Per California Code of Regulations, title 2, section 548.5, the following information will be posted to CalHR's Career Executive Assignment Action Proposals website for 30 calendar days when departments propose new CEA concepts or major revisions to existing CEA concepts. Presence of the department-submitted CEA Action Proposal information on CalHR's website does not indicate CalHR support for the proposal.

### A. GENERAL INFORMATION

<table>
<thead>
<tr>
<th>1. Date</th>
<th>2. Department</th>
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<tbody>
<tr>
<td>August 31, 2022</td>
<td>California Public Employees' Retirement System</td>
</tr>
</tbody>
</table>

#### 3. Organizational Placement (Division/Branch/Office Name)

Health Policy and Benefits Branch

#### 4. CEA Position Title

Chief, Health Care Plan Administration, Benefit Design & Plan/PBM Management

#### 5. Summary of proposed position description and how it relates to the program's mission or purpose. (2-3 sentences)

CalPERS is requesting to establish a new CEA position to oversee the contract management functions and plan development for the nine (9) Health Maintenance Organization (HMO) plans, two (2) Self-Funded Preferred Provider Organization (PPO) plans, six (6) Medicare Advantage plans, and three (3) Medicare Supplemental Plans, Pharmacy Benefit Manager (PBM), and provide oversight for three (3) association plans. Additionally, this CEA will lead CalPERS' policy development on health contract compliance and enforcement, as well as payment reform efforts to advance innovative payment arrangements and increase the value our members receive for healthcare services. Finally, this CEA will lead policy development on benefit design strategies targeted to minimize disruption of the 1.5 million members in the CalPERS Health Program, while ensuring premiums remain affordable. These activities all support CalPERS 2022-25 Strategic Plan goal of Exceptional Healthcare.

#### 6. Reports to: (Class Title/Level)

Chief, Health Plan Research and Administration

#### 7. Relationship with Department Director (Select one)

- ☐ Member of department's Executive Management Team, and has frequent contact with director on a wide range of department-wide issues.
- ✔ Not a member of department's Executive Management Team but has frequent contact with the Executive Management Team on policy issues.

*Explain:* The CEA will provide program and policy recommendations to the Chief of HPRA, Chief Health Director, Executive Team, and CalPERS Board to ensure they are well informed with actionable guidance on emerging trends in the industry, among its membership and employer base, and in regulation.

#### 8. Organizational Level (Select one)

- ☐ 1st
- ☐ 2nd
- ☐ 3rd
- ✔ 4th
- ☐ 5th (mega departments only - 17,001+ allocated positions)
9. What are the duties and responsibilities of the CEA position? Be specific and provide examples.

Provide strategic direction for contract management activities in HPRA. Direct and oversee the work of team members in HMO, PPO, and PBM contract management activities, enforcing organizational principles of integrity and compliance. Oversee and monitor commercial plan, Medicare, and pharmacy benefit program operations, including but not limited to, member services, benefit designs and programs. Oversee and monitor PBM Competitive Pricing Market Review activities to ensure CalPERS pharmacy financial terms are competitive compared to the marketplace, e.g., rebates, dispensing fees, and discount guarantees. Ensure quality, integrity and compliance with federal, state, and local statutes, regulations, and procedures.

Develop and implement new policies to advance critical payment reform efforts to combat high prices and stimulate competition, which include requiring health plans to implement strategies that place downward pressure on provider prices across all sites of service (facility, professional, ancillary and pharmacy). Evaluate effectiveness of strategies to eliminate anti-competitive provisions from provider contracts and support independent practices and other provider types where supply is limited.

Develop and implement new policies regarding benefit designs that incentivize members to seek out high-value services and providers. This may include, but is not limited to, tiered and narrow networks; centers of excellence; reference-based benefits; value-based insurance design; and benefit designs encouraging the use of alternative, less expensive sites of care. Ensure new products or innovative benefit designs do not negatively increase racial health disparities or disproportionately exclude providers of color or providers with cultural competencies to treat patients who are most impacted by inequities.

Evaluate health plan effectiveness utilizing assessment tools and outcome measurement techniques based on industry best practices to establish goals and measurable objectives for CalPERS health services delivery system. Ensure accurate implementation and evaluation of medical and pharmacy benefit programs including member access, quality, and cost containment to ensure performance objectives are being met. Engage relevant stakeholders in negotiation strategies and decisions involving legal or regulatory requirements, contract standards and cost targets. Lead the implementation of highly-complex multi-year contracts with emphasis on energizing key players and facilitating strategic collaboration. Identify issues related to health plan contract requirements, implementing appropriate solutions that minimize potential losses and maximize the operational performance of CalPERS Health Benefits Program.

Develop and implement expanded contract oversight, enforcement, and compliance activities to increase CalPERS’ ability to hold health plans accountable to extensive industry-leading contract requirements. These requirements include, but are not limited to pricing and payments, provider networks, behavioral health, and advancing quality, equity, and value. Expand compliance and monitoring functions related to quality improvement programs, health plan and PBM contract requirements, and reference-based pricing programs, among others.

This position will bring CalPERS closer to industry-standards of actively enforcing health plan compliance with newly added contract requirements that support state-wide alignment efforts with Covered California and the Department of Health Care Services. Currently, CalPERS has insufficient CEA capacity and expertise to fulfill this aspect of our oversight role, which undermines our effectiveness with providing high-quality, affordable, and equitable health benefits to the 1.5 million members in the program.

This position will have an instrumental role in developing policy for payment reform, benefit design, and contract enforcement and will ensure proper oversight and administration of the CalPERS Health Benefits Program.
B. SUMMARY OF REQUEST (continued)

10. How critical is the program’s mission or purpose to the department’s mission as a whole? Include a description of the degree to which the program is critical to the department’s mission.

☒ Program is directly related to department’s primary mission and is critical to achieving the department’s goals.

☐ Program is indirectly related to department's primary mission.

☐ Program plays a supporting role in achieving department's mission (i.e., budget, personnel, other admin functions).

Description:

CalPERS is the second largest purchaser of public health services in the United States and is nationally recognized as a strong leader and influencer in the health care industry. Our distinct position in the healthcare market allows us to provide superior service in the delivery of affordable quality health care to 1.5 million members and their families. The savings and/or increases directly impact the State of California budget since the State contributes to all employee’s health care costs (State Annuitant Contribution Formula). As health care costs increase, so does the liability of the state to pay for these increases.

CalPERS’ most powerful tool for quality improvement and payment reform is its contracts. CalPERS has traditionally used its size to negotiate favorable contract terms. The Contracts team lacks the specialized expertise in developing payment reform policies to combat high prices and stimulate competition, as well as developing benefit designs policies that incentivize members to seek out high-value services and providers. Both of these areas are critical in managing health care costs as inflation and provider consolidation continue to increase premiums. Not having this specialized expertise limits our ability to develop innovative contracts, or even to integrate our quality improvement efforts. More critically, it limits our ability to ensure health plan adherence to our contracts, as the majority of our fines or other corrective actions against plans come as the result of audits conducted outside of the branch. This is highly problematic and undercuts our ability to provide quality, affordable healthcare moving forward.

This CEA will provide program and policy recommendations to the chief of HPRA, Chief Health Director, executive team, and CalPERS Board to ensure they are well informed with actionable guidance on emerging trends in the industry, among its membership and employer base, and in regulation. These activities are essential to ensure CalPERS provides competitive health benefit programs while controlling costs and maintaining quality.
B. SUMMARY OF REQUEST (continued)

11. Describe what has changed that makes this request necessary. Explain how the change justifies the current request. Be specific and provide examples.

In 2019, CalPERS established the Health Policy Research and Administration (HPRA) division. This consolidated all health plan and pharmacy benefit manager contract activities together with health premium rate development, legislation, financial services, and policy development. This consolidation has helped improve the communication and collaboration with all areas, reduced hand-offs between divisions, and increased efficiencies.

However, the healthcare marketplace continues to become more complex. CalPERS needs more specialized expertise in health system innovation and sustainability to be able to continue to stay competitive in the marketplace and to offer its members high-quality, equitable and affordable care. Our nascent state-wide alignment efforts with Covered California (CCA) and the Department of Health Care Services (DHCS), help with these efforts and CalPERS is pursuing markedly more complex and rigorous health plan contracts to be able to hold our plans accountable to high-quality and affordable care. This requires specialized expertise in the areas of payment reform and health benefit design, and deep knowledge of health policy. Additional CEA capacity is needed to be able to properly design and implement these high-level policy and contract changes.

CalPERS' self-funded PPO plans have experienced premium increases and volatility over the last few years. In 2021, the Basic PPO plans experienced higher than expected medical and pharmacy costs which contributed to a large reserve deficit. The health team has embarked on work to ensure long-term viability of the PPO plans through health innovation, provider network modifications based on value, and alternative payment models. In order to be successful in its goals for the PPO to be sustainable while still providing high-value care to our members, CalPERS needs a CEA to help lead PPO policy innovation, payment reform, and benefit design models.

Pharmaceutical policy is an increasingly important area that needs additional policy expertise and leadership. CalPERS spends more than $2 billion per year on pharmaceutical products for its members through our PBM and health plans and the cost and complexity of pharmaceutical products and cost drivers is increasingly more complex and policy-driven at the State and National level. Additional CEA capacity is needed to have a deep understanding and leading role in these high-level policy decisions in order to implement pharmaceutical policies that innovate and ensure that CalPERS gets the most health we can out of the dollars available.

Further, we are also collaborating with CCA and DHCS on advancing health equity, which is completely new work for CalPERS that had not previously been a component of our program, strategic goals or contracts. Adding health equity requirements and performance measures to CalPERS' contracts requires the development of new policies that a CEA needs to establish. This also includes implementing policies related to regular reviews of our health benefits related to health equity to ensure that inequities and biases do not exist within CalPERS benefits.

The new workload associated with these collaborations and health program integrity and sustainability have highlighted a significant gap in CEA capacity and expertise, which hampers our ability to develop, implement, and properly enforce compliance with the new contract requirements. By having increased CEA capacity along with the specialized skills and expertise in key areas, CalPERS will be better positioned to increase the maturity of our program and continue to innovate as a leader in the industry.
### C. ROLE IN POLICY INFLUENCE

12. Provide 3-5 specific examples of policy areas over which the CEA position will be the principle policy maker. Each example should cite a policy that would have an identifiable impact. Include a description of the statewide impact of the assigned program.

<table>
<thead>
<tr>
<th>Example</th>
<th>Description</th>
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<tr>
<td><strong>1. Payment Reform:</strong> Design, implement, and evaluate policies to advance critical payment reform efforts to combat escalating health care prices and stimulate competition, which include requiring health plans to implement strategies that place downward pressure on provider prices across all sites of service (facility, professional, ancillary and pharmacy). This also includes evaluating the effectiveness of strategies to eliminate anti-competitive provisions from provider contracts and support independent practices and other provider types where supply is limited. This will require a deep and working knowledge of health care payment reform efforts nationally with other payors such as CMS as well as emerging legislation related to payment reform and pharmaceutical policy.</td>
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<td><strong>2. Benefit Design:</strong> Design, implement, and evaluate policies regarding benefit designs that incentivize members to seek out high-value services and providers. This may include, but is not limited to, tiered and narrow health provider networks; utilizing centers of health care excellence for specialty care; reference-based benefits; value-based insurance design; and benefit designs encouraging the use of alternative, less expensive sites of care. The CEA would also ensure new products or innovative benefit designs do not have negative and unintended consequences of increasing health disparities among CalPERS membership or disproportionately exclude providers of color or providers with cultural competencies to treat patients who are most impacted by inequities.</td>
<td></td>
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<tr>
<td><strong>3. Contract compliance:</strong> Design, implement, and evaluate policies to expand contract oversight, enforcement, and compliance activities to increase CalPERS’ ability to hold health plans accountable to extensive industry-leading contract requirements. These requirements include, but are not limited to, pricing and payments, provider networks, behavioral health, and advancing quality, equity, and value. Expand compliance and monitoring functions related to quality improvement programs, health plan and PBM contract requirements, and reference-based pricing programs, among others. The CEA will ensure newly added contract requirements that support state-wide alignment efforts with Covered California and the Department of Health Care Services are adhered to by all health plans. This may also include developing policies and procedures to perform focused audits of the health plans and collaborate across the health branch and with OFAS to conduct these focused audits.</td>
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<td><strong>4. Pharmaceutical Policy Development and Management:</strong> The CEA will have the management responsibility of the pharmaceutical program, which includes oversight over the Pharmacy Benefit Manager (PBM). Additionally, the CEA will have a decisive role in pharmaceutical policy for the Department, including implementing new State and Federal legislation, regulations, and CMS final rules and requirements, and will develop innovative benefit design and payment reform policies to improve affordability and access to needed pharmaceuticals for our CalPERS members.</td>
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C. ROLE IN POLICY INFLUENCE (continued)

13. What is the CEA position’s scope and nature of decision-making authority?

The CalPERS 2022-2027 Strategic Plan includes “Exceptional Healthcare” as one of our top five goals. This goal is to further transform health care purchasing and delivery by ensuring our members have access to high-quality health care that is equitable, affordable, and available for all when and where it is needed. The increasing health care costs continue to be a major concern of all CalPERS stakeholders, including our 1.5 million members, contracting employers, legislature, administration, and public.

This CEA will be a leader and key contributor in advancing payment reform and exploring benefit design changes, both of which will curb rising health care costs for members and their families. This CEA will collaborate with other CEAs in the Health Policy and Benefits Branch, as well as provide recommendations and insight to the HPRA Chief and Chief Health Director. Further, this CEA will have the expertise and authority to make policy decisions with health plans and enter agreements on behalf of CalPERS, which includes actively monitoring and enforcing contract requirements with the health plans and pharmacy benefit manager.

14. Will the CEA position be developing and implementing new policy, or interpreting and implementing existing policy? How?

The CEA will be developing and implementing new policies, as well as interpreting and implementing existing policies. The CEA is responsible for policy development in the areas of payment reform, benefit design, and contract enforcement. The CEA will also represent CalPERS and the HPRA before the CalPERS board, legislature, contracting agencies, and stakeholder groups on matters pertaining to these areas.