



Health Benefits Committee
June 29, 2016
9:00 a.m. - Noon

Agenda



- **1. Call to Order at 9 a.m. by Larry Woodson**
- **2. Pledge of Allegiance - Jenny Hayden**
- **3. Roll Call:**
 - **Larry Woodson, Chair**
 - **Connie Lira, Vice Chair**
 - **Elaine Edwards-Yahraus**
 - **Dr. Mark Hynum**
 - **Jenny Hayden**
 - **Al Darby**
 - **Luanna Allard**
- **4. Approval of Minutes (February 23, April 4, and May 16, 2016)**
- **5. Review and Approval of Today's Agenda - Larry Woodson**

Agenda



PRESENTATIONS

(Questions and Answers at the end of each presentation)

- **6. Dr. Mark Hynum**
 - **a. California Drug Price Relief Act, AB 533 Bonta Bill**
 - **b. Update on Excise Tax (Cadillac Tax)**
- **7. Elaine Edwards-Yahraus**
 - **Long Term Care issues and updates**
- **8. Connie Lira**
 - **2017 Health Plans and rates**
- **9. Jenny Hayden and Luanna Allard**
 - **Veterans issues**
- **10. Al Darby**
 - **Update on HBC efforts to improve Delta Dental benefits**
- **11. Larry Woodson**
 - **a. Pharmacy Benefits Manager Contract Award to Optum**
 - **b. Update on CalPERS Health Plan Open Enrollment notification: online vs. mailing**
- **12. Questions/Comments - All members**
- **13. Adjourn**

Current Government Bills Affecting Health Care



DR. MARK HYNUM

Current Government Bills Affecting Health Care



1. Affordable Care Act Excise Tax
2. California Drug Price Relief Act
3. Bonta Surprise Medical Bill Act

Affordable Care Act Excise Tax



- “Cadillac Tax”
- 40% excise tax on “high cost” employer health benefit plans
- Current Thresholds:
 - \$10,200/yr. individual
 - \$27,2500/yr. family

Affordable Care Act Excise Tax



- Includes Both Employer and Employee Contributions
- Includes Contributions to the Flexible Spending Account (FSA), Health Savings Account (HSA), and Wellness Programs
- Does NOT include Coinsurance, CoPays, Dental and Vision Plans

Affordable Care Act Excise Tax



Estimated Impact to CalPERS Health Plans

3% increase in health premiums/year:

2018--\$4,000/ year

2023---\$38,000,000/year

7% increase in health premiums/year:

2018—\$4,000,000/year

2023---\$421,000,000/year

Affordable Care Act Excise Tax



- Delayed—2020
- Provides significant funding for the ACA
- Will affect ALL Retirees not yet on Medicare
- Long-term costs for Retiree Medicare Plans not clear

No new updates—awaiting 2016 fall election

California Drug Price Relief Act



- November 2016 Ballot Measure
- “Yes” Vote—requires state agencies to pay the same drug prices as the US Dept. of Veteran Affairs
- “No” Vote—rejects the initiative

California Drug Price Relief Act



- Supported by Californians for Lower Drug Prices Campaign, AIDS Healthcare Foundation
- Opposed by pharmaceutical companies
- 100 million dollars raised already to oppose measure

California Drug Price Relief Act



- Rationale: the US Dept. of Veteran Affairs negotiates discounts as high as 58% of a drug’s “sticker price.”
- State Legislative Analyst—insufficient information to estimate possible cost savings
- Pharmaceutical companies—US Dept. of Veterans Affairs costs will go up, if the measure passes.

Bonta “Surprise” Medical Act



- State Assembly Bill, AB 533
- Limits what a patient can be charged by an out-of-network provider
- Initiated in 2015. Resubmitted in 2016. Recent Motion to Reconsider
- Similar bill already passed in New York

Bonta “Surprise” Medical Bill



- Why is this Important?
- Your surgeon and hospital may both be “in network” providers.
- However, the 2nd surgeon, anesthesiologist, radiologist, and/or pathologist may NOT be part of that same network.

Bonta “Surprise” Medical Bill



- The “other” providers are paid by your medical insurance. THEN you get a bill for the balance of the submitted bill.
- Because the “other providers” are NOT in network, they have NO contractual relationship with your medical insurance.
- You are THEN responsible for the “surprise” or balance due bill.

Bonta “Surprise” Medical Bill



- What Can You Do?

- ALWAYS, check on ALL providers for a scheduled procedure, ahead of time.

- MAKE SURE that that the surgical assistant, anesthesiologist, radiologist and pathologist are ALL part of your insurance network.

Bonta “Surprise” Medical Bill



- It is NOT Enough to ask “Do you take my insurance?”
- Almost everyone will submit an insurance bill for payment.
- You need to determine if the provider is an in-network provider.

Long Term Care



ELAINE EDWARDS-YAHRAUS

Long Term Care



- **Gentworth 2016 Cost of Care Study**
- **CalPERS Long-Term Care Program Semi-Annual Update**
- **Eighty-Five Percent Premium Increase Update**
- **LTC4 Update**
- **CalPERS Investment Policy for the Public Employees' Long Term (LTC) Fund**
- **Status Of Long Term Care Lawsuit**

Gentworth Cost of Care Study



**The average American underestimates the cost of in-home long-term care by almost 50%
Home Health Care is the most popular option-Four out of five adults underestimate the cost of Care**

USA	Median Cost of Long Term Care	California
\$17,680	Adult Day Care	\$20,020
\$43,539	Assisted Living	\$48,000
\$45,760	Homemaker Services	\$52,624
\$46,332	Home Health Aide	\$54,912
\$82,125	Nursing Home (semi-private room)	\$91,250
\$92,378	Nursing Home (private room)	\$112,055

Long Term Care Program Semi-Annual Update



Key Statistics

- **As 12/31/2015 the LTC Program has 134,495 participants**
- **\$4 billion invested asset value**
- **\$1.8 billion paid in benefits since 1995**
- **\$256 million in 2015**
- **The 2015 premiums paid increased**
- **Participant accepted 2015 portion of the 2015-2016 increase**
- **Loss of participants in 2015**
 - **Death 2937**
 - **Non-payment 766**
 - **Voluntary 628**
 - **Exhausted Benefits 110**
- **40,000 people who elected to accept the 2015 portion of the increase will receive election documents**

LTC4 Update



Statistics as of February 5, 2016

2,385 applications received (2338 comprehensive plan, 47 partnership plan)

1,342 approved

821 were denied through underwriting review

169 withdrawn

53 pending underwriting

The average number of applications each month is 92

- **59 percent online**
- **41 percent paper**

CalPERS Long Care Class Action Lawsuit



Kershaw Cook & Talley

Stuart Talley

www.calpersclassactionlawsuit.com

Case Management Conference March 28, 2016

Trial Readiness Conference September 18, 2017

Trial Date October 2, 2017

2017 Health Plan Rates



CONNIE LIRA

June 2016

CalPERS 2017 State Health Premiums - HMOs Only

June PHBC Final Proposed Premiums

Basic	2016			2017			Percent Change (+/-)
	<i>Single</i>	<i>2-Party</i>	<i>Family</i>	<i>Single</i>	<i>2-Party</i>	<i>Family</i>	
Anthem HMO Select	\$695.77	\$1,391.54	\$1,809.00	\$740.23	\$1,480.46	\$1,924.60	6.39%
Anthem HMO Traditional	752.48	1,504.96	1,956.45	872.91	1,745.82	2,269.57	16.00%
Blue Shield Access+	767.45	1,534.90	1,995.37	830.44	1,660.88	2,159.14	8.21%
Health Net Salud y Más	552.39	1,104.78	1,436.21	475.46	950.92	1,236.20	-13.93%
Health Net SmartCare	651.23	1,302.46	1,693.20	692.89	1,385.78	1,801.51	6.40%
Kaiser CA	661.76	1,323.52	1,720.58	662.92	1,325.84	1,723.59	0.18%
Kaiser Out of State	930.29	1,860.58	2,418.75	940.67	1,881.34	2,445.74	1.12%
Sharp	574.73	1,149.46	1,494.30	616.49	1,232.98	1,602.87	7.27%
UnitedHealthcare	625.78	1,251.56	1,627.03	686.17	1,372.34	1,784.04	9.65%

Total HMO Basic Change	4.14%
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Medicare	2016			2017			Percent Change (+/-)
	<i>Single</i>	<i>2-Party</i>	<i>Family</i>	<i>Single</i>	<i>2-Party</i>	<i>Family</i>	
Kaiser CA	\$297.23	\$594.46	\$891.69	\$300.48	\$600.96	\$901.44	1.09%
Kaiser Out of State	297.23	594.46	891.69	300.48	600.96	901.44	1.09%
UnitedHealthcare	320.98	641.96	962.94	324.21	648.42	972.63	1.01%

Total HMO Medicare Change	1.07%
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CalPERS 2017 State Health Premiums - PPOs Only

June PHBC Final Proposed Premiums

Basic	2016			2017			Percent Change (+/-)
	<i>Single</i>	<i>2-Party</i>	<i>Family</i>	<i>Single</i>	<i>2-Party</i>	<i>Family</i>	
Anthem EPO Del Norte	\$715.70	\$1,431.40	\$1,860.82	\$740.88	\$1,481.76	\$1,926.29	3.52%
Anthem EPO Monterey	715.70	1,431.40	1,860.82	740.88	1,481.76	1,926.29	3.52%
PERS Choice	715.70	1,431.40	1,860.82	740.88	1,481.76	1,926.29	3.52%
PERS Select	649.76	1,299.52	1,689.38	673.25	1,346.50	1,750.45	3.62%
PERSCare	801.58	1,603.16	2,084.11	826.37	1,652.74	2,148.56	3.09%

Total PPO Basic Change	3.76%
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Medicare	2016			2017			Percent Change (+/-)
	<i>Single</i>	<i>2-Party</i>	<i>Family</i>	<i>Single</i>	<i>2-Party</i>	<i>Family</i>	
PERS Choice	\$366.38	\$732.76	\$1,099.14	\$353.63	\$707.26	\$1,060.89	-3.48%
PERS Select	366.38	732.76	1,099.14	353.63	707.26	1,060.89	-3.48%
PERSCare	408.04	816.08	1,224.12	389.76	779.52	1,169.28	-4.48%

Total PPO Medicare Change	-3.97%
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**2017 100/90 State Annuitant
Contribution**
June PHBC Final Proposed Premiums

<i>Contribution Rates by Premium Tier</i>		
Single	Two Party	Family
\$707	\$1,349	\$1,727

CalPERS 2017 Health Premiums

State													
Plan Type & Name		Basic			Medicare			Split Contract Combination Party Rates					
		Single (1)	2-Party (2)	Family (3+)	Single (1)	2-Party (2)	Family (3+)	Party 4 (2) <i>Sub (Med) & 1 Dep (Bas)</i>	Party 5 <i>Sub (Med) & 2 Dep (Bas)</i>	Party 6 <i>Sub (Med), 1 Dep (Bas) & 1 Dep (Med)</i>	Party 7 (2) <i>Sub (Bas) & 1 Dep (Med)</i>	Party 8 <i>Sub (Bas) & 2 Dep (Med)</i>	Party 9 <i>Sub (Bas), 1 Dep (Bas) & 1 Dep (Med)</i>
HMO	Anthem HMO Select	\$740.23	\$1,480.46	\$1,924.60									
	Anthem HMO Traditional	872.91	1,745.82	2,269.57									
	BSC Access+	830.44	1,660.88	2,159.14									
	Health Net Salud y Más	475.46	950.92	1,236.20									
	Health Net SmartCare	692.89	1,385.78	1,801.51									
	Kaiser	662.92	1,325.84	1,723.59	300.48	600.96	901.44	963.40	1,361.15	998.71	963.40	1,263.88	1,361.15
	Kaiser Out of State	940.67	1,881.34	2,445.74	300.48	600.96	901.44	1,241.15	1,805.55	1,165.36	1,241.15	1,541.63	1,805.55
	Sharp	616.49	1,232.98	1,602.87									
	UnitedHealthcare	686.17	1,372.34	1,784.04	324.21	648.42	972.63	1,010.38	1,422.08	1,060.12	1,010.38	1,334.59	1,422.08
PPO	Anthem EPO Del Norte	740.88	1,481.76	1,926.29	353.63	707.26	1,060.89	1,094.51	1,539.04	1,151.79	1,094.51	1,448.14	1,539.04
	Anthem EPO Monterey	740.88	1,481.76	1,926.29	353.63	707.26	1,060.89	1,094.51	1,539.04	1,151.79	1,094.51	1,448.14	1,539.04
	PERS Choice	740.88	1,481.76	1,926.29	353.63	707.26	1,060.89	1,094.51	1,539.04	1,151.79	1,094.51	1,448.14	1,539.04
	PERS Select	673.25	1,346.50	1,750.45	353.63	707.26	1,060.89	1,026.88	1,430.83	1,111.21	1,026.88	1,380.51	1,430.83
	PERSCare	826.37	1,652.74	2,148.56	389.76	779.52	1,169.28	1,216.13	1,711.95	1,275.34	1,216.13	1,605.89	1,711.95
ASN	CAHP	620.79	1,205.17	1,576.26	372.00	688.00	874.00	956.38	1,327.47	1,059.09	936.79	1,122.79	1,307.88
	CCPOA North	691.50	1,385.69	1,870.73	426.09	853.95	1,277.05	1,120.28	1,605.32	1,338.99	1,119.36	1,542.46	1,604.40
	CCPOA South	570.26	1,143.15	1,544.60	426.09	853.95	1,277.05	998.98	1,400.43	1,255.40	998.12	1,421.22	1,399.57
	PORAC	699.00	1,467.00	1,876.00	464.00	924.00	1,477.00	1,232.00	1,641.00	1,333.00	1,159.00	1,712.00	1,568.00

Veteran Benefits Information



JENNY HAYDEN
&
LUANNA ALLARD

Veteran Benefits Information



- There are many benefits available for the Veteran and their families. I will list a couple of the websites and phone numbers for easy access to get information easily regarding most widely asked questions.
- For information regarding general information call **Oakland District Office (510) 286-0627, Los Angeles, and San Diego Office (619) 400-0070.** These offices should be able to direct you to the proper party that you need to communicate regarding your questions.

Veteran Benefits Information



- Burial Benefits may include gravesites for casket or cremation remains, headstones or markers, opening and closing of the graves.
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- Burial of eligible veterans and dependents is at no cost when interred at a national cemetery.
- Associated funeral expenses are the responsibility of the veteran and/or family.
- For further information call one of the about locations for additional information

HBC Committee – Dental and Vision Division



AL DARBY

**WITH A LOT OF HELP FROM LARRY
WOODSON, CONNIE LIRA, & FRITZ
WALGENBACH**

Delta Dental/CSR CalHR Meeting, May 27, 2016



- Retirees use preventive care less than younger members
- Delta PPO Plan best for most members
- No. Cal. Dentists resist Delta PPO

Retirees Use Preventive Care Less



- Fewer cleanings than allowed
- Fewer x-rays and exams by dentists
- Limited annual cap my contribute to this
- This dilutes our argument for better benefits
- Help our cause – use max preventive care

No statute or CalHR policy on retiree dental benefits prohibits...



- An enhanced (ultra-premium) dental plan for seniors
- Delta Dental from increasing benefits
- Retirees from paying all of the extra premium for an improved plan
- Delta Dental gave a (rough) figure of 10% additional premium for a \$3,000 annual cap plan

Advances in dentistry that reduces cost to Delta Dental



- Better diagnostic tools (particularly x-rays, filling material, cement) reduce repeat procedures – fewer procedures: Delta saves
- Improved root canal and crown systems
- Laser treatment – a growing component
- Implants – revolutionary cost saver

PPO vs. Premier

- \$2,000 cap for all members
- \$2,500 implant allowance - lifetime; 50% co-pay
- 40% co-pay for bridges
- Smaller deductibles and co-pays (about half for many common procedures)
- Lower premium (especially for dependent coverage)

- \$1,000 cap for dependents
- No implant allowance
- 50% co-pay for bridges

Miscellaneous Info



- To keep your present Premier dentist, you must convince him/her to be a Delta PPO dentist – if they aren't already.
- Delta would love for you convert your coverage and your dentist to the PPO plan.
- It could be to your advantage to do this until we get an ultra-premier plan.

Prospects for a better dental plan



- It could take legislation such as that in 2008/9 in which CSR/CSEA got the basic vision plan we now enjoy.
- Delta is lukewarm on this subject. They did express some level of interest in exploring a plan with better benefits.
- Delta doesn't display a lot of concern about things like annual cap being stuck at \$2,000 or the paltry implant allowance.

Delta PPO dentist access



- Greater in Southern California
- No. Cal. Dentists resist PPO – lower reimbursements
- 72% of state retirees have access to PPO dentists within 25 miles
- 52% of dentists in Sacramento are also PPO dentists but most retirees are enrolled in Premier not PPO – open enrollment soon

Pharmacy Benefits Manager (PBM) Contract Award: OptumRx



LARRY WOODSON



Optum Rx Contract 2017-2021



- At May 18 CalPERS Board Meeting unanimous approval of OptumRx for 5 year PBM contract
- Presentation Outline:
 - Review of PBM background information
 - Current contract with CVS
 - Award of new 5 year contract
 - ✦ Process
 - ✦ Features
 - ✦ Disruptions
 - ✦ Communications Plan
 - ✦ Cost
 - ✦ Outstanding questions
 - ✦ Discussion

PBM Background



- February PBM presentation
- Definition – A third party administrator of a prescription drug program. Responsible for processing and paying prescription drug claims.
- Develop and maintain formulary (list of approved drugs)
- Attempt to reduce costs, enhance safety, improve health care outcomes
- Current contract with CVS Caremark
 - Expires December 31, 2016
 - Awarded as 3 year contract, given 2 years extensions
 - Total cost of CVS contract with addenda: \$58 million
 - To administer drug program

New Contract Procurement Process



- July 2015 CalPERS began solicitation for new 5 year PBM Contract
- Had 9 firms submitting interest documents
- 3 finalists announced in May
 - CVS, Express Scripts, Optum
 - These 3 also represent the largest 3 PBMs in US
 - Each annual revenues of around \$100 billion
 - Express Scripts – formerly Medco
 - OptumRX – subsidiary of United Health



Concerns Raised with Request for Submittals



- Multiple lawsuits and documentation of PBMs keeping negotiated discounts and rebates from manufacturers instead of passing on to member benefit plans
- Providing members more expensive drugs when cheaper were available
- Using Average Wholesale Price lists and Maximum Allowable Cost lists (price control tools) to inflate costs in order to increase their profits
- AWP and MAC were in CalPERS Request for Submittal as cost controls
- I submitted articles to procurement team re risks associated with these tools
- Told they had other cost control means too



Award to OptumRx



- May 18 Board unanimously voted to award 5 year contract to OptumRx
- Effective January 1, 2017–December 31, 2021
- Covers about 486,000 of the 1.4 million active, retired, and dependents who are enrollees
- PBM contract will serve PersCare, Choice, Select PPOs, and Anthem, Healthnet, Sharp, and United Healthcare HMOs
- Roughly 2/3 enrollees have pharmacy plans as part of their Health Plans (Kaiser and Blue Sheild)

Transition from CVS to Optum



- Different formularies



- Disruptions –

- 27,000 will experience positive changes – lower co-pays or gain access to drug excluded by CVS
- 60,000 may be negatively impacted (will have appeal process available)
- Change in network pharmacies – Walgreens and possibly RiteAid. Others too.
- CalPERS Communications Plan



Contract Cost



- Existing CVS contract cost for 5 years: \$58 mil
- OptumRx contract for 5 years: \$4.9 bil
- What happened???
- Not just admin cost – includes cost of drugs
- Very unusual
- Admin cost for 5 year – about \$85 mil or 40% increase over \$58 mil





Contract Cost



- Almost \$1 billion per year for drugs
- CalPERS was spending \$1.8 billion for total drug costs & saying too high
- Considering the PBM contract is only 35% of total drug plan enrollees, and assuming cost parity, over 40% increase
- Letter to CalPERS

Conclusion



- New information from CalPERS
- Discussion/ Q & A



Deadline for Open Enrollment Packets by Mail – July 1



**CALPERS MOVING TO ONLINE HEALTH PLAN
INFORMATION**

CSR Concerns with CalPERS Communication to Members



- Original and only flyer mailed headlined:
INTRODUCING THE ONLINE 2016 HEALTH PLAN STATEMENT CalPERS Health Open Enrollment
- 2 open enrollment notification options – online or mail
- Default – online. Must take action and notify CalPERS to continue notification by mail
- Only 40% of members registered for MyCalPERS

CSR Objections & Actions



- Members not computer savvy or not even owning computers, especially oldest retirees may toss ill-designed mailer and be opted into online only
- I offered public comment before the CalPERS Board requesting additional flyer with clearer explanation
- CalPERS response was: too costly and time consuming
- Compromise: Small note on June pay warrant reminding members “change mailing preference by July 1 to continue receiving information by mail”
- Also, CalPERS will mail Open Enrollment Packets upon request by individual, case by case, during open enrollment.
- Email to all Chapter presidents and 2 newspaper articles

Call CalPERS by July 1



- Call by July 1 to request continued mailing of Open Enrollment Packets
- 888-225-7377
- Or www.calpers.ca.gov
- We encourage anyone who prefers online and is comfortable navigating MyCalpers, to use the online option