information also when you come back in June out of pocket?

CHIEF HEALTH DIRECTOR BAILEY-CRIMMINS: Yeah, typically we provide the 100/90 and the 80/80.

COMMITTEE MEMBER JONES: Okay.

CHIEF HEALTH DIRECTOR BAILEY-CRIMMINS: And once we know what those are, we will share what that expense is from a member perspective.

COMMITTEE MEMBER JONES: Okay. Thank you.

CHAIRPERSON FECKNER: Very good. Thank you.

Brings us to Agenda Item 9, public comment. I have one request from the public. Mr. Fountain, please

come forward.

MR. FOUNTAIN: Good afternoon. I'm Jerry Fountain. I'm the Chief Financial Officer for the California State Retirees. And I appreciate this opportunity to speak to the Board.

What I would like to do at this time is just make the Board aware of a Senate Joint Resolution that is currently in Appropriations Committee. And the subject of that resolution has to deal with firearms.

I'm not going to address anything about fire arms. But contained in that resolution is a statement that the resolution calls upon the California Public Employees Retirement System to engage with companies with which it is invested, that produce and sell fire arms to determine a reasonable method for those companies to withdraw from the production and sale of firearms. And if they're not successful, CalPERS is to produce a plan to divest from those companies.

Provisions under the California Constitution allows the legislature to retain its authority by statute to continue to prohibit investment by the retirement board where it is in the public interest to do so, and provide that provisions satisfy the standards of fiduciary care and loyalty required of a retirement board.

Now having said that, existing law provides under

the California constitution that, "The members of a retirement board of a public pension or retirement system shall discharge their duties with respect to this system solely in the interest of and for the exclusive purpose of providing benefits to participants and their beneficiaries".

The fiduciary responsibility of this Board under the California Constitution, which vests the sole and exclusive fiduciary responsibilities over the assets of public pension or retirement system is with this Board.

Now having said that, the California -- CalPERS is the largest public retirement pension system in the country investing billions of dollars across multiple asset classes. Investment returns sustain a large portion of CalPERS ability to provide pensions and retirement benefits to its members.

In the 2015 analysis by the Wilshire Association found that provisions -- previous divestment efforts have collectively reduced the present value at that time of the CalPERS portfolio by an estimated $8.3 billion. Today, we have heard, because of recent divestments, it is over $10 billion now.

And it's believed that the CalPERS is empowered to fulfill the commitments to its stakeholders and exercise their fiduciary responsibility and not be swayed

by social issues within the investments, and not to allow the legislature to pass any legislation that would direct this Board, one way or another, how to invest in the future of CalPERS and its stakeholders.

Thank you.

CHAIRPERSON FECKNER: We thank you for your comments. And staff and the Board will be watching that carefully.

Thank you.

So seeing other requests to come before us, this meeting is adjourned.

(Thereupon the California Public Employees' Retirement System, Board of Administration, Pension & Health Benefits Committee open session meeting adjourned at 1:24 p.m.)

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

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

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

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

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

IN WITNESS WHEREOF, I have hereunto set my hand this 21st day of May, 2018.

JAMES F. PETERS, CSR
Certified Shorthand Reporter
License No. 10063