CSU ERFSA Reporter

California State University Emeritus
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Inside this issue:

CalPERS & Private Equity: What Do We Need to Know?

By Robert Girling,* CSU-ERFSA Legislative Director, and Barry Pasternack,** President, CSU-ERFSA

The CalPERS Board of Administration has recently approved raising the share of our investment funds invested in private equity (PE) from five percent to as much as 17 percent. Why is this significant and what might it portend for the future?

What is Private Equity?

As the name implies, *private* equity is an ownership stake in a company that is privately held. This is in contrast to *public* equity, which is an ownership stake in a company that is traded on one of the public stock exchanges, like the New York Stock Exchange or the Nasdaq Composite.

Private equity firms create private equity funds by forming a limited partnership. Investors in the fund become limited partners by contributing money to a pool that's used to invest in private companies that meet the fund's investment strategy.

Private equity funds are illiquid investment vehicles that contain privately held companies. They require long capital lock-ups (typically 8 to 12 years or longer) and are not marked to market each day.

In contrast, public equity companies are

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Health Benefits Report: Likely Future of CalPERS Health Plans

By David Wagner, Transitioning Health Benefits Chr.

After many years, I am transitioning out of the Health Benefits Chair position; your new chair is Tom Krabacher, also from Sacramento State University. Tom, former chair of the Department of Geography, has been very active in academic governance at Sac State. He has been a long serving member of both the campus and statewide Academic Senates.

This is the time of year in the annual cycle of CalPERS when most action items are in various stages of review and study. In about six weeks we should be informed of the 2025 premiums for various health plans. Soon we should have a progress report on the completion of the process plans, scheduled from September 16-October 11.

This hiatus provides an opportunity to offer a few observations on the likely arc of retiree health care premiums over the next several years. Spoiler alert – premiums are likely to increase, in some cases rather dramatically. Last year during open enrollment, 5,000 retirees switched health plans. This is a larger number than usual and the assumption is that higher than usual premium increases likely

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From the President...

Dear Colleagues,

The spring 2024 CSU-ERFSA State Council meeting was held on April 20th, 2024. While we originally thought we would hold the meeting in both a live and virtual format, when we asked attendees whether they wished to attend virtually, all but two of the members indicated a preference for attending virtually. Hence, we decided to forgo the option of attending the meeting in person and held the entire meeting using Zoom.

The meeting began at 9:30 a.m. with introductions and general announcements. We welcomed the new President of the CSULA affiliate, Pat Chin, as well as several other members who were attending for their first time. We had a report from our new Treasurer, David Speak (PO) who took over the treasurer's role from Sue Holl due to Sue's assumption of the Vice President's position. Dave confirmed that while dues revenues were down slightly and we had an increase in communication expenses, overall our financial position looks good and we are on budget. Savings from holding the meeting virtually were substantial enough to absorb decreases in dues revenue and cost increases.

Ted Anagnoson indicated the deadline for submitting articles for this edition of *The Reporter* was May 3rd. Mark Shapiro gave his last report as the webmaster for the association as his position is being assumed by our new website administrator Stephanie Coopman. Mark was thanked for his many years of exceptional service to CSU-ERFSA as our webmaster. Bob Girling gave his report on CalPERS, and David Wagner gave his last report as the Health Benefits Committee chair. We welcomed Tom Krabacher (SA) as the new Chair of the Health Benefits Committee and gave a big thank you to David Wagner, who extended his tenure as the Committee Chair while we searched for his successor.

A report was given by the Grants Committee indicating seven proposals were funded for this year. The allocation for funding was $6,000 and the committee reported that there were more proposals that could have been funded had the allocation been greater. We voted to keep the allocation for next year at $6,000, but we will consider increasing the allocation to $7,000 if we receive an increase in recommended submissions.

Ed Aubert gave a report on membership. Ed reported that the demise of members exceeded our success in recruiting new members. We are hopeful that with additional efforts this shortfall can be eliminated. Ed listed some strategies to increase recruitment success. Bethany Shifflet gave a report on archivist activities and noted that minutes of recent meetings have been sent to the library archives at CSU Dominguez Hills.

We are still looking for a chair of the Pre- and Post- Retirement Committee, so there was no formal report from them. If you

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CSU-ERFSA's Half Price Membership Offer Expires 6/30/24

CSU-ERFSA's half-price membership sale expires June 30, 2024. The offer is for new members who join by this date and is for the first year of membership only. To be eligible for this discount, you must mail the information requested at the following link including your check as payment: https://tinyurl.com/2s3c8hu4

The offer will not be extended at this time.

You will receive an annual dues renewal notice during the month you originally joined CSU-ERFSA. At that time, you will be given several easy options to renew your membership at the full rate.

- Monthly dues deductions from your CalPERS warrant.
- Payment via credit card online.
- Check payable to CSU-ERFSA.

Membership dues are calculated as a percentage of your gross monthly retirement benefit. For your dues amount, please locate your gross monthly retirement benefit in the chart below and corresponding discounted membership rate:

Gross Monthly CalPERS Benefit	First Year Dues
Less than $3,000	$30
$3,001 - $3,600	$36
$3,601 - $4,300	$42
$4,301 - $5,300	$48
$5,301 - $6,300	$54
$6,301 and above	$60
Donor Member	$66+

Health Benefits Report: Likely Future of CalPERS' Health Plans

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contributed to the decision to change plans.

There are a number of factors driving premium increases. Many providers are still recovering from the pandemic years. Staffing shortages created by the pandemic are only now being fully addressed. For example, late last year Kaiser announced a multiyear plan to increase staffing in all areas of the hospital system.

The cost of doing business has increased. Medical staff at all levels will see salary increases to compensate for increases in inflation and workload. *The Sacramento Bee* identified several additional contributing factors other than labor costs pushing premiums higher, including:

- Medical inflation rates for equipment and drugs,
- Increased demand for health services, and
- Recouping pandemic financial losses.

Forbes in its May 1, 2024 edition commented that seniors in health plans that CVS runs are using medical services at a higher rate than before.

While premium rates are an important factor to consider when selecting a health plan, many factors should be considered, including quality of care, ease of access to mdical facilities, range of medical services offered, co-pays for services, prescription costs, wait time for scheduled appointments, and other factors that you as a medical services consumer consider important.

Importantly, we get to make the final decision on which offered health plan best fits our needs. As last year demonstrated, more retirees are willing to change plans.

Medicare for Those Soon to Retire....

Two possibilities cover everyone:

1. You retire prior to Medicare eligibility (generally, before age 65): No action is needed. You will continue to receive CalPERS health benefits as provided by a "Basic" plan. When you reach age 65 you MUST notify CalPERS (usually they will have contacted you) and enroll in Medicare. Failure to enroll in Medicare can result in Medicare penalties that increase your Medicare Part B premium cost.

2. You continue to work past age 65: You will automatically be enrolled in Medicare Part A, but you do not enroll in Part B. When you retire, you must enroll in Part B (to avoid premium penalties).

In addition, your employer (your CSU campus HR and/or Payroll office) will need to certify that you have been covered by a CalPERS health plan during you post age 65 employment.

For additional information on Medicare including eligibility and enrollment, visit CalPERS' Medicare website at: https://tinyurl.com/4x92f877

Two helpful videos are:
Medicare and Your Health Benefits, available at: https://tinyurl.com/3tdjzsek

CalPERS Quick Tip: Medicare, available at https://tinyurl.com/fshhebpu

The 2024 Cost of Living Adjustment (COLA)

As you probably know, retirement law provides for the payment of an annual COLA to help maintain purchasing power. Retirees become eligible for a COLA in the second calendar year of retirement. COLA provisions vary by the contract your government has with CalPERS, but CSU faculty and staff are covered by the standard state provision of a 2% cost of living adjustment. The adjustment appears on the May 1st dated retirement check.

The exact COLA depends upon the Consumer Price Index for all urban consumers, the employer-contracted COLA provision (irrelevant for state employees, who are all at 2%), and the year of retirement.

PPPA. In addition to the COLA adjustment, there is also the Purchas-ing Power Protection Allowance (PPPA). This benefit is designed to maintain the original purchasig power of CalPERS retirees to a predetermined limit when the accumulated COLA has not kept up with inflation. For state and school employees, the adjustment brings your check up to 75% of the original purchasing power. The adjustment is applied each year after the annual COLA is applied. The PPPA is payable as of the May 1st check also.

At the right is the table for "State and Schools 2% COLA," which applies to CSU employees. Retirement years that are starred (*) include PPPA adjustments.

State and Schools 2% COLA

Retirement Year	Allowance Increase (COLA & PPPA) Effective May 1, 2024
1965-1983*	4.12%
1984*	3.68%
1985*	2.11%
1986*	2.19%
1987-2007	2.00%
2008	2.07%
2009-2022	2.00%
2023	Not Eligible

CFA Report: Wide Range of Issues at General Assembly

By Jay Swartz, CSU-ERFSA Liaison to CFA

Emotions and passions ran the gamut as CFA members celebrated, praised, argued and articulated a wide range of issues both at its recently concluded series of statewide General Assembly meetings as well as in recent months.

CFA President Charles Toombs set the tone for recent proceedings by praising the efforts of leaders and rank and file members who were able to complete landmark rolling one day strikes followed by a statewide strike that moved the chancellor such that an historic agreement was reached leading to significant increases in salary and benefits for all concerned.

The clear focal point for the faculty union's plan of attack has shifted from what Toombs characterized as an anti-union chancellor to the CSU Board of Trustees, such that CFA legislative allies now are engaging in a full court press to change the construction and climate of the CSU's senior governing body. Many expressed optimism that the old days of tone deaf primarily white male billionaire trustees are heading out the door.

Legislative staffer Bryan Ha outlined a series of state assembly bills designed to do just that, namely:

- AB 2516, designed to add a trustee who would be a member of a bargaining unit such as CFA.
- AB 2775, designed to add a second faculty trustee to the board.
- AB 2275, designed to develop diversity brackets for the board to add more trustees of color.

With respect to the addition of a second faculty trustee, I asked Ha and CFA legislative chair Steven Filling if this role includes consideration for a retired faculty member and the response was affirmative. More than 100 union members and students are scheduled to return to Sacramento at the end of April to help ensure key bills are passed.

It was also noted that the majority of CFA supported candidates won their primary elections as the general elections loom in November. More than half of the statehouse will turn over in the 2024 and 2026 elections due to term limit legislation on the books.

There was far less celebrating with respect to the sixteen resolutions brought up for a vote, with only half passing including one with an unverified evenly deadlocked final tally. Passions and emotions ran high as the body agreed to less contentious issues. Among those passed included a pledge to conduct a power structure analysis of the CSU, to fight instructional cutbacks as the CSU enrollment numbers moderate and even dip, and a full throated support of Palestine in its struggle against Israeli aggression in the Middle East.

Members also gave reports regarding the implementation of AB 1460 that expanded the role of ethnic studies in statewide curricula, as several celebrated the addition of ethnic studies departments on their campuses. Others bemoaned the slow pace of similar initiatives at the K-12 level.

At the retired faculty committee meeting, members expressed frustration at the lack of strike support from CSU-ERFSA, and a formal letter of disappointment is being prepared to express same.

Another issue discussed frequently was the agreed upon pay and benefits increases, some of which are retroactive to last summer, others coming on stream in July, as members pledged they are still not satisfied with bargaining efforts or management's concessions. The answer? A bigger bargaining contingent in the future. More voices. Broader representation. As one CFA member summarized, "If you're not at the table, you're on the menu."

CSU-ERFSA New Members

Chico – Teresa M. Davis

East Bay – David Larson

Fresno – Lucia B. Hammar
Kathleen McKinley

Humboldt – John Reiss

Long Beach – Kathleen A. Engberg
Xin Li

Los Angeles – James Brady
ChorSwang Ngin

Pomona – Suzanne Scholz

Sacramento – Thomas Krabacher

San Diego – Douglas N. Case
Nathan Oestreich*

San Francisco – Pamela A. Baj

San Jose – Gloria L. Collins
Ted M. Coopman
M. Kathryn Davis
Steven W. Morgan
Pamela C. Stacks*
Susan Verducci Sandford

Sonoma – Laurel McCabe

Stanislaus – Constance L. Bratten

* - Indicates Lifetime Member

Volunteer for GoMiyagi

GoMiyagi, an early stage startup, aims to positively impact K-12 education by connecting retired professionals with classrooms through engaging virtual guest speaker sessions. We are seeking retired experts spanning various fields, including former professors. The objective of these virtual sessions is to facilitate the exchange of knowledge and experiences across generations, providing students with insights and real-world perspectives to complement classroom learning. No preparation is needed for the retired expert — just impactful and engaging conversation with curious children overseen by their classroom teacher.

We are putting together a directory of services of retired experts. The diverse makeup of CSU-ERFSA members provides a wide spectrum of expertise beneficial for K-12 schools. Members interested in joining our platform can easily do so by completing a brief Google form at https://forms.gle/HjS4nfJBnoZetaeX8

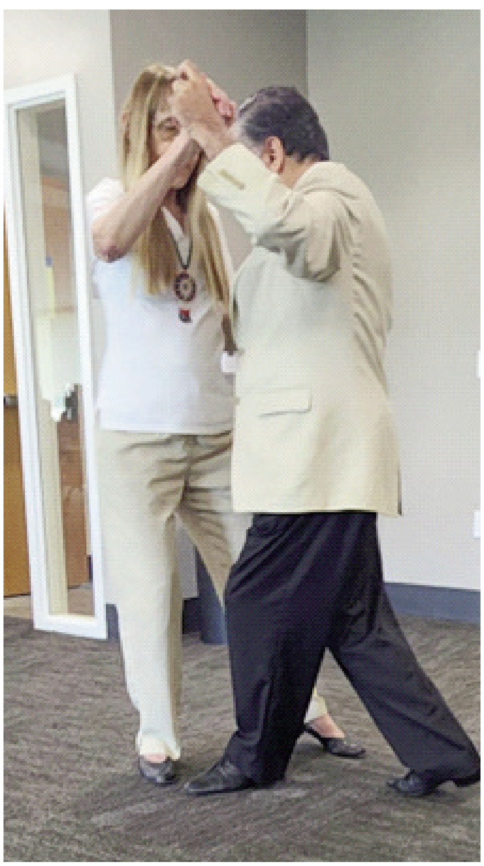
From the Executive Director: News About CSU-ERFSA

By Merry Pawlowski, CSU Bakersfield, CSU-ERFSA Executive Director

I have been active this spring in my ongoing efforts to create stronger outreach from the statewide organization to our affiliates, and I encourage you to send me anything of note you'd like to share with your retired colleagues across the CSUs. I enjoy reading your newsletters and hearing from you!

In this edition of *The Reporter*, I am featuring news from three affiliates: CSU East Bay, Fresno State, and Cal Poly SLO.

East Bay. Jodi Servatius, president of the CSU East Bay ERFA affiliate, recently shared their spring 2024 newsletter, which features the upcoming spring lunch on May 23rd in the Zen Garden on campus. Michelle Rippy, Director of the Forensic Science Research Center, will discuss how her students learn to be forensic scientists in a talk entitled "Defrosting Cold Cases: Forensic Science Students Researching and Collaborating to Solve Crimes." The newsletter also includes a strong statement in support of joining CSU-ERFSA, stressing that the funding the affiliate receives based on the number of emeriti faculty who belong, allows the affiliate to make twice yearly donations to the Renaissance Scholars Program.



Fresno. I mentioned in my last article that I was invited to join the Fresno State Emeriti and Retirees Association for their "Thriving in Retirement" conference. Now, I can report on having attended. Robin Chiero, newsletter editor for the Fresno State ERA chaired the session which included two panels, the first, where I shared the podium with Tong Lee and Mallory Perkins from CalPERS Education and Outreach, and the second where three speakers discussed their activities after retirement. In my remarks, I emphasized the importance of belonging to ERFSA, highlighting how we can strengthen the local and statewide communities, keep retired faculty connected through social interaction, support retirees by protecting pensions and health care benefits, and give back to affiliates through grant awards for research and creative work as well as rebates based on the number of ERFSA members.

The second panel featured three retirees who spoke about how they've evolved in retirement. Candace Egan is pursuing a career in screenwriting, focusing on female-driven stories, and has produced a pilot "Second Set," which has won or placed in several contests. Kathleen Curtis volunteers with the Friends of the Elephant Seal and spoke eloquently about the need to protect these animals in sensitive wildlife viewing sites. Sasan Rahmatian is following his passion for Argentine tango and has published an award-winning paper in the Journal of Mathematics and the Arts on the geometric structure of this dance. Professor Rahmatian wowed us with a demonstration of the tango danced with a fellow retiree, Ellen Lipp, who has been a student in his tango class for five years (pictured at left).

San Luis Obispo. The Cal Poly RFSA hosted a luncheon in conjunction with Cal Poly rodeo team coach Ben Londo on the Cal Poly Rodeo grounds, a beautiful facility where we were treated to a demonstration by the rodeo team while munching on box lunches catered by Urbane Café. I spent time with the affiliate board beforehand at their business meeting and had the opportunity to reinforce the importance of their affiliate members joining CSU-ERFSA.

At left, Prof. Emeritus Sasan Rahmatian demonstrating Argentine tango with fellow retiree Prof. Emerita Ellen Lipp.

Cal Poly SLO Rodeo Queen Sydney Goldwyn riding around the arena for the Retired Faculty and Staff Association

This event was so well attended, with approximately 35 members who came dressed in western attire to compete for the best dressed cowboy and cowgirl! I did not win, but that's ok; I was asked to help judge instead. We sang the national anthem as the Rodeo Queen, Sydney Goldwyn, loped around the arena carrying the flag. While we ate, students on the rodeo team demonstrated their skills at calf roping, riding bucking broncos, and bull riding.

And Next? My next stop is Sacramento State's Cinco de Mayo brunch at the Harper Alumni Center. I'll report on that and have photos to share after I attend.

Please keep sending me your news and invite me to your affiliate! I enjoy meeting your members, discussing ways in which the statewide organization can support you, and visiting your campuses.

ASCSU Report: Budget, General Education, Legislation

By Jerald Schutte, CSU Northridge, Emeriti Academic Senator

The Academic Senate of the California State University (ASCSU) met in person and online (hybrid) on March 14-15, 2024, in Long Beach, California. There were reports from the ASCSU chair, the five standing committees, Faculty Trustee Yee-Melichar, the legislative specialists, the General Education Advisory Committee (GEAC), and CSU-ERFSA. In addition, guests included CFA President Charles Tooms, CSSA Vice President Genesis Jara, CSU Vice Chancellor (VC) for Human Resources Leora Freedman, and the VCs for Academic and Student Affairs, Nathen Evans and Dilcie Perez. Chancellor Mildred Garcia and Trustees Fong, McGrory, Aguilar-Cruz, Gilbert-Lurie, and Lopez also reported. From these reports and discussions, three issues are most salient.

Budget issues. Depending on which agency you speak to, the state has a deficit between $38 and $78 billion. Since the last ASCSU meeting, the budget subcommittees of the Assembly and state Senate received input taken from a report issued by the Legislative Analyst's Office (LAO), where it was suggested that to save funds in higher education CSU's budget funding could be tied to actual enrollment rather than expected enrollment. The change involves some 20,000+ fewer FTES and would save the state approximately $239 million. The next week the Senate's Fiscal and Governmental Affairs Committee (FGA) met online with the LAO to discuss. They were told these were only recommendations.

They also met with the committee analysts for the two education committees, who said they recognized these were only recommendation and instead offered that any reduction in funding for the CSU would likely be programs, not classroom teaching. FGA will be meeting with these two groups during their next trip to Sacramento after the May revise of the Governor's budget is published in early May. As of this date, it would appear there will be some decline in the general funds budget from last year, potentially setting in motion a re-opener for the CFA faculty salary agreement.

General Education. As has been noted previously, Assemblyman Berman's AB 928, passed last year, has required the Intersegmental Council of Academic Senates (ICAS) to create a single pathway from the CCC to the CSU and UC. In so doing, they created CAL-GETC, which, among other things, eliminates the Lifelong Learning requirement in CSU GE and one humanities course, thereby reducing the GE units from 39 to 34 units.

Despite ASCSU and CSSA opposition, and admission from the author of the bill that it is to apply only to CCC transfers, the Board of Trustees, at their last meeting in March, voted to make CAL-GETC a requirement for all students, both transfers and first-time first-year students. This action will create new entrance criteria for first-year students and obligate each campus to replace the GE requirements thus eliminated to retain the 120 units required for graduation.

Legislation. At this meeting, the FGA committee presented a resolution taking a position on eighteen bills in the current legislative cycle that have an impact on the CSU. That resolution, which was passed, can be read here, (AS-3674-24/FGA, at https://tinyurl.com/mkt8524u), together with links to the relevant bills assessed. Two of the more egregious bills included: AB 2447, which requires names and addresses for all payments made by the university to the level of $1,000. The ASCSU opposed it because faculty home addresses should never be disclosed under any circumstances. AB 2395 requires all revenue from extension, summer or special programs be appropriated by the BOT and/or sent to the Campus CFOs for the purpose of redirecting those funds to other projects. The ASCSU opposes any surreptitious appropriations without program director and campus president input.

Other. Several other resolutions were passed at the plenary. Three dealt with the consequences of CAL-GETC on curriculum, and two with state and federal legislation, as well as changes in Academic Senate Bylaws, appointment of academic seats in the ASCSU, and faculty choice in selection of course material. For further reading, each of these may be found at https://tinyurl.com/yu2ncc7z.

In Memoriam

Chico – Valene L. Smith

East Bay – Calvin S. Caplan

Fullerton – Sundaram Krishnamurthy
Michael Onorato

Northridge – Jim W. Dole
Charles H. Heimler

Pomona – Mary K. Switzer

San Diego – Charlotte French
Herbert Shore
Donald L. Skaar

San Francisco – Marshall L. Windmiller

San Jose – Ruth P. Yaffe

San Luis Obispo – George R. Mach

From the President

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wish to be considered for this position, please send an email to bpasternack@fullerton.edu. In the subject line indicate "PRE AND POST RETIREMENT COMMITTEE." It was reported that our efforts to get the CSU to fully compensate FERP faculty for teaching during the pandemic have continued to be unsuccessful.

Jerrold Schutte gave a report on the activity of the ASCSU, and Jay Swartz gave a report on CFA activities. We held elections for committee chairs and delegates at large, and a motion to modify the bylaws to change "Webmaster" to "Website Administrator" passed unanimously. Another motion to change the CSU-ERFSA Constitution to add the CFA and ASCSU liaisons to the Executive Committee was ruled out of order due to not meeting the notification requirements for a bylaw change. The meeting adjourned at 11:15 am.

CalPERS & Private Equity: What We Need to Know

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those listed on public stock exchanges and subject to extensive regulatory oversight. They are mandated to disclose financial statements, business operations, and other pertinent information periodically. These measures help ensure transparency for investors.

For *private* equity, the lack of regulatory oversight can offer flexibility in operational and investment decisions. However, it also implies a higher reliance on the due diligence capabilities of the PE firm and higher risk for investors.

What are the arguments for CalPERS investing in PE?

The appeal of private equity lies in its potential to deliver superior returns, diversify investment portfolios, and contribute to business growth and innovation. Here are the key benefits of private equity:

Capital Flexibility: PE firms can provide companies with the capital they need to expand, innovate, or restructure, all while focusing on long-term growth rather than short-term quarterly earnings.

Expertise: Many PE firms bring not just capital, but also industry expertise, operational guidance, and valuable networks to their portfolio companies.

Diversification: Investing in private equity offers an avenue for diversification beyond traditional equities and fixed income, which can be vital for portfolio risk management. Without the quarterly pressures of the public markets, PE-backed companies can often take a more long-term strategic view, allowing for better capital allocation and strategic growth initiatives.

Emerging Markets: Private equity can unlock investment opportunities in emerging or underserved markets where public equity might not be as prevalent.

PE isn't necessarily bad for business, even if some people don't like what they do. PE's goal is to optimize operations, increase value, usually with significant leverage, and resell the business within 5-7 years. PE accomplishes this in a variety of ways, but oftentimes, it involves stripping down non-critical functions, refocusing on core business, integrating with other firms in the PE firm's portfolio to generate synergies, and replacing management. Having said all that, not all PE acquisitions are successful, but that is true of any ownership group of any business. PE may salvage whatever bits of the dying firm have residual value, before letting the rest go where it was headed already.

What are the arguments against PE?

Basically, what private equity looks to do is get a return, as quickly as possible.

The PE firm usually does this by reducing costs through

- Reducing the workforce,
- Identifying revenue generating resources, and selling them to others then leasing these back from those buyers to continue operations, and/or
- Financing with debt, which means the firm takes on debt to be purchased by PE, which then exits the business, leaving the firm saddled with debt and paying for resources the business used to own at exorbitant rates.

Think of a homeowner versus a home flipper. A home owner had an interest in making the house a nice place to live for themselves so they will invest in the nicer flooring, appliances, and countertops, so every decision they make answers the question "Will this make my home more livable for me and my family long term?". The flipper is concerned with making profit off the house so they will make the decision based on the calculated ROI. Which house would you rather buy for yourself to live in?

The people who do this are rewarded considerably because they've made the firm 'profitable' by reducing their expenses through laying off workers or cutting expenses in other ways.

The reason PE tends to be bad for companies is the amount of debt these companies become saddled with and the astronomical management fees these firms pay themselves. Having to service debt and pay management fees leaves little cash to put back into the business, which is terrible in the long-term.

Private Equity and Your Health Care

Studies found that a few years after private equity invested in a medical practice, charges per patient were 50% higher than before. Practices also experienced higher turnover of physicians and increased hiring of non-physician staff. Academic research has shown that private equity ownership is associated with higher death rates for patients in nursing homes and increased costs to taxpayers. A private-equity-backed firm called MultiPlan has helped drive down payments to medical providers and drive up patients' bills, while earning billions of dollars in fees for itself and insurers.

Insurers Reap Hidden Fees by Slashing Payments to Patients.

Over the past decade, private equity investment in physician services has emerged as a driving trend toward the *financialization* of health care, with investors mining health services organizations to extract wealth. The primary goal of financialized health care is *profit*, while the quality of the patient care is a secondary concern.

Private equity differs from other forms of health services investment in that these are lay investors who are not subject to professional or institutional norms keyed to the higher ethical goals of medical care.

A leading example is the practice known as "surprise medical billing," which *private equity-led physician groups* used increasingly over the past decade as a key tactic to increase their payment rates by several fold. *Surprise medical bills* occur when insured patients unexpectedly receive care from an out-of-network health care provider that they did not choose, such as in an emergency or when an out-of-network specialist (such as an anesthesiologist) provides services at an in-network facility. Such surprise bills force insurers to pay substantially more while also exposing innocent patients to sometimes-crippling financial debt.

Implications for CalPERS

In a good situation PE combines two or more companies to make a better larger company. Efficiencies naturally occur.

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Summer Book Reviews

By Sherry Keith, Professor Emerita, SFSU

The End of Race Politics: Arguments for a Colorblind America, Coleman Hughes. New York: Thesis, 2024.

Coleman Hughes puts forth a passionate argument for an end to racism in the United States. Invoking the legacy of Martin Luther King and the civil rights movement, he argues cogently against all racist attitudes, especially the perspective of African Americans such as Robin DiAngelo and Ibram X. Kendi, who insist that racist attitudes are endemic in "white" Americans, coded in their DNA so to speak. In this clearly written treatise, Hughes explains why neo-racism is on the rise. His analysis place responsibility on the spread of cell phones and social media, which have undermined the role of professional journalists who act as gatekeepers, checking facts and sources before going to press. With "smart" phones in everyone's pockets, distortions and misrepresentations can spread virally. Hughes also rejects the black neo-racists' assertation that there can be no genuine understanding or meeting of the minds between black and white Americans. Hughes presents a thoughtful and important perspective that can help all Americans to listen and understand each other better. This, he asserts, is the entry to a colorblind society.

California Against the Sea: Visions for our Vanishing Coastline, Rosanna Xia. Berkeley: Heyday Press, 2023.

This is a very well researched and superbly written work on the plight we face in California with ongoing sea level rise. Xia, environmental reporter for *The LA Times*, has included numerous case studies of communities along the California coast which have been impacted by sea level rise due to climate change. She chronicles the damage, the unsuccessful attempts to mitigate damage, as well as the research underway and community level responses that are showing results. With careful technical underpinning, Xia tells Californians what we should know and where we should be looking for solutions. *California Against the Sea* will be available in paperback this coming fall 2024.

Honorable Mentions: Many engaging memoirs being published by the remaining members of the Silent Generation as well as Baby Boomers. I recommend a paired reading of **Following My Dream** (Sallie Hanna-Rhyne, Regent Press, Berkeley, 2021) and **A Kid Grows in Brooklyn** (Art Shulman, Amazon, 2024), about two very different people who grew up in Brooklyn around the same time. Sallie comes from a working-class family. Her mother was Scottish and her father from the deep South. Art, by contrast, belonged to the Jewish community and disliked going to the Yeshiva. Sallie grew up, after some twists and turns, to be a jazz pianist, while Art took the literary road to a CSU professorship. Both interesting and enjoyable reads.

Medicare $ on Weight Loss Soaring

By Kaiser Family Foundation

A KFF analysis shows that gross total Medicare spending on Ozempic and other similar drugs has increased dramatically in recent years – even though Medicare is explicitly prohibited by law from covering the drugs for obesity. That is because Medicare now covers the drugs for other medically accepted indications, including to treat diabetes. In March CMS informed Medicare drug plans that they can cover Wegovy, another drug in this class, for its newly approved use of preventing heart attacks and strokes for people who are obese or overweight.

In 2022, Medicare gross total spending reached $5.7 billion on Ozempic (semaglutide), Rybelsus (semaglutide), and Mounjaro (tirzepatide), all of which it covered for diabetes that year. That was up from $57 million in 2018. (Gross spending does not account for rebates paid by drug manufacturers to pharmacy benefit managers, which would result in lower net spending. The fact that covering GLP-1s under Medicare Part D for authorized uses is already making a mark on total Part D program spending could be a sign of even higher spending to come as Part D plans are now able to cover Wegovy for its heart health benefits, and if new uses for GLP-1s are approved. These drugs offer substantial potential health benefits, but the combination of intense demand, new uses, and high prices for these treatments is likely to place tremendous pressure on Medicare spending and Part D plan costs.

CalPERS & Private Equity: What We Need To Know

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Layoffs are done only to reduce redundancy.

PE companies also have of lot of experience and resources at their disposal. They can help to better manage companies and provide needed guidance and resources to accelerate growth.

In a bad PE company, they will cut staff to make the numbers look good and then sell. Never mind the damage done to the employees and customers in order to get those numbers, the fallout is the problem of the new buyer.

If a PE company just wants results at all costs so things can go very badly. Needless cuts, lost talent, bad culture, and quality of everything goes down.

And finally, there is no guarantee that the risk of investing in PE will outperform public equities.

Want to learn more? Some resources:

- PE Podcast: ttps://tinyurl.com/5n87eskm
- NYTimes - https://tinyurl.com/548pcvsp
- Freakonomics Radio 565. Are Private Equity Firms Plundering the U.S. Economy? https://tinyurl.com/5n6rbm9f

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Why It's So Tough to Reduce Unnecessary Medical Care

By Markian Hawryluk, KFF Health News 2023

The U.S. spends huge amounts of money on health care that does little or nothing to help patients, and may even harm them. In Colorado, a new analysis shows that the number of tests and treatments conducted for which the risks and costs exceed the benefits has barely budged despite a decade-long attempt to tamp down on such care. The state – including the government, insurers, and patients themselves – spent $134 million last year on what is called low-value care, according to the report by the Center for Improving Value in Health Care, a Denver nonprofit that collects billing data from health plans across Colorado. The top low-value items in terms of spending in each of the past three years were prescriptions for opiates, prescriptions for multiple antipsychotics, and screenings for vitamin D deficiency, according to the analysis.

Nationwide, those treatments raise costs, lead to health complications, and interfere with more appropriate care. But the structure of the U.S. health system, which rewards doctors for providing more care rather than the right care, has made it difficult to stop such waste. Even in places that have reduced or eliminated the financial incentive for additional testing, such as Los Angeles County, low-value care remains a problem. And when patients are told by physicians or health plans that tests or treatments aren't needed, they often question whether they are being denied care. While some highly motivated clinicians have championed effective interventions at their own hospitals or clinics, those efforts have barely moved the needle on low-value care. Of the $3 trillion spent each year on health care in the U.S., 10% to 30% consists of this low-value care, according to multiple estimates.

"There's a culture of 'more is better,'" said Mark Fendrick, director of the University of Michigan Center for Value-Based Insurance Design. "And 'more is better' is very hard to overcome." To conduct its study, the Center for Improving Value in Health Care used a calculator developed by Fendrick and others that quantifies spending for services identified as low-value care by the Choosing Wisely campaign, a collaborative effort of the American Board of Internal Medicine Foundation and now more than 80 medical specialty societies. Fendrick said the $134 million tallied in the report represents just "a small piece of the universe of no- and low-value care" in Colorado. The calculator tracks only the 58 services that developers were most confident reflected low-value care and does not include the costs of the cascade of care that often follows. Every dollar spent on prostate cancer testing in men over 70, for example, results in $6 in follow-up tests and treatments, according to an analysis published in JAMA Network Open in 2022.

In 2013, Children's Hospital Colorado learned it had the second-highest rate of CT abdominal scans — a low-value service — among U.S. children's hospitals, with about 45% of kids coming to the emergency room with abdominal pain getting the imaging. Research had shown that those scans were not helpful in most cases and exposed the children to unnecessary radiation. Digging into the problem, clinicians there found that if ER physicians could not find the appendix on an ultrasound, they swiftly ordered a CT scan.

New protocols implemented in 2016 have surgeons come to the ER to evaluate the patient before a CT scan is ordered. The surgeons and emergency doctors can then decide whether the child is at high risk of appendicitis and needs to be admitted, or at low risk and can be sent home. Within two years, the hospital cut its rate of CT scans on children with abdominal pain to 10%, with no increase in complications.

Cutting CT scans meant less revenue. But Children's Colorado worked with an insurance plan to create an incentive program. If the hospital could hold down the rate of high-cost imaging, saving the health plan money, it could earn a bonus from the insurer at the end of the year that would partly offset the lost revenue. But Bajaj said it's tough for doctors to deal with patient expectations for testing or treatment. "It's not a great feeling for a parent to come in and I tell them how to support their child through the illness," Bajaj said. "They don't really feel like they got testing done. 'Did they really evaluate my child?'"

That was a major hurdle in treating kids wth bronchiolitis. That respiratory condition, most often caused by a virus, sends thousands of kids every winter to the ER at Children's, where unneeded chest X-rays were often ordered. "The data was telling us that they really didn't provide any change in care," Bajaj said. "What they did was add unnecessary expense." Too often, doctors reading the X-rays mistakenly thought they saw a bacterial infection and prescribed antibiotics. They would also prescribe bronchodilators, like albuterol, they thought would help the kids breathe easier. But studies have shown those medicines don't relieve bronchiolitis. Bajaj and his colleagues implemented new protocols in 2015 to educate parents on the condition, how to manage symptoms until kids get better, and why imaging or medication is unlikely to help.

"These are hard concepts for folks," Bajaj said. Parents want to feel their child has been fully evaluated when they come to the ER, especially since they are often footing more of the bill.

The hospital reduced its X-ray rate from 40% in the 17 months before the new protocols to 29% in the 17 months after implementation, according to Bajaj. The use of bronchodilators dropped from 36% to 22%. Part of the secret of Children's success is that they "brand" their interventions. The hospital's quality improvement team gathers staff members from various disciplines to brainstorm ways to reduce low-value care and assign a catchy slogan to the effort: "Image gently" for appendicitis or "Rest is best" for bronchiolitis. "And then we get T-shirts made. We get mouse pads and water bottles made," Bajaj said. "People really do enjoy T-shirts."

In California, the Los Angeles County Department of Health Services, one of the largest safety-net health systems in the country, typically receives a fixed dollar amount for each person it covers regardless of how many services it provides. But the staff found that 90% of patients undergoing cataract surgery were getting extensive preoperative testing, a low-value service. In other health systems, that would normally reflect a do-more-to-get-paid-more scenario.

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Most Nursing Homes Don't Meet New Staffing Standards

By Jordan Rau, April 2024, Kaiser Family Foundation Health News

The Biden administration finalized nursing home staffing rules in April that will require thousands of them to hire more nurses and aides — while giving them years to do so. The new rules from the Centers for Medicare & Medicaid Services are the most substantial changes to federal oversight of the nation's roughly 15,000 nursing homes in more than three decades. But they are less stringent than what patient advocates said was needed to provide high-quality care.

Spurred by disproportionate deaths from covid-19 in long-term care facilities, the rules aim to address perennially sparse staffing that can be a root cause of missed diagnoses, severe bedsores, and frequent falls. "For residents, this will mean more staff, which means fewer ER visits potentially, more independence," Vice President Kamala Harris said while meeting with nursing home workers in La Crosse, Wisconsin. "For families, it's going to mean peace of mind in terms of your loved one being taken care of."

When the regulations are fully enacted, 4 in 5 homes will need to augment their payrolls, CMS estimated. But the new standards are likely to require slight if any improvements for many of the 1.2 million residents in facilities that are already quite close to or meet the minimum levels.

"Historically, this is a big deal, and we're glad we have now established a floor," Blanca Castro, California's long-term care ombudsman, said in an interview. "From here we can go upward, recognizing there will be a lot of complaints about where we are going to get more people to fill these positions."

The rules primarily address staffing levels for three types of nursing home workers. Registered nurses, or RNs, are the most skilled and responsible for guiding overall care and setting treatment plans. Licensed practical nurses, sometimes called licensed vocational nurses, work under the direction of RNs and perform routine medical care such as taking vital signs. Certified nursing assistants are supposed to be the most plentiful and help residents with daily activities like going to the bathroom, getting dressed, and eating.

While the industry has increased wages by 27% since February 2020, homes say they are still struggling to compete against better-paying work for nurses at hospitals and at retail shops and restaurants for aides. On average, nursing home RNs earn $40 an hour, licensed practical nurses make $31 an hour, and nursing assistants are paid $19 an hour, according to the most recent data from the Bureau of Labor Statistics.

CMS estimated the rules will ultimately cost $6 billion annually, but the plan omits any more payments from Medicare or Medicaid, the public insurers that cover most residents' stays — meaning additional wages would have to come out of owners' pockets or existing facility budgets. The American Health Care Association, which represents the nursing home industry, called the regulation "an unreasonable standard" that "creates an impossible task for providers" amid a persistent worker shortage nationwide. "This unfunded mandate doesn't magically solve the nursing crisis," the association's CEO, Mark Parkinson, said in a statement. Parkinson said the industry will keep pressing Congress to overturn the regulation.

Richard Mollot, executive director of the Long Term Care Community Coalition, a New York City-based advocacy nonprofit, said "it is hard to call this a win for nursing home residents and families" given that the minimum levels were below what studies have found to be ideal. The plan was welcomed by labor unions that represent nurses — and whom President Joe Biden is counting on for support in his reelection campaign. Service Employees International Union President Mary Kay Henry called it a "long-overdue sea change." This political bond was underscored by the administration's decision to have Harris announce the rule with SEIU members in Wisconsin, a swing state.

The new rules supplant the vague federal mandate that has been in place since the 1980s requiring nursing homes to have "sufficient" staffing to meet residents' needs. In practice, inspectors rarely categorized inadequate staffing as a serious infraction resulting in possible penalties, federal records show. Starting in two years, most homes must provide an average of at least 3.48 hours of daily care per resident. About 6 in 10 nursing homes are already operating at that level, a KFF analysis found.

The rules give homes breathing room before they must comply with more specific requirements. Within three years, most nursing homes will need to provide daily RN care of at least 0.55 hours per resident and 2.45 hours from aides. CMS also mandated that within two years a RN must be on duty at all times in case of a patient crisis on weekends or overnight. Currently, CMS requires at least eight consecutive hours of RN presence each day and a licensed nurse of any level on duty around the clock. An inspector general report found that nearly a thousand nursing homes didn't meet those basic requirements.

Nursing homes in rural areas will have longer to staff up. Within three years, they must meet the overall staffing numbers and the round-the-clock RN requirement. CMS' rule said rural homes have four years to achieve the RN and nurse aide thresholds, although there was some confusion within CMS, as its press materials said rural homes would have five years.

Under the new rules, the average nursing home, which has around 100 residents, would need to have at least two RNs working each day, and at least 10 or 11 nurse aides, the administration said. Homes could meet the overall requirements through two more workers, who could be RNs, vocational nurses, or aides. Homes can get a hardship exemption from the minimums if they are in regions with low populations of nurses or aides and demonstrate good-faith efforts to recruit.

Democrats praised the rules, though some said the administration did not go nearly far enough. Rep. Lloyd Doggett (D-Texas), the ranking member of the House Ways and Means Health Subcommittee, said the changes were "modest improvements" but that "much more is needed to ensure sufficient care and resident safety." A Republican senator from Nebraska, Deb Fischer, said the rule would "devastate nursing homes across the country and

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Unnecessary Medical Care

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"That wasn't the case here in LA County. Doctors didn't make more money," said John Mafi, an associate professor of medicine at UCLA. "It suggests that there's many other factors other than finances that can be in play." As quality improvement staffers at the county health system looked into the reasons, they found the system had instituted a protocol requiring an X-ray, electrocardiograms, and a full set of laboratory tests before the surgery.

A records review showed those extra tests weren't identifying problems that would interfere with an operation, but they did often lead to unnecessary follow-up visits. An anomaly on an EKG might lead to a referral to a cardiologist, and since there was often a backlog of patients waiting for cardiology visits, the surgery could be delayed for months.

In response, the health system developed new guidelines for preoperative screenings and relied on a nurse trained in quality improvement to advise surgeons when preoperative testing was warranted. The initiative drove down the rates of chest X-rays, EKGs, and lab tests by two-thirds, with no increase in adverse events. The initiative lost money in its first year because of high startup costs. But over three years, it resulted in modest savings of about $60,000.

"A fee-for-service-driven health system where they make more money if they order more tests, they would have lost money," Mafi said, because they make a profit on each test. Even though the savings were minimal, patients got needed surgeries faster and did not face a further cascade of unnecessary testing and treatment.

Fendrick said some hospitals make more money providing all those tests in preparation for cataract surgery than they do from the surgeries themselves. "These are older people. They get EKGs, they get chest X-rays, and they get bloodwork," he said. "Some people need those things, but many don't."

Not Born Yesterday

By Robert Girling, Sonoma State

Not Born Yesterday is a podcast devoted to successful aging. Each episode is a conversation with expert guests who reveal insights and suggestions on how to live a full and informed second half of life. *Not Born Yesterday* will help you age productively from the comfort of your own phone or computer. Professional broadcasters Miriam Goodman and Lynn Winter Gross produce and host the podcast. Once released, each episode is available any time.

Raging Grannies Bring Humor To Protest. If you think you are too old to make your opinions known, tune in and learn how older women have been raging – nonviolently – for peace, justice, and progressive causes for years. Called the Raging Grannies. they use the stereotype of the "sweet little old lady" to deliver their strong opinions with satirical song lyrics.

Downsizing Can Be Liberating. Items in our homes we love and cherish can become a burden as we age. It can be overwhelming to part with possessions holding memories. In fact, it is the reason so many older adults refuse to move to smaller residences. Cathy Rice, a senior move manager, has advice to get over the hurdle of removing, selling or storing possessions.

Do you hear what I hear? Released May 10. Almost a third of older adults have some hearing loss, but too many either ignore it for years or delay help because they think hearing aids are a sign of aging or are just too vain to wear them. But hearing loss can lead to even more serious consequences like quality of life and even dementia.

The guests are specialists in hearing loss. Dr. Cathy Kurth is an audiologist and Lisa Elenes is a Licensed Hearing Aid Dispenser.

Go to the website
notbornyesterdaypodcast.org
and click on "how to listen."

Nursing Home New Staffing Standards

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worsen the staffing shortages we are already facing."

Advocates for nursing home residents have been pressing CMS for years to adopt a higher standard than what it ultimately settled on. A CMS-commissioned study in 2001 found that the quality of care improved with increases of staff up to a level of 4.1 hours per resident per day — nearly a fifth higher than what CMS will require. The consultants CMS hired in preparing its new rules did not incorporate the earlier findings in their evaluation of options.

CMS said the levels it endorsed were more financially feasible for homes, but that assertion didn't quiet the ongoing battle about how many people are willing to work in homes at current wages and how financially strained homes owners actually are.

"If states do not increase Medicaid payments to nursing homes, facilities are going to close," said John Bowblis, an economics professor and research fellow with the Scripps Gerontology Center at Miami University. "There aren't enough workers and there are shortages everywhere. When you have a 3% to 4% unemployment rate, where are you going to get people to work in nursing homes?"

Researchers, however, have been skeptical that all nursing homes are as broke as the industry claims or as their books show. A study published in March by the National Bureau of Economic Research estimated that 63% of profits were secretly siphoned to owners through inflated rents and other fees paid to other companies owned by the nursing homes' investors.

Charlene Harrington, a professor emeritus at the nursing school of the University of California-San Francisco, said: "In their unchecked quest for profits, the nursing home industry has created its own problems by not paying adequate wages and benefits and setting heavy nursing workloads that cause neglect and harm to residents and create an unsatisfactory and stressful work environment."

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Personal and Professional

Dr. Basil Sherlock (East Bay), who retired in 2000, has published a book at the age of 91 entitled *From Missions to Megalopolis: El Camino Real, California's Road to the 21st Century*. It is available on Amazon as hardcover, paperback, or Kindle editions.

Dr. Sherlock describes the origin of the book as his becoming "intrigued in 1984 by his own urban environment, the San Francisco Bay area, as an example of megalopolis, an explosion of growth spanning multiple cities. He envisioned a ten-year study.

Decades later, that quest…expanded to include the entire El Camino Real, the former Spanish colonial route from San Diego to San Francisco that links coastal cities in a yet vaster megalopolis. It has become the engine driving California's ascent to the world's fifth-largest economy and the nation's most populous state.

From there, Dr. Sherlock widened the scope further to include global megalopolises in Germany, the Netherlands, Japan, and the U.S. Eastern Seaboard….The result is this book, a unique, scholarly merging of urban geography, history, sociology, economics , and demographics…."

CSU-ERFSA Calendar of Events

August 12, 2024 - CSU-ERFSA executive committee, via Zoom. 10-12.

Fall State Council meeting - to be held in person or hybrid, date in October, campus to be determined.

October 31, 2024 2 pm PST - Deadline for applications to the CSU-ERFA Foundation research grant program. See https://tinyurl.com/3em6vhdt for more information.

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