

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

ROBERT F. CARLSON AUDITORIUM
LINCOLN PLAZA NORTH
400 P STREET
SACRAMENTO, CALIFORNIA

TUESDAY, JUNE 18, 2019

1:35 P.M.

JAMES F. PETERS, CSR
CERTIFIED SHORTHAND REPORTER
LICENSE NUMBER 10063

A P P E A R A N C E S

COMMITTEE MEMBERS:

Ms. Rob Feckner, Chairperson
Mr. Ramon Rubalcava, Vice Chairperson
Ms. Margaret Brown
Mr. Henry Jones
Mr. David Miller
Ms. Eraina Ortega, represented by Mr. Ralph Cobb
Ms. Mona Pasquil Rogers
Ms. Theresa Taylor
Ms. Betty Yee, represented by Ms. Karen Greene-Ross

BOARD MEMBERS:

Ms. Fiona Ma, represented by Mr. Frank Ruffino
Mr. Jason Perez
Ms. Lisa Middleton

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
Ms. Cheryl Day, Assistant Chief, Health Plan
Administration Division
Dr. Kathy Donneson, Chief, Health Plan Administration
Division

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

STAFF:

Ms. Jennifer Jimenez, Committee Secretary

Ms. Kim Malm, Interim Chief, Health Policy Research
Division

ALSO PRESENT:

Mr. Tim Behrens, California State Retirees

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

Ms. Sheila McShane, City of Woodland

Ms. Stacey Peterson, City of Roseville

Ms. Michelle Vollrath, UnitedHealthcare

Mr. Larry Woodson, California State Retirees

I N D E X

	PAGE
1. Call to Order and Roll Call	1
2. Approval of the June 18, 2019, Pension and Health Benefits Committee Meeting Timed Agenda	2
3. Executive Report - Liana Bailey-Crimmins, Donna Lum	2
4. Action Consent Items - Liana Bailey-Crimmins	11
a. Approval of the May 14, 2019, Pension and Health Benefits Committee Meeting Minutes	
5. Information Consent Items - Liana Bailey-Crimmins	11
a. Annual Calendar Review	
b. Draft Agenda for the November 19, 2019, Pension and Health Benefits Committee Meeting	
c. 2020 Association Plan Rates	
d. PERS Select Value Based Insurance Design Update	
6. Action Agenda Items	
a. Approval of the 2020 Health Maintenance Organization Rates - Kim Malm	12
b. Approval of the 2020 Preferred Provider Organization Rates - Kim Malm	12
7. Information Agenda Items	
a. State Annuitant Contribution Formulas - Kim Malm	36
b. Outpatient Prescription Drug Reference Pricing Program Solicitation Update - Kathy Donneson	38
c. Summary of Committee Direction - Liana Bailey-Crimmins	44
d. Public Comment	44
Adjournment	48
Reporter's Certificate	49

P R O C E E D I N G S

1
2 CHAIRPERSON FECKNER: Good afternoon. We're
3 going to call the open session of the Health -- Pension
4 and Health Benefits Committee to order, please.

5 The first order of business will be to call the
6 roll.

7 COMMITTEE SECRETARY JIMENEZ: Rob Feckner?

8 CHAIRPERSON FECKNER: Good afternoon.

9 COMMITTEE SECRETARY JIMENEZ: Ramon Rubalcava?

10 VICE CHAIRPERSON RUBALCAVA: Present. Thank you.

11 COMMITTEE SECRETARY JIMENEZ: Margaret Brown?

12 COMMITTEE MEMBER BROWN: Here.

13 COMMITTEE SECRETARY JIMENEZ: Henry Jones?

14 COMMITTEE MEMBER JONES: Here.

15 COMMITTEE SECRETARY JIMENEZ: David Miller?

16 COMMITTEE MEMBER MILLER: Here.

17 COMMITTEE SECRETARY JIMENEZ: Ralph Cobb for
18 Eraina Ortega?

19 ACTING COMMITTEE MEMBER COBB: Here.

20 COMMITTEE SECRETARY JIMENEZ: Mona Pasquill
21 Rogers?

22 COMMITTEE MEMBER PASQUILL ROGERS: Here.

23 COMMITTEE SECRETARY JIMENEZ: Theresa Taylor?

24 COMMITTEE MEMBER TAYLOR: Here.

25 COMMITTEE SECRETARY JIMENEZ: Karen Green-Ross

1 for Betty Yee?

2 ACTING COMMITTEE MEMBER GREENE-ROSS: Here.

3 CHAIRPERSON FECKNER: Thank you.

4 Item 2 is the approval of the 2018 timed agenda.

5 What's the pleasure of the Committee?

6 COMMITTEE MEMBER TAYLOR: Move approval.

7 COMMITTEE MEMBER PASQUIL ROGERS: Second

8 CHAIRPERSON FECKNER: Moved by Taylor, seconded
9 by Pasquil Rogers.

10 Any discussion on the motion?

11 Seeing none.

12 All in favor say aye?

13 (Ayes.)

14 CHAIRPERSON FECKNER: Opposed, no?

15 Motion carries. Thank you.

16 Agenda Item 3, Executive Report. Ms.

17 Bailey-Crimmins, Ms. Lum, please.

18 DEPUTY EXECUTIVE OFFICER LUM: Good afternoon,
19 Mr. Chair, members of the Committee. Donna Lum, CalPERS
20 team member. Today, I have two brief updates to share
21 with you. The first is an update on our CalPERS Benefit
22 Education Events that we recently hosted. And I'd also
23 like to introduce to you two new Division Chiefs in the
24 Customer Services and Support Branch.

25 So first, I wanted to share with you that we had

1 a very successful CBEE, CalPERS Benefit Education Even,
2 which we held in San Ramon on June 7th and June 8th. This
3 two-day event had a total attendance of over 1,600
4 members, which then again exceeded our high, which we held
5 there previously of after 1,300.

6 It was a pleasure to be able to have Mr. Feckner
7 and Mr. Jones join us at this CBEE. And as always, team
8 members do appreciate your attendance.

9 We also just completed another CBEE in Pasadena
10 this past weekend. It was held on June 14th and 15th,
11 where our two-day total was just over 1,500 attendees,
12 which is pretty much right on track with the number of
13 attendees that we had there previously. And again, team
14 members were very happy to have Mr. Rubalcava join us at
15 the CBEE, and really appreciate your attendance there as
16 well.

17 We do have another CBEE that's coming up. It's
18 going to be held in Ontario. And it will be on June 12th
19 and June 13th. And it will be at the Ontario Convention
20 Center. So again, this wraps up the CBEEs that we have
21 planned for this fiscal year. We do have all of the CBEEs
22 posted on the CalPERS website. And they go all the way
23 through the end of the next fiscal year. So for those
24 members that are interested in looking at the schedule,
25 again you can find it on the CalPERS website.

1 Next, I want to share with you a brief
2 restructure that we recently did in the Customer Services
3 Branch. Earlier in June, we effectuated an organization
4 structure change that basically took two of our large
5 divisions and split them into two smaller divisions.

6 The -- Anthony Suine will continue to lead the
7 Retirement Benefit Services Division, where he will
8 continue to oversee service retirement and benefit
9 functions and administer the Judges and Legislators
10 Retirement System.

11 The new Disability and Survivor Benefits Division
12 will administer disability retirement and post- and
13 pre-retirement survivor benefits. And after a very
14 competitive recruitment process, it's my pleasure today to
15 introduce to you the Chief of the new Disability Service
16 and Survivor Benefits Division. Keith Riddle has over 17
17 years of CalPERS experience including the past six years
18 serving as the Assistant Division Chief over the
19 Benefits -- the Survivor and Benefits Unit. In his role,
20 he has led multiple improvements and initiatives to ensure
21 that these benefits are paid timely, and that our
22 customers are highly satisfied with the services that the
23 team has been delivering.

24 So at this time, I'd like to ask Keith to stand
25 and please join me in welcoming Keith into his new role.

1 (Applause.)

2 DEPUTY EXECUTIVE OFFICER LUM: The next change is
3 related to what was our Customer Services and Outreach
4 Division. Carene Carolan will continue to lead the
5 Customer Contact Center and its critical support areas.
6 And the new division is -- will be known as the Customer
7 Experience Division.

8 We have established a new division called the
9 Customer Education and Outreach Division and it will
10 include all eight of our regional offices and the
11 education and training services for external and internal
12 customers.

13 After the recruitment process, I am pleased to
14 introduce to you David Rubio as the Chief of this new
15 Division. Many of you know David in his previous role as
16 the Assistant Chief overseeing our CalPERS Benefit
17 Education Events and other training and education outreach
18 functions. Under his leadership, we have definitely seen
19 the CBEEs grow and mature and continue to provide much
20 needed education to our members. Overall, David has
21 served for CalPERS for 20 years. Unfortunately, David is
22 not able to join us today. He is with his family.
23 However, again, we will extend our thanks and appreciation
24 to him in his new role.

25 That concludes my update and I'm happy to answer

1 any questions you may have.

2 CHAIRPERSON FECKNER: Thank you. I do want to
3 make a comment about the -- first of all, congratulations
4 to both Keith and David. But I want to make a comment
5 about the CBEE in San Ramon. I attended. And I'd met a
6 woman about two weeks before the CBEE who was 71 years old
7 and separated from employment, but never retired. And she
8 said the reason she didn't retire is because she didn't
9 know what to do.

10 So we gave her the date. She actually went
11 online, did her estimate, came to the CBEE shaking the
12 entire time, and within about 20 minutes of peeing there,
13 Ty from your department actually had her retired. She was
14 walking out the door skipping a hoot. So thank you very
15 much for all the hard work.

16 There was one other lady who came in as an active
17 member, and said she almost didn't pay the \$5 to park, but
18 she also left about 10 minutes later retired. So great
19 job on the staff down there and the people were very
20 pleased. So thank you.

21 DEPUTY EXECUTIVE OFFICER LUM: Thank you.

22 CHAIRPERSON FECKNER: Ms. Bailey-Crimmins.

23 CHIEF HEALTH DIRECTOR BAILEY-CRIMMINS: Good
24 morn -- or good afternoon, Mr. Chair and members of the
25 Committee. Liana Bailey-Crimmins, CalPERS team member.

1 Today, the CalPERS Health Program will be
2 presenting the proposed 2020 health rates for our HMO and
3 PPO basic and Medicare plans. In addition, we'll be
4 sharing the proposed association plans, which CalPERS
5 provides enrollment and eligibility services for. And
6 these rates that you will see here today represents months
7 and months of negotiations, and 18 months of CalPERS's
8 medical claim information. So a lot of work goes into
9 what you're going to see here today.

10 In addition to rates, there are three items I'd
11 like to quickly highlight. The first is open enrollment.
12 It's right around the corner. Second are improvements
13 that we have made within my|CalPERS to assist employers on
14 their health enrollment process. And finally just a
15 preview of what to expect from today's agenda.

16 Open enrollment will take place September 9th
17 through October 4th of 2019. The open enrollment app that
18 we had launch last year was a huge hit. So it will be
19 again once available effective August 26th for our
20 members. All members can use this app to view their
21 health plan statements and perform quick and convenient
22 health plan comparisons. And again, this year, retirees
23 will be able to make changes, including changing their
24 plans and changing their dependents. And so this could be
25 a huge time saver for them.

1 In March, I mentioned our work on a new provider
2 directory utility, where members can look up their
3 personal doctor and find the plans that their doctors
4 participate in. Our project goal was to have that
5 completed by the end of the calendar year, but because of
6 the hard work and streamlined efforts, we believe that we
7 are on target to make it available for open enrollment,
8 which we think will be very helpful for our members as
9 they're making those hard choices.

10 And then based on employer feedback, we enhanced
11 and simplified the employer and member enrollment process
12 using the my|CalPERS health benefits screens. So some of
13 the enhancements that we made was we actually streamlined
14 the navigation flow to make it much more user-friendly; we
15 actually also now have new informational text on the
16 screens, which help the employers as they're going through
17 those screens; and then confirmation of successful
18 processed transactions. It's always nice when you hit the
19 button that you know that it actually completed and was
20 saved. These features were implemented in my|CalPERS this
21 last weekend and they are available for our employers now.

22 So what to expect from today's agenda. On
23 consent, this is the second quarter update for the PERS
24 Select Value Based Insurance Design. We continue to
25 experience increased member participation. Members are

1 engaging in preventative and healthy activities, which are
2 benefiting them by deductible credits.

3 For action today is an approval for the HMO and
4 PPO rates. And then lastly, there will be an update on
5 the reference pricing pharmaceutical solicitation, which
6 is currently underway.

7 Mr. Chair, with your permission, I'd like to
8 make -- take a moment of privilege. There is a person in
9 the audience that is -- I'd like to recognize, Dr. Kathy
10 Donneson. She's retiring June 30th, and this will be her
11 last Pension and Health Benefits Committee meeting. She
12 has proudly served CalPERS' members and employers for the
13 last 17 years. Many of the health programs, benefit
14 designs, contract negotiations, and really moving the
15 industry in the right direction is directly related to
16 Kathy's hard work and dedication, and really making a
17 difference on behalf of the members.

18 The list is way too long to go over her
19 accomplishments, but I just want to quickly highlight.
20 The Value Based Insurance Design that you're -- now, we've
21 had a lot of success, that was her baby. Reference
22 pricing for medical. And now we're broaching on to
23 pharmacy. Retirees love the SilverSneakers. She brought
24 that to us. And she also negotiated three complex
25 pharmacy benefit manager contracts in her career. She

1 told me she'd never do another one again.

2 (Laughter.)

3 CHIEF HEALTH DIRECTOR BAILEY-CRIMMINS: But it
4 actually saved millions of dollars annually for our
5 members, which is reflected in being able to contain that
6 increase of rates. So Kathy is going to be sorely missed.
7 I'm honored to work side by side with her these past six
8 years that I've been here at CalPERS. And I know many of
9 you have worked with her much longer than that. So with
10 that, I'd like to turn around and acknowledge her for her
11 hard work.

12 (Applause.)

13 (Standing applause.)

14 CHIEF HEALTH DIRECTOR BAILEY-CRIMMINS: And with
15 that, ending on a high note, that concludes my opening
16 remarks, Mr. Chair.

17 CHAIRPERSON FECKNER: Thank you. On behalf of
18 the Committee, Colonel Donneson, we want to thank you for
19 your invaluable years of service to this organization, to
20 our members as -- our active members, as well as our
21 retirees. I'm not sure how we're going to fill the
22 position behind you. You've done yeoman's work while
23 you've been here and we thank you very much.

24 HEALTH PLAN ADMINISTRATION DIVISION CHIEF

25 DONNESON: Thank you, sir.

1 CHAIRPERSON FECKNER: Before we move on, I also
2 want to acknowledge someone else sitting up here today,
3 Mr. Ralph Cobb, from CalHR. This is Ralph's last meeting.
4 Ralph is officially retiring and moving on. He's leaving
5 California in his RV and going to enjoy the rest of his --
6 next chapter in his life. So, Ralph, thank you for all of
7 your years of service. We really appreciate it.

8 Thank you.

9 (Applause.)

10 CHAIRPERSON FECKNER: Next brings us to Agenda
11 Item 4, the action consent items, the approval of the May
12 14th Committee meeting minute. What's the pleasure of the
13 Committee?

14 COMMITTEE MEMBER TAYLOR: Move approval.

15 ACTING COMMITTEE MEMBER COBB: Second.

16 CHAIRPERSON FECKNER: Moved by Taylor, seconded
17 by Cobb.

18 Any discussion on the motion?

19 Seeing none.

20 All in favor say aye?

21 (Ayes.)

22 CHAIRPERSON FECKNER: Opposed, no?

23 Motion carries.

24 Item 5, information consent items. I have no
25 request to remove anything.

1 Before we move on to Item 6, I want to make a
2 comment that the Committee this morning actually met with
3 a couple of our health plans in closed session to express
4 our dissatisfaction and disappointment with the rates that
5 they came up with. Talking about a plan for the future.
6 And, in fact, in one case, gave them an opportunity to do
7 the right thing and correct their business model by next
8 year or they may no longer be a viable option for our
9 fund. So -- just so you all know, we weren't just sitting
10 in here have cookies and cream. We were actually having
11 some very serious discussions.

12 So with that, I'll turn it over to Ms. Malm.

13 INTERIM HEALTH POLICY RESEARCH DIVISION CHIEF

14 MALM: Thank you, Mr. Chair. Kim Malm, CalPERS team.

15 Agenda Item 6a and 6b I'm going to present
16 together.

17 (Thereupon an overhead presentation was
18 presented as follows.)

19 INTERIM HEALTH POLICY RESEARCH DIVISION CHIEF

20 MALM: This is for the approval of the 2020 HMO and PPO
21 plan premiums. And they're all action items for your
22 approval.

23 The final premiums are in attachment 1 and have
24 been provided to you as a handout. There are also copies
25 in the back of the room and they've been posted to our

1 website.

2 The attachment 1 shows the single-party,
3 two-party and family premiums. Again, the two-party
4 premium is a single-party premium multiplied by two and
5 the family is the single-party premium multiplied 2.6.

6 The rate development process began in February
7 with the health plans submitting their initial 2020 rates
8 with updates in March, April, and May. Since the May
9 Pension and Health Benefits Committee meeting, the rates
10 team has been working with our internal and external
11 counsel, internal and external actuaries, and the health
12 plan carriers.

13 The rates team held discussions with the health
14 plan carrier representatives to address outstanding
15 concerns. As a result, there has been some movement in
16 the premiums from May to June. The 2020 premiums have
17 been validated by our internal actuarial team and our
18 third-party actuarial consulting team.

19 Let me touch on a few of the key highlights for
20 the 2020 premiums. First, there are no copay or benefit
21 design changes to the health plans for 2020. We reported
22 last month that UnitedHealthcare and UC Davis were still
23 negotiating, since UC Davis had an impact on UHC's
24 statewide rate. We're pleased to report that UHC and UC
25 Davis have come to an agreement. Therefore, the UC

1 Davis with UHC, there will be no disruption to our
2 members.

3 For plan changes, Blue Shield is offering a new
4 plan called Trio. This is a narrow network offered in six
5 counties, El Dorado, Los Angeles, Nevada, Placer,
6 Sacramento, and Yolo. In addition, Anthem HMO Select
7 Medicare Advantage is being offered in Monterey County for
8 2020 to accommodate our combination enrollment in the HMO
9 plan.

10 Currently, the only basic HMO plan option in
11 Monterey County is Anthem HMO Select, which does not have
12 a corresponding Medicare plan.

13 So let's go over what we're seeing as part of the
14 2020 premiums. You should have those in front of you.
15 There's a 4.84 percent overall increase to the total
16 program over 2019. This does not include the
17 associations. There's a 5.98 percent weighted average
18 increase to the basic HMO plans and a 6.08 percent
19 increase to the HMO Medicare. You combine these in
20 attachment 1, page 1. The association plan rates have
21 increased by 1.36 for basic and 6.75 percent for Medicare,
22 which CalPERS does not negotiate the plan designs or the
23 rates. So therefore, the overall total program increase
24 is 4.65, a little lower than the previous number.

25 Our PPO basic plans increased by 3.28 percent

1 over 2019. PERSCare basic plan premium rate increase of
2 6.45 percent is due mostly to ending risk adjustment
3 beginning in the 2019 plan year. We have a 2.91 percent
4 increase for PERS Choice and a rate pass for PERS Select.

5 In May, the Board approved 44 million from the
6 Health Care Fund reserves to buy down the PERSCare premium
7 to once again smooth the 6.45 percent increase for
8 PERSCare in 2020.

9 The rate pass for PERS Select is partially the
10 result of the improved health risk in 2019 and the
11 introduction of Value Based Insurance Design, or VBID.

12 For the three PPO Medicare plans, they have all
13 premium decreases for 2020 of a negative 2.52 percent.
14 This is mainly due to the improvement in pharmacy rebates
15 and the Employer Group Waiver Program subsidy, or EGWP.

16 So how are we doing?

17 Mercer did a comparison of CalPERS average health
18 care costs for both our PPO and HMO plans from between
19 2013 to 2019, and -- for their larger purchasers. And
20 we've average a 2.6 percent HMO increase and 3.7 percent
21 PPO increase, which the market is at 6.8 percent. We
22 understand these costs are still too high and having too
23 much of an impact on our member's pocketbook.

24 We believe a competition analysis and bringing
25 pressure to the Bay Area this next year may move that

1 needle in the right direction. We'll also be looking at
2 the Sacramento area.

3 Weighted average. I've said weighted average a
4 lot today, so let me give you a quick explanation of how
5 we calculate the weighted average for our plan types.
6 CalPERS multiplies each plan's single-party premium by the
7 number of subscribers in that plan and compares it to the
8 total cost for 2020 over the total cost of 2019.

9 This is a simplified version of that math. The
10 premiums must be weighted by the membership before
11 totaling in order to give us the cost of health care and
12 how it changes from year to year.

13 New this year. We thought it might be beneficial
14 to our members to explain where their health dollars are
15 spent. In the back of the room, and also in front of you,
16 you should have a copy of the Health Buck. So it's much
17 like the premium Health Buck -- or, sorry, the Premium
18 Buck, where it shows the source of their pension payment.

19 We've put together a premium -- or health premium
20 buck. The buck clearly illustrates to our members that 92
21 percent -- sorry, \$0.92 out of the \$1 is spent on members
22 actual Medicare and pharmacy utilization. Very little is
23 spent on administration.

24 We think that the Health Premium Buck tool will
25 be helpful, and our teams will be using it during open

1 enrollment and the educational events. Again, you can
2 find a hard copy in the back of the room and on our
3 website shortly.

4 Our next steps include publishing the final rates
5 and continuing to work with the rest of the enterprise to
6 prepare for open enrollment this fall, as Liana mentioned,
7 September 9th through October 4th. The 2020 premiums will
8 take effect on January 1st, 2020.

9 And I'd like to take a moment of personal
10 privilege if I may, Mr. Chair. I'd like to thank the
11 rates team, and Steve Goff, and the Legal Office, and the
12 Actuarial Office, and Public Affairs, and Kathy's team.
13 These are not numbers that we celebrate, but the team
14 members have worked really hard this year, late nights and
15 weekends, and I want to say thank you to all of their hard
16 work.

17 That concludes my presentation, and I'm happy to
18 answer any questions.

19 CHAIRPERSON FECKNER: Well, thank you, Ms. Malm.
20 And before we go on to the other Board members, I echo
21 your sentiments and comments about the staff and their
22 hard work. I also want to thank you for your stepping in
23 and taking over this project.

24 INTERIM HEALTH POLICY RESEARCH DIVISION CHIEF
25 MALM: Thank you.

1 CHAIRPERSON FECKNER: We agree that none of us
2 are appreciative of these numbers, but we're all very
3 appreciate of the hard work that went into getting to this
4 point.

5 So thank you and thank the team.

6 INTERIM HEALTH POLICY RESEARCH DIVISION CHIEF
7 MALM: Thank you.

8 CHAIRPERSON FECKNER: Mr. Jones.

9 COMMITTEE MEMBER JONES: Yeah. Thank you, Mr.
10 Chair. Yeah. I echo the Chair's sentiment about the
11 rates being too high. Even though they came down some
12 from May, they still didn't come down enough. And we just
13 need to be reminded that the impact is on the pocketbook
14 of our members when these rates are accelerating like they
15 are.

16 And even more profound, I'm looking at attachment
17 1, page 4, UnitedHealthcare, while the single rate is
18 still competitive, but the increase percent change is 9.24
19 percent for Medicare. And it's even more dramatic -- the
20 impact is more dramatic on retirees, because they're on a
21 fixed income.

22 And so I need to understand how and why this 9.24
23 percent increase is this high and maybe not you, Ms. Malm,
24 but maybe United Care needs to come and explain that, if
25 they're in the audience. I'm sure they are.

1 INTERIM HEALTH POLICY RESEARCH DIVISION CHIEF

2 MALM: They are.

3 CHAIRPERSON FECKNER: Please identify yourself
4 for the record.

5 MS. VOLLRATH: Good afternoon. Michelle
6 Vollrath, UnitedHealthcare.

7 Thank you for the question, Henry. And we -- Mr.
8 Jones. We're very concerned also about the pocketbooks of
9 our members and we aim to serve them well.

10 What I'd like to talk about regarding the
11 increase is our 9.24 percent is almost entirely made up of
12 the health insurance tax returning from the PPACA laws.
13 So essentially, in 2018, the health insurance tax was
14 first introduced. It was then removed for 2019, and then
15 reintroduced for 2020. And with that impact, that actual
16 impact is \$25.96 PMPM overall, which essentially
17 attributes our actual year-over-year increase without
18 taxes at only 2.6 percent.

19 So that is really significantly impacting us.
20 And it is challenging, because other enterprise, such as
21 not-for-profit enterprises, do not have the same tax
22 liability. So our liability is higher on that basis.

23 In addition, over the last three years, if you
24 look at our rates from a non-tax -- if you look at the
25 2018 without the tax, 2019, which didn't have it anyhow,

1 and then our 2020 rates without the tax, it's really
2 averaged over three years about a one and a half percent
3 increase overall.

4 So we really are trying to do our best to keep
5 that down. The taxes has caused some issues for us as
6 well.

7 COMMITTEE MEMBER JONES: And is that tax ongoing
8 or is it one-time implication?

9 MS. VOLLRATH: No. It's in part of the PPACA
10 laws. And what's interesting is both parties -- and this
11 is the one thing I think in Washington that they're in
12 agreement with, would like to have it removed entirely,
13 but they haven't been able to get anything to pass through
14 for 2020 to actually have it removed.

15 What tends to seem to happen is every other year
16 tends to be a bigger election year, and that's when they
17 remove it.

18 COMMITTEE MEMBER JONES: Okay. Thank you for the
19 explanation.

20 MS. VOLLRATH: Thank you.

21 COMMITTEE MEMBER JONES: Even though, it doesn't
22 solve the problem, but at least it explains why. Okay.
23 Thank you very much.

24 MS. VOLLRATH: Completely understand. Thank you.

25 CHAIRPERSON FECKNER: Thank you.

1 Ms. Taylor.

2 COMMITTEE MEMBER TAYLOR: Yes. Thank you.

3 I just want to reiterate what everybody has said
4 so far, which these are higher than we would like to see.
5 I'm especially not happy with Blue Shield Access+. I
6 think it's also important that we -- I think I asked for
7 this and I just -- I know you guys checked, if we could
8 get the membership, so that we can do this -- the weighted
9 average as well. I would really appreciate that.

10 INTERIM HEALTH POLICY RESEARCH DIVISION CHIEF

11 MALM: We're working on that right now, Ms. Taylor.

12 COMMITTEE MEMBER TAYLOR: Okay. Thank you very
13 much.

14 And then -- hold on a second. I had one more
15 question. You had talked about -- well, it doesn't want
16 to move now -- the -- the health -- I've got to go back to
17 it. There we go. I'm sorry.

18 So each weighted average percent is the
19 single-party premium times the number of the members in
20 that plan, and it's the total cost for 2020 compared to
21 2019. So that's our percentage that we're seeing here,
22 the increase --

23 INTERIM HEALTH POLICY RESEARCH DIVISION CHIEF

24 MALM: That's correct.

25 COMMITTEE MEMBER TAYLOR: -- the weighted

1 average, correct?

2 Okay. And I just wanted to also say that I --
3 thank you guys very much. I know you worked really hard,
4 and nobody is happy with these rates. And I understand
5 that a 5.98 percent overall increase for HMOs is probably
6 not the best thing we've ever seen. But I know that you
7 worked really hard, Kim. I know you stepped in at a
8 moment's notice and worked really hard.

9 I want to thank Ms. Donneson for her diligence
10 every year that I've been on the Board. And I just want
11 folks to know that our staff works to do the best they can
12 with what they've got, so that we can get the lowest rates
13 we can. And I will also echo Mr. Feckner in that we did
14 bring a couple of the insurance carrier forward during
15 closed session to talk to them about the increase in rates
16 and how they're going to work with us, so that this
17 doesn't occur again. So that we don't see this kind of
18 rate increase again, because it's way higher than medical
19 inflation and we shouldn't be here.

20 We did get it down from where it was in May, so
21 I'm appreciative of that hard work. And again, thank you
22 very much to the staff for that.

23 That's it.

24 INTERIM HEALTH POLICY RESEARCH DIVISION CHIEF

25 MALM: Thank you.

1 CHAIRPERSON FECKNER: Thank you.

2 Ms. Greene-Ross.

3 ACTING COMMITTEE MEMBER GREENE-ROSS: Thank you.

4 So this question might be for Liana. But my
5 question is about Kaiser and the rate increase is 3.62
6 percent. Now, I'm very aware we've all read about the
7 benefit that the stigma for mental health has diminished,
8 which has led to an increase in the need for these
9 services. And just have a -- very aware of friends and
10 colleagues who have young adult teen children in that --
11 unfortunately, for some reason, this generation the
12 increase in the need for mental health service has just
13 escalated. All kinds of theories on that, and that's a
14 separate conversation.

15 But the question is, is this rate increase
16 reflective of the enhancements and the discussions going
17 on about what they can -- what Kaiser is -- can do in the
18 short term and the long term to ensure that our
19 beneficiaries and their families can quickly get mental
20 health care and get in to see somebody right away.
21 Because there's nothing scary than being a parent and
22 having a teen struggling. It's very scary out there right
23 now.

24 And so I don't know if that rate is reflective of
25 their plans. I just want to know if you can speak -- or

1 have Kaiser speak to what their plans are in the short
2 term and long term for -- I know there's -- you know,
3 there's -- we definitely know there's not enough, you
4 know, health care professionals out there. And we know
5 that -- we hear that they're doing more. And I just want
6 to know if this rate reflects that or is going to go up
7 because we have to solve this problem too?

8 CHIEF HEALTH DIRECTOR BAILEY-CRIMMINS: Ms.
9 Greene-Ross, the rate that you see in front of you is
10 based on utilization and cost of services that have
11 occurred in the last 18 months, and based on the trend
12 that we think is going to happen in 2020.

13 But I will -- I will let you know that that
14 mental health and behavioral health is very important to
15 CalPERS. We have it as one of our performance measures.
16 We meet quarterly with the plans to hold them accountable
17 for these performance. And we are also -- recently at our
18 stakeholder meeting, we brought in four of our plans,
19 Kaiser, Blue Shield, United to talk about what they're
20 doing in relation to behavioral health.

21 So I wanted to let you know this is a focus for
22 us and we will continue to be reporting to the Board our
23 progress made in this area, just like we have with opioids
24 and other key initiatives that we are focusing on.

25 ACTING COMMITTEE MEMBER GREENE-ROSS: Great. I

1 appreciate that.

2 And then I had a follow-up question to Controller
3 Yee's letter from just a short while ago on what we can do
4 to ensure that all our beneficiaries are aware and that
5 our -- the plans that -- with which we contract are
6 honoring the laws in the State on reproductive rights and
7 CalPERS's long expressed position on gender-affirming
8 care, and how do we make sure all our beneficiaries know
9 their rights are, so that they never have to go through
10 unnecessary burdens to access that care?

11 CHIEF EXECUTIVE OFFICER FROST: So we did receive
12 State Controller Yee's letter to the Board, and --
13 actually to me and it was copied to the Board. So the
14 team has reached out to each one of the health plans
15 asking for written assurance that there would be coverage
16 for those services. Once we have validation from each of
17 the plans, there will be a response back to Controller Yee
18 in writing.

19 ACTING COMMITTEE MEMBER GREENE-ROSS: Great.
20 Appreciate it. But really in the end, what we would
21 ideally like is that all our beneficiaries are
22 communicated and know what their rights are, and that
23 there's a process if they are never able to access it
24 through certain providers that may have beliefs that are
25 inconsistent with State law.

1 CHIEF EXECUTIVE OFFICER FROST: And we -- and we
2 do have these services reflected in the evidence of
3 coverage for the plans, as well as protections in
4 California State law. But again, I think the additional
5 piece that Controller Yee asked for was to actually have
6 the health plans proactively assert that these services
7 would be covered. So that would be the third piece that
8 would be in writing.

9 ACTING COMMITTEE MEMBER GREENE-ROSS: That would
10 be great. Great. Thank you, Marcie.

11 CHAIRPERSON FECKNER: Thank you.

12 Mr. Rubalcava.

13 VICE CHAIRPERSON RUBALCAVA: Thank you, Mr.
14 Chair.

15 I want to join the Chair and our colleagues on
16 this Board to -- in acknowledging the good work that the
17 staff did in getting these rate renewals for 2020. I know
18 it was -- the rates, even though nobody is pleased with
19 them, are justified and reflect the cost of care.

20 Secondly, I think it's appropriate. It was said
21 before that the rates have been reduced significantly from
22 the May submittal. I think it's a -- it would be a good
23 communication piece if we acknowledged and publicized how
24 much savings that was in millions of dollars from moving
25 from May to today's date.

1 And also, it was some tough negotiations from the
2 reports we her, and we want to acknowledge also -- I want
3 to acknowledge the carriers for sharpening their pencils.
4 I know there was some tough decisions they had to make and
5 they made them. And we look forward to continued dialogue
6 with our staff and the carriers to improve the quality
7 outcomes, make sure that people get their proper care at
8 the right time, and access is affordable also.

9 Thank you very much.

10 CHAIRPERSON FECKNER: Thank you.

11 Ms. Middleton.

12 BOARD MEMBER MIDDLETON: I want to thank
13 Controller Yee for raising the issue of women's
14 reproductive health care and gender-affirming care, and
15 thank Ms. Greene-Ross for raising that issue.

16 Not only is it sufficient to receive confirmation
17 that they have policies in place, in both instances, the
18 availability of care and of culturally competent care is a
19 critical factor. So I would be looking to get an
20 understanding of what procedures they have in place to
21 ensure that those individuals who are providing care are
22 culturally competent and that access, either through plan
23 or outside of plan without additional cost, if it is not
24 available in plan, is available.

25 CHAIRPERSON FECKNER: Mr. Miller.

1 COMMITTEE MEMBER MILLER: Yeah. Thanks again.

2 I would echo the comments of my colleagues here.
3 And also, as unhappy as I am with the increases -- the
4 particular increases, I do want to acknowledge that having
5 been following CalPERS and involved in these discussions
6 with CalPERS members and union members as a union
7 representative for many years, it's like night and day,
8 the effectiveness, the sophistication of our team, and how
9 much further under the hood we're able to get working with
10 our providers to understand the costs, understand the cost
11 structures to get a better value for our members.

12 And while in any given instance some of these
13 numbers really bother me and we've got a lot more work to
14 do to get there, I'm more confident than ever that our
15 team is on the right track to getting there. And beyond
16 just the price tag, which is again, in some specific
17 instances that we've talked about in closed session, is
18 frustrating to me, this does represent a continuing to be
19 able to give our members access to quality health care.
20 And we're going to continue to work on the affordability
21 part.

22 But we continue to keep the bar high on access,
23 on choices, on quality of health care. And we've got to,
24 you know, keep our providers, and feet to the fire on
25 those elements as well.

1 And I think our team is positioned to continue
2 doing that. And I thank all our stakeholders who are
3 also, you know, providing the input and providing the
4 feedback that we need to continue to keep the pressure on,
5 and keep moving in the right direction.

6 CHAIRPERSON FECKNER: Mr. Cobb.

7 ACTING COMMITTEE MEMBER COBB: I just want to
8 echo David's comments and just to extend my appreciation.
9 I know first hand just how grueling the -- and how long
10 and arduous the work is. And you know, Kathy and I go
11 back to when she first came to CalPERS. And I can tell
12 you, I look back and it's just scary that we actually
13 thought we knew enough to negotiate PBM contracts, and set
14 rates, and all of that. And what's built up under Kathy's
15 leadership is just multiple orders of magnitude more
16 sophistication than was in place before she came and we
17 owe her a lot. And those that follow her have big shoes
18 to fill.

19 CHAIRPERSON FECKNER: Thank you.

20 Okay. Seeing no other requests to speak, this is
21 an action item.

22 What's the pleasure of the Committee.

23 COMMITTEE MEMBER BROWN: Move it.

24 COMMITTEE MEMBER TAYLOR: Second.

25 CHAIRPERSON FECKNER: Moved by Brown, seconded by

1 Taylor. We have two requests to speak from the audience.
2 Stacey Peterson and Sheila McShane. Please come forward
3 to your right and please speak your name for the record.
4 And you'll have up to three minutes for your comments.

5 MS. McSHANE: Thank you so much for allowing us
6 to speak. My name is Sheila McShane. And I'm the HR
7 Manager for the City of Woodland. I appreciate this
8 opportunity and I appreciate all the efforts that your
9 team has put in to setting the rates so far.

10 But I wanted to express some concerns I have, not
11 only for the active employees at the City of Woodland, but
12 the retirees at the City of Woodland, because they also
13 have to pay part of the premium for CalPERS.

14 It appears that we moved -- Yolo County is part
15 of the City of Woodland. And Yolo County used to be part
16 of the Bay Area. And Yolo County, El Dorado, Placer, and
17 Sacramento went into one region. And now we're being
18 moved back into what we consider the Bay Area rates. And
19 what we were told was the cost to the entities wouldn't be
20 very high, except it's greater than what was expected.

21 We entered into a lot of our labor agreements
22 with some assumptions on the cost of the medical plans for
23 CalPERS. We've set rates -- flat rates for our employees.
24 And this may cause some of our employees to incur
25 out-of-pocket costs, as well as increase the cost to

1 retirees who are on fixed incomes.

2 The assumption that if we were going to change
3 regions would be about a \$41 increase. That's not the
4 case for us, at least what we see. The information we had
5 received was going to be insignificant. Had we not moved
6 to the Bay Area rates, this would be true. However, we
7 are now in the Bay Area rates and our Kaiser plan went up
8 12 percent. This is where the majority of our employees
9 are enrolled. So this really does cost our employees a
10 tremendous amount of money.

11 The rates not only affect our employees again,
12 but they'll -- they affect all of our retirees as well.
13 And we have about 200 active employees and about 250
14 retired employees. So this is going to be a very large
15 burden for our employment group. And we ask that you
16 continue to look at the rates as you've stated in the
17 meeting already.

18 Thank you for the opportunity to speak and thank
19 you for all your efforts.

20 CHAIRPERSON FECKNER: Thank you for being here.

21 Ms. Bailey-Crimmins.

22 CHIEF HEALTH DIRECTOR BAILEY-CRIMMINS: I would
23 just like to clarify, just so that you're aware, there is
24 no longer a Bay Area region.

25 MS. McSHANE: I understand that.

1 CHIEF HEALTH DIRECTOR BAILEY-CRIMMINS: And so
2 looking at that I just want to make sure that you were
3 looking at the new Region 1, which is a consolidation of
4 all Northern California.

5 MS. McSHANE: I understand that. And we -- I
6 called it Bay Area rates, only because it has San
7 Francisco in it.

8 Thank you.

9 CHAIRPERSON FECKNER: Thank you.

10 MS. PETERSON: Hi. I'm Stacey Peterson. I'm the
11 Human Resources Director for the City of Roseville. And I
12 appreciate the opportunity to come before you to speak
13 because we also have concerns.

14 As part of the region changes that occurred,
15 we're the most significant region, I think, that has been
16 impacted. Sacramento has a competitive area for medical
17 plan premiums. And so we are seeing a 12 percent
18 increase. You don't see it, I don't think, in what you
19 see as reports. What concerns me is oftentimes what you
20 see as a Committee is averaged across all of the different
21 plan premiums, so you're seeing these really moderate
22 increases.

23 So obviously, you did speak about the Blue Shield
24 Access+ that's going up 28 percent for employees in the
25 Sacramento area, from what our employees were paying, 12

1 percent for Kaiser. So to add context to that, that
2 equates to \$209 per month for our Kaiser employees --
3 employees enrolled in Kaiser.

4 And, for me, that's where we have significant
5 concerns, because as an employer, we're not able to keep
6 up with those rate increases in what we contribute. So
7 employees are going to bear the extent of that increase at
8 the family level.

9 And I don't know how many of you can just absorb
10 \$209 per month, especially where we don't have the
11 significant sizes of COLAs going into place, because our
12 pension costs are going up as an employer.

13 So I did want to also point out that, you know,
14 PERS Choice is also another one of those plans that
15 employees are enrolled in a lot, and that's going up 8
16 percent in the Sacramento region. So we're very concerned
17 that while we've been merged in, we've not been kept
18 separate. And we understand the region change occurred.
19 But I do agree with Sheila that we understood that it was
20 on average going to go up by \$41 a month. So, in
21 December, when that conversation was had, we did not
22 understand the impact that this would have to the
23 Sacramento members.

24 I think that the biggest question that we have -
25 we have a few questions for you - that we're wondering,

1 because there was some other smoothing done for the
2 PERSCare plan, if there's anyway for the Committee to ask
3 staff, if there is a choice, to possibly smooth the impact
4 to the Sacramento region.

5 So just to add more context, the employers down
6 in the Bay -- what was the Bay Area region, they're seeing
7 a 3 percent increase compared to what our Sacramento
8 members will receive as a 12 percent increase.

9 So there's a significant difference with having
10 that region change made for all of the members within this
11 area. There's about 16,000 members in Kaiser in the
12 Sacramento region. What was presented to us as part of
13 those region changes was that this would impact about
14 3,800 members who would receive greater than 10 percent
15 increases.

16 Well, when I look at these numbers --

17 CHAIRPERSON FECKNER: Your time has expired.

18 MS. PETERSON: -- and do the math, then the
19 increases are -- you know, there are 16,000 members who
20 are being impacted.

21 So with that, I just would like to leave it with
22 a question, whether there's any way to do any smoothing to
23 reduce the impact to the Sacramento area members as part
24 of this process?

25 CHAIRPERSON FECKNER: Ms. Malm, Ms.

1 Bailey-Crimmins, either one of you?

2 CHIEF HEALTH DIRECTOR BAILEY-CRIMMINS: Just from
3 an education perspective. So for the PPO, CalPERS is the
4 plan and there are such things as reserves. So CalPERS,
5 because we bear the full risk, we have a month and a half
6 of reserves. And so because there are rebates from the
7 federal subsidies, we were able to present to the Board
8 monies that could be used to help with the PPO plans.

9 For the HMO plans, that is a very -- they're in a
10 five-year contract. Once the five year, they hold the
11 money within each of those subaccounts. And claims
12 run-outs can actually go three years beyond. And so we
13 have to ensure that there's enough money in the account to
14 pay for medical claims.

15 So when it comes to smoothing, it's much more
16 difficult when it comes to the HMO side than it is on the
17 PPO side. So it's just more of an explanation of how
18 there really is a difference.

19 CHAIRPERSON FECKNER: Thank you. Thank you both
20 for being here today.

21 I just want to be clear from the Committee that
22 we're voting on both 6a and 6b, both the maker of the
23 motion and the seconder understand?

24 COMMITTEE MEMBER BROWN: Yes.

25 COMMITTEE MEMBER TAYLOR: Yes.

1 CHAIRPERSON FECKNER: Very good.

2 Okay. The motion being before and no other
3 requests to speak.

4 Any discussion on the motion?

5 Seeing none.

6 All in favor say aye?

7 (Ayes.)

8 CHAIRPERSON FECKNER: Opposed, no?

9 Motion carries. Thank you.

10 Brings us to item -- information item 7a, Ms.
11 Malm.

12 INTERIM HEALTH POLICY RESEARCH DIVISION CHIEF
13 MALM: Thank you, Mr. Chair. Members of the Committee,
14 again, Kim Malm, CalPERS team member.

15 7a, the State annuitant contribution formulas is
16 an information item for the Committee. The State
17 annuitant contribution amounts are based on the proposed
18 2020 health premiums. They're provided in attachment 1.
19 Copies are available in the back of the room and will
20 be -- and are posted to our website.

21 The State contribution rates for each premium
22 tier, one-party, two-party, and family-party were
23 calculated based on the weighted average of the four
24 largest health plans. For the 100/90 formula this year,
25 the top four largest health plans -- basic health plans

1 are Kaiser Permanente, Blue Shield Access+, HMO PERS
2 Choice, and UnitedHealthcare HMO.

3 State annuitant contributions are calculated in
4 accordance with PEMHCA. Under the 100/90 formula, which
5 most retirees are in, the State pays 100 percent of the
6 weighted average premium of the top four largest basic
7 plans for each subscriber, and 90 percent for each
8 dependent.

9 For 2020, under the 100//90 formula of basic or
10 Medicare one-party coverage is \$767, two-party coverage is
11 \$1,461, and family coverage \$1,868.

12 The 80/80 formula which applies to State
13 employees first employed by the State in 2016 or 2017,
14 depending on bargaining unit, has a much smaller
15 population. Under the 80/80 formula, the State pays for
16 the basic plan 80 percent of the weighted average premium
17 of the top four largest basic plans, which I just read --
18 told you, and 80 percent for the dependent. This year the
19 top four again Kaiser, Blue Shield, HMO PERS Choice, and
20 UnitedHealthcare.

21 For the Medicare plan, 80 percent of the weighted
22 average premium is made of the top four largest Medicare
23 plans for each subscriber, and their de -- and 80 percent
24 for their dependent. This year the top four largest
25 Medicare plans are Kaiser, UnitedHealthcare, PERSCare, and

1 PERS Choice, medicare supplemental.

2 For 2020, under the 80/80 formula for basic, 609
3 for one-party, 1,228 for -- three, sorry for two-party and
4 1,585 for family coverage. For Medicare, 282 for
5 one-party, 562 for two-party, and 845 for family coverage.

6 Just as a reminder, CalPERS calculates the State
7 annuitant rates and CalHR calculates the active rates for
8 this.

9 That concludes my presentation. I'm happy to
10 answer any questions.

11 CHAIRPERSON FECKNER: Thank you.

12 Seeing no requests to speak.

13 That brings us to Agenda Item 7b, the Outpatient
14 Prescription Drug Reference Pricing Referencing.

15 Ms. Donneson.

16 (Thereupon an overhead presentation was
17 presented as follows.)

18 HEALTH PLAN ADMINISTRATION DIVISION CHIEF

19 DONNESON: Mr. Chairman, it has been a pleasure to serve
20 you and this Pension and Health Benefits Committee for 17
21 years --

22 CHAIRPERSON FECKNER: Thank you.

23 HEALTH PLAN ADMINISTRATION DIVISION CHIEF

24 DONNESON: -- and to serve the Board of Administration
25 under Mr. Jones as current President, and also to serve

1 our CEO Marcie Frost and our executive team.

2 So with that, I will cover the last agenda item
3 of my active career.

4 (Laughter.)

5 HEALTH PLAN ADMINISTRATION DIVISION CHIEF

6 DONNISON: I will be retired July 1.

7 And before I start this presentation, I want to
8 thank you, because you took under your wing the veterans
9 both active veterans, which I was for many years while I
10 worked here, as well as our retired veterans. So thank
11 you for making that an initiative for several years and
12 looking after our Cal vets, as well as our other veterans
13 that serve our armed forces.

14 CHAIRPERSON FECKNER: You're welcome and thank
15 you.

16 (Applause.)

17 HEALTH PLAN ADMINISTRATION DIVISION CHIEF

18 DONNISON: This is Agenda Item 7b and it updates the
19 Committee on the reference pricing solicitation to obtain
20 a vendor to support CalPERS in its program implementation.

21 The reference pricing program is for basic
22 members only, who are receiving pharmacy benefits through
23 the pharmacy benefit manager. Joining me today to my
24 right is Ms. Cheryl Day who is overseeing the solicitation
25 activities. We'll cover the reference pricing strategy,

1 the timeline for the procurement, and the next steps.

2 --o0o--

3 HEALTH PLAN ADMINISTRATION DIVISION CHIEF

4 DONNISON: Reference pricing of pharmacy --

5 pharmaceuticals by therapeutic class is a program aimed at
6 reducing pharmacy costs by influencing members to switch
7 to the lower cost alternative drugs within each
8 therapeutic class.

9 In order for members to make that choice for
10 lower cost alternatives, the members, prescribers, and
11 pharmacists need to have the most up-to-date drug and
12 pricing information. If a member cannot switch due to
13 medical necessity, an exception process is available for
14 those members. If a member chooses not to switch and
15 there is no medical necessity, the CalPERS Health Program
16 has an appeals process.

17 In November 2018, the Committee directed the
18 CalPERS team to conduct a solicitation to obtain a second
19 vendor to assist CalPERS with its marketing, prescriber,
20 and pharmacy outreach and education, and also to help us
21 monitor the program performance.

22 I'd now like to turn it over to Ms. Cheryl Day
23 who is going to present the rest of this item.

24 HEALTH PLAN ADMINISTRATION ASSISTANT DIVISION

25 CHIEF DAY: Thank you, Kathy.

1 Phase 2 proposals are due on June 26th.

2 --o0o--

3 HEALTH PLAN ADMINISTRATION ASSISTANT DIVISION

4 CHIEF DAY: The reference pricing milestones that you see
5 here summarize the solicitation activities to date. Upon
6 receipt of the phase 2 proposals due on June 26th, CalPERS
7 team members will begin the evaluation process. Phase 2
8 is worth a maximum of 1,000 points, and the highest
9 scoring firms, as determined by CalPERS, will be provided
10 the opportunity to participate in phase 3 of the
11 solicitation.

12 --o0o--

13 HEALTH PLAN ADMINISTRATION ASSISTANT DIVISION

14 CHIEF DAY: This slide shows the timeline for all phases
15 of the procurement. Phase 3 will consist of disseminating
16 the contract to those qualified firms with the expectation
17 that they are in agreement to the terms and conditions of
18 the contract. The proposed contract will begin in
19 mid-August and run through December 31st of 2021.

20 --o0o--

21 HEALTH PLAN ADMINISTRATION ASSISTANT DIVISION

22 CHIEF DAY: CalPERS team members would like to complete
23 the solicitation process by mid-August, so that we can
24 begin the important work on the implementation component
25 of the reference pricing program, with the objective that

1 it is available for the 2020 plan year.

2 That concludes my presentation and we are
3 available to take your questions.

4 CHAIRPERSON FECKNER: Very good. Thank you and
5 thank you for the presentation.

6 No requests from the Board, but one request from
7 the audience. Mr. Neal Johnson.

8 MR. JOHNSON: Neal Johnson, SEIU Local 1000.

9 Several months ago, we came and said we wanted
10 you to move towards awarding a contract. I thank -- and
11 I -- last week at the stakeholder engagement meeting, I
12 thanked Kathy and her staff for moving rapidly to get to
13 the point of going out for bid on this important project.
14 And I want to thank the Board for that too.

15 We think within a few years, our members will
16 thank you for having brought this forward in a timely
17 fashion. It is a method that I think you will find really
18 reduces costs, and I hope it really works well. I thank
19 you for your effort.

20 I also want to take a moment of personal
21 privilege to thank, as we all have, Kathy Donneson for her
22 hard work. I met Kathy, oh, God, 2002, 2003 when dealing
23 with the data warehouse, and then through many trials and
24 tribulations over the last 15 or so years. She has done a
25 very good job, has really brought the system forward. I

1 think Ralph's comment that we thought we knew how to
2 really do things years ago, and in hindsight you find out
3 you really didn't necessarily know it all that well. But
4 I think Kathy has really built the expertise of the
5 organization, and I thank her for her hard work.

6 Thank you very much.

7 CHAIRPERSON FECKNER: Thank you.

8 So seeing no other requests, thank you both. Ms.
9 Donneson, you saved your easiest agenda for the last, so
10 good for you.

11 (Laughter.)

12 CHAIRPERSON FECKNER: That brings us to agenda
13 Item 7c, Summary of Committee Direction.

14 Ms. Bailey-Crimmins.

15 CHIEF HEALTH DIRECTOR BAILEY-CRIMMINS: Mr.
16 Chair, I have three items. One is to provide the Board
17 the membership numbers by plan. The second is to publicly
18 share the progress of the Board and CalPERS has made
19 between May and June. And then last, in addition to the
20 correspondence that we're getting from the plans on
21 their -- they're still offering reproductive and gender
22 identity services. Also, it sounds like we would like
23 confirmation regarding availability and competency of
24 care, in addition to that -- that letter.

25 CHAIRPERSON FECKNER: Very good. Thank you.

1 Item 7d, Public Comment. I have two requests
2 from the public, Tim Behrens and Larry Woodson. Please
3 come forward, identify yourself for the record, and you'll
4 have up to three minutes for your comments.

5 MR. BEHRENS: Thank you, Chairman Feckner.
6 Members of the Committee, Tim Behrens, President of the
7 California State Retirees. I want to start by thanking
8 the health staff team for producing this Health Buck.
9 It's going to mean a lot for us out in the field when we
10 have a lot of questions about, boy, CalPERS is spending
11 way too much money on health care, blah, blah, blah. This
12 is a very good example. And I hope we'll get a regular --
13 hard regular sized copy in the future like the other
14 CalPERS Buck.

15 So having said that, I think that I agree with
16 many of you that the rates are too high. UnitedHealthcare
17 9.24 percent? And on the Fortune 500, they're number 6
18 and made 12 and a half percent increase in their revenue
19 last year. So at what point, can CalPERS, when they
20 negotiate these contracts, hold their feet to the fire
21 when they have made that kind of profit in the year before
22 we negotiate with them? That's my question.

23 CHAIRPERSON FECKNER: Well, if you want an answer
24 from me, I would say it's going to depend on the appetite
25 for the members of this system to say no that you don't

1 want that plan anymore. That's the bottom line.

2 MR. BEHRENS: Okay. That's all. Thank you.

3 CHAIRPERSON FECKNER: Okay. Thank you.

4 Mr. Woodson.

5 MR. WOODSON: Good morning. Larry Woodson,
6 California State Retirees. Thank you for the opportunity
7 to comment.

8 I would -- I also appreciate the staff and the
9 Board's expression that the rates are too high. I'm a
10 little disappointed that there is an expression of getting
11 tougher next year. I wish you would have got a little
12 tougher this year. But that's not the main subject of my
13 comments.

14 I expected a legislative report today by Mr.
15 Brown. And I ran into Danny in the hallway and found out
16 that there was a management decision that he would no
17 longer present health care legislation to this Committee,
18 but to the full Board, and that's when he's going to be
19 talking about AB 1611 by Assemblyman Chiu, the surprise
20 medical bill. So I'm disappointed that it seems to be a
21 step away from transparency for us, and -- but I'm going
22 to comment on that today.

23 CSR endorsed this bill, because it will help
24 protect our members on basically PPO plans from surprise
25 medical bills from out-of-network hospitals for ER

1 treatment. When a member has a life-threatening trauma,
2 heart attack, et cetera, they're in no condition to
3 dictate where they are taken by ambulance, and to meet an
4 insurance plan's network coverage.

5 We asked staff at the last stakeholder meeting
6 last Thursday why CalPERS was watching rather than
7 endorsing this bill? And we are given a defense by
8 CalPERS of Anthem and CalPERS ability to minimize risk of
9 surprise bills by virtue of the broad Anthem hospital
10 network and their ability to negotiate in-network rates
11 without out-of-network hospitals. And we were told that
12 only one or two members a year actually appeal, went all
13 the way through the appeal process with CalPERS, so that
14 it was really a minimal risk.

15 We're also told that 1.3 percent of Care PPO
16 members received was out-of-network ER care. It took me
17 several days to get the exact number of what that 1.3
18 percent represented. It's 4,100 members. I was told that
19 many of them are out of state, but I'm assuming since they
20 deny say majority, that at least over 2,000 members are
21 facing this risk.

22 And Mr. Brown did state to us that it was unclear
23 if 1611 applied to CalPERS members, since not all of the
24 PPO plans are -- or since the PPO plans are self-funded
25 and only regulated by the federal government. I followed

1 up on this point with Chiu's office and was told
2 absolutely they are covered by the bill. There's a
3 section that says all hospitals with emergency departments
4 licensed by California are in it.

5 So in conclusion, we think that the Board should
6 support this bill and let the courts decide of it's
7 applicability if the hospital association happens to sue.

8 Thank you.

9 CHAIRPERSON FECKNER: Thank you. Appreciate your
10 comments.

11 Seeing no other requests, this Committee meeting
12 is adjourned.

13 (Thereupon California Public Employees'
14 Retirement System, Pension and Health Benefits
15 Committee open session meeting adjourned
16 at 2:37 a.m.)

17
18
19
20
21
22
23
24
25

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 and Health Benefits Committee open session meeting was reported in shorthand by me, James F. Peters, a Certified Shorthand Reporter of the State of California, 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 23rd day of June, 2019.

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