



Board of Administration Agenda

REGULAR MEETING

TUESDAY, OCTOBER 23, 2018

TIME: 10:00 A.M.

MEETING LOCATION:

LACERS Ken Spiker Boardroom
202 West First Street, Suite 500
Los Angeles, California 90012-4401

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President: Cynthia M. Ruiz
Vice President: Elizabeth L. Greenwood

Commissioners: Elizabeth Lee
Sandra Lee
Nilza R. Serrano
Sung Won Sohn
Michael R. Wilkinson

Manager-Secretary: Neil M. Guglielmo

Executive Assistant: Ani Ghoukassian

Legal Counsel: City Attorney's Office
Retirement Benefits Division

- I. PUBLIC COMMENTS ON MATTERS WITHIN THE BOARD'S JURISDICTION
- II. APPROVAL OF MINUTES FOR REGULAR BOARD MEETING OF OCTOBER 9, 2018 AND POSSIBLE BOARD ACTION
- III. BOARD PRESIDENT VERBAL REPORT
- IV. GENERAL MANAGER VERBAL REPORT
 - A. REPORT ON DEPARTMENT OPERATIONS
 - B. UPCOMING AGENDA ITEMS
 - C. GENERAL MANAGER RESPONSE TO BOARD ON QUESTION REGARDING PROPOSITION 8
- V. CONSENT AGENDA
 - A. MONTHLY REPORT ON SEMINARS AND CONFERENCES FOR SEPTEMBER 2018

Analysis of Proposition 8

October 17, 2018

Impact on LACERS Members:

Neither Kaiser nor Anthem believe Prop 8 will impact its members' access to dialysis treatment, though Anthem noted it could lead to operational and pricing changes by chronic dialysis clinics ("CDCs").

Discussion:

Patients with kidney failure need regular dialysis to remove their blood, clean it, and return it to their bodies. Proposition 8, the Limits on Dialysis Clinics' Revenue and Required Refunds Initiative ("Prop 8"), would amend the Health and Safety Code to cap the amount CDCs can charge for dialysis. Prop 8 prohibits CDCs from charging patients or insurers more than 115% of the costs of direct patient care and healthcare improvements. CDCs would need to refund any revenue earned above the 115% cap to patients or their non-government payers each year. Clinics that fail to comply with the new law would be fined up to \$100,000 per year. Additionally, Prop 8 would prohibit CDCs from discriminating or refusing services based on a patient's payer, whether it is Medicare, Medi-Cal, or a group or individual insurer. Finally, Prop 8 would require CDCs to report to the state department of public health ("CDPH") information required to enforce the measure, including the CDC's operating costs, treatment revenue, and the amount of each payer's refund. The CDPH would enforce the initiative.

Proponents of Prop 8 argue that the two biggest CDCs, DaVita and Fresenius, control the dialysis market and overcharge for services to patients with commercial health insurance while cutting back on necessary costs to provide safe and sanitary treatment. Proponents claim CDCs mark up the amount patients are charged for dialysis by up to 350%, increasing healthcare costs for all as insurers spread these costs among policyholders. Nevertheless, some CDCs skimp on investing in patient care, resulting in lack of proper sanitation and hygiene. Prop 8 could incentivize CDCs to spend more money on patient care, while also limiting what they can charge for treatment to a reasonable amount. Supporters of Prop 8 include its architect, Service Employees International Union California-United Healthcare Workers ("SEIU-UHW"); the California Democratic Party; CalPERS; and various healthcare advocacy, labor, and community organizations. CalPERS was unable to quantify any potential savings under Prop 8, but assumes there would be a significant reduction in the cost for dialysis treatment for its members in commercial health plans, a portion of which would be passed on as reductions in employer health insurance premiums paid by state and local governments.

In contrast, Prop 8 opponents argue its revenue cap would force many smaller CDCs to close because providing service would no longer be profitable. Thus, an unintended consequence of Prop 8 is that it could reduce dialysis patients' access to care, and force some to seek treatment in emergency rooms, ultimately increasing the cost of healthcare. Furthermore, it could give CDCs a perverse incentive to deliver care less efficiently—to raise patient-related spending in order to raise the revenue cap. This could make dialysis more expensive. Opponents of Prop 8 further claim it is merely an attempt by SEIU-UHW to punish DaVita and Fresenius for resisting efforts to organize their workers. Prop 8's opponents include patient advocacy groups such as the National Kidney Foundation and Renal Support Network; medical groups such as the California Medical Association and the Los Angeles County Medical Association; veterans associations; community, taxpayer, and business organizations; and the Los Angeles Times Editorial Board.