



California Public Employees' Retirement System

Executive Office

400 Q Street, Sacramento, CA 95811 | Phone: (916) 795-3829 | Fax: (916) 795-3410

888 CalPERS (or 888-225-7377) | TTY: (877) 249-7442 | www.calpers.ca.gov

The Honorable Bob Good
Chairman, Education and the Workforce
Subcommittee on Health, Employment,
Labor, and Pensions
2051 Rayburn House Office Building
Washington DC 20515

The Honorable Mark DeSaulnier
Ranking Member, Education and the Workforce
Subcommittee on Health, Employment,
Labor, and Pensions
2051 Rayburn House Office Building
Washington, DC 20515

January 10, 2024

Subject: Lowering Costs and Increasing Access to Health Care With Employer-Driven Innovation

Dear Chairman Good and Ranking Member DeSaulnier,

I am writing on behalf of the California Public Employees' Retirement System (CalPERS) to thank you for holding your upcoming hearing titled "Lowering Costs and Increasing Access to Health Care with Employer-Driven Innovation." This is an important topic for Congress to address, and we support the Committee's quest to lower health care costs while increasing access to care and protecting consumers.

Prescription drugs play an increasingly important role in the health and well-being of our members and their families. With more than 1.5 million members, CalPERS is the largest purchaser of employee health benefits in California and the second largest purchaser in the nation after the federal government. In 2022, we spent over \$10.6 billion to purchase health benefits for active and retired members and their families on behalf of the State of California (including the California State University) and nearly 1,200 public agencies and schools. Approximately 19% of our \$10.6 billion spend was for outpatient prescription drugs alone.

We applaud the bipartisan efforts by both Senate and House Committees in approving legislation that decreases the cost of prescription drugs. To complement the success of the Inflation Reduction Act (IRA), and bring relief to the millions of Americans insured by commercial plans, CalPERS recommends that the Committee take up legislation similar to [H.R. 4895](#), the Lower Drug Costs for American Families Act. This bill would extend the Inflation Rebate Program to the commercial sector and allow commercial health plans to utilize the maximum fair prices established under the Medicare Drug Price Negotiation Program, resulting in millions in savings for purchasers and employees.

When the extension of the Inflation Rebate Program to the commercial market was considered for inclusion in the IRA in 2022, West Health [estimated](#) that the program would reduce employer-sponsored insurance costs by \$176 billion and reduce employee out-of-pocket premiums and cost-sharing by \$42 million over ten years. Similarly, the Congressional Budget Office previously [projected](#) that the expansion of the negotiation program to the commercial sector is likely to reduce the estimated cost of health insurance offered by employers, resulting in lower overall premiums.

CalPERS would also like to take this opportunity to express its support on the overall goal of [H.R. 5378](#), the bipartisan Lower Costs, More Transparency Act. We believe that provisions to increase transparency in the commercial market, including the pharmacy benefit manager requirements, will provide purchasers with critical information to better serve plan members. Additionally, CalPERS commends the inclusion of the provision to increase transparency in the generic drug application process, as it will bring much-needed additional competition into the pharmaceutical space.

We welcome the opportunity to work with you on ways to improve health care affordability. Please do not hesitate to contact Donald Moulds, Chief Health Director, at (916) 795-0404, or your staff can contact Danny Brown, Chief of our Legislative Affairs Division, at (916) 795-2565, if we can be of any assistance as these measures proceed.

Sincerely,

Marcie Frost
Chief Executive Officer