



# GROUP INSURANCE COMMISSION FISCAL YEAR 2017 PUBLIC HEARING

DOLORES L. MITCHELL, EXECUTIVE DIRECTOR  
FEBRUARY 3, 2016

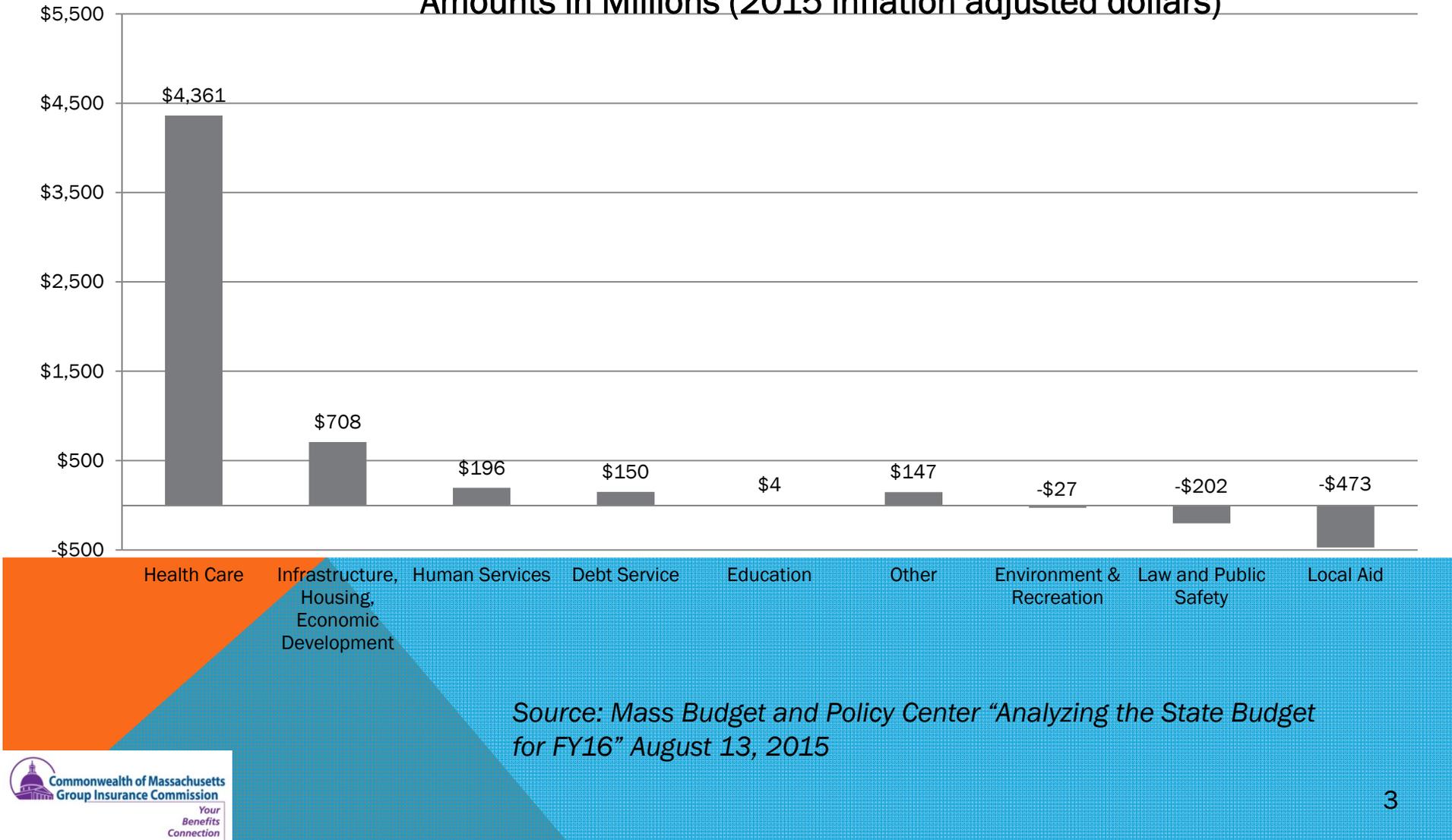


## GOVERNOR'S BUDGET RELEASED JANUARY 27, 2016

- \$635 million state budget shortfall projected; no new taxes contemplated
  - \$75 million of increase is from GIC
  - Recommends changing state employee premium contributions to 25% regardless of date of hire, and for new retirees as of July 1, 2016 or later – reduces above cost by \$33 million
  - Final premium contributions will not be known until budget is finalized

# RISING HEALTH CARE COSTS HAS ADVERSE EFFECT ON OTHER CRITICAL NEEDS

Commonwealth of Massachusetts - Change in State Spending FY09 - FY16  
 Amounts in Millions (2015 inflation adjusted dollars)



# GIC TRYING TO CHANGE WAY CARE IS PROVIDED AND PAID

- Five year contracts require health plans to move from fee-for-service provider contracts to global budgets for management of care
- Plans subject to penalties for missed targets; shared savings for beating targets

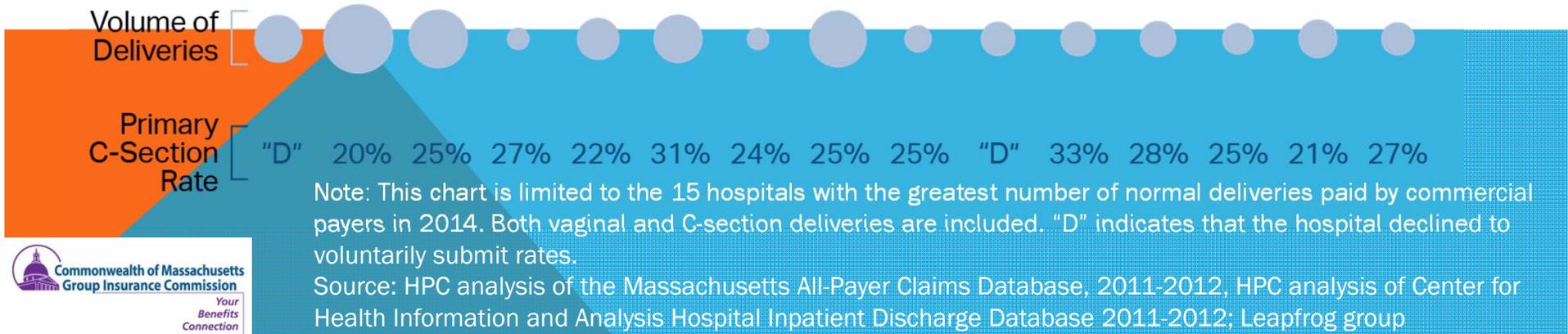
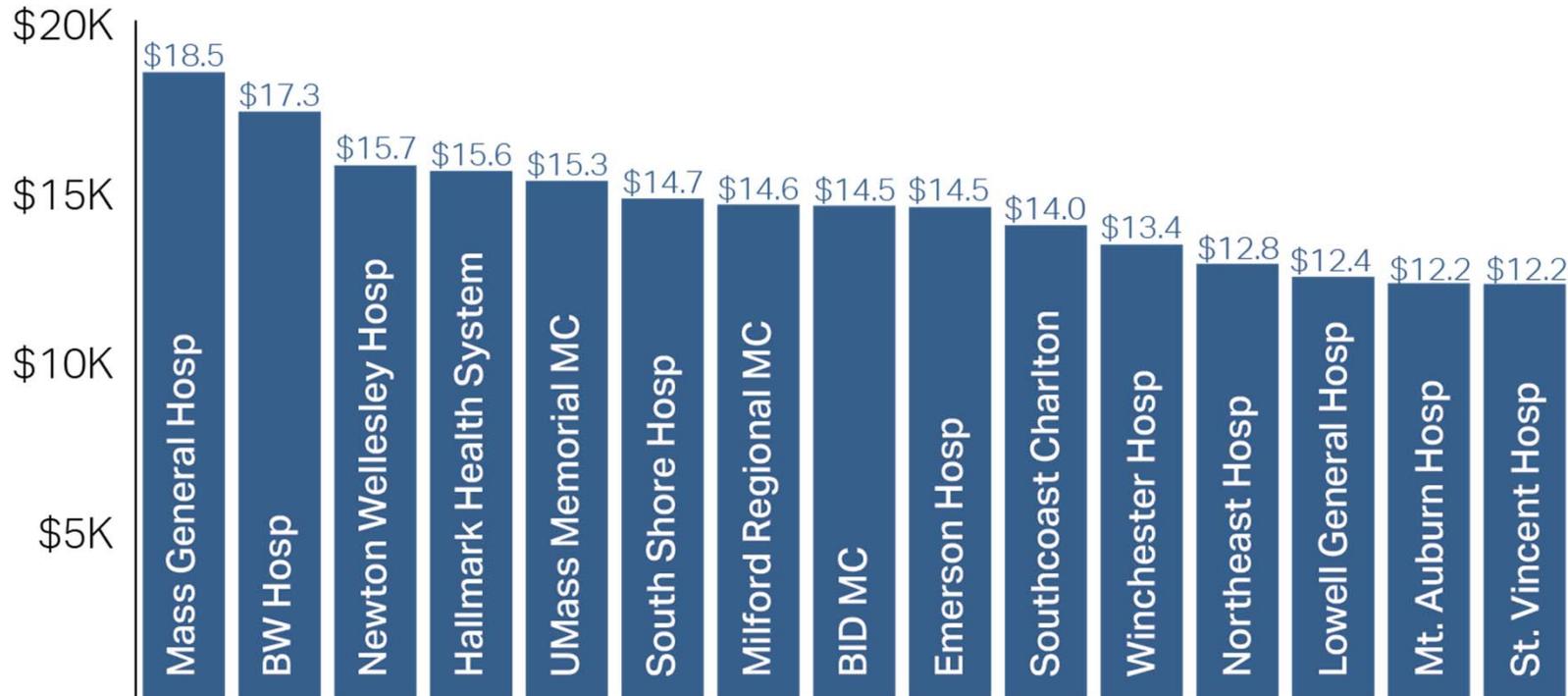


# UNWILLINGNESS TO TACKLE RISING PROVIDER CHARGES

- Health plan costs for U.S. projected to increase 6.8%-9.9% in 2016 (*2016 Segal Health Plan Cost Trend Survey*)
- Services performed at hospital-based location is substantially more expensive than physician office/non-hospital setting. Example: median price colonoscopy=56% more expensive in hospital outpatient department (*Health Policy Commission*)



# AVERAGE SPENDING FOR NORMAL DELIVERIES BY HOSPITAL, SELECTED HOSPITALS, 2011-2012



# PRESCRIPTION DRUG COSTS +13% PER CAPITA, ACCOUNTING FOR ONE-THIRD OF INCREASE IN HEALTH CARE COSTS (*HEALTH POLICY COMMISSION*)

- Reasons: New drugs, price increases and low rate of patent expiration
- New specialty drugs with wide audience of potential users: Hep C drugs (\$84,000-\$94,500/patient); cholesterol reducing drugs (\$14,000/year)
- Outrageous increases in existing drugs. Example: Turing Pharmaceuticals increased treatment for parasitic infection from \$13.50 to \$700 per pill



# RISING COSTS RELATED TO HEALTH CARE REFORM

- \$6.5 million in FY17 for Transitional Reinsurance Fee, PCORI fee, and Health Insurers Tax (*for fully-insured plans only*)
- Risk Adjustment Payments - Blue Cross received over \$51 million in these payments: from Harvard Pilgrim \$4 million; from Fallon \$11 million; from Neighborhood \$28 million; from HNE \$2.6 million
  - Plans will raise rates more in 2016 because of these payments.



*Boston Globe 1/3/16*

- New tax forms this year showing you have coverage

# WHAT OTHER EMPLOYERS ARE DOING

## Shifting Costs to Employees

- 83% of large employers will offer high deductible plan in 2016; more than one this will have these plans as only option (*National Business Group On Health*)
- 34% of employers will add spousal surcharge; up from 29% in 2015 (*National Business Group on Health*)
- Only 23% of employers offer retiree health insurance benefits (*Kaiser/HRET September 2015 Survey*)



# ORIGINAL FY17 RATE REQUESTS FOR THE GIC

- Original weighted average increase: 7.1%
- One plan's original rate increase: 11.8%



# GIC CLOSED LAST YEAR'S STRUCTURAL DEFICIT WITH BENEFIT CUTS AND SUPPORT FROM A&F AND LEGISLATURE FOR REALISTIC BASELINE BUDGET

- Two PPO plans became POS plans to better coordinate care
- Increased copays and deductibles
- Do not want to make large benefit changes this year
- However, some changes may be necessary

# STANDARDIZING BENEFITS – POTENTIAL CHANGES

- Standardize urgent care copays to the same copay as a PCP and retail clinic visit: \$20 per visit most plans ; \$15 per visit Fallon Direct
- Change UniCare Basic to the same periodic preventive schedule as the other plans and Mass Health Quality Partners guidelines
- Raise out-of-network out-of-pocket maximums for POS and PPO plans to the same amount as in-network; eliminates incentive for out-of-network care
- Cover visits with PCP for mental health/substance abuse for UniCare Basic, Community Choice and PLUS plans
- Cover virtual colonoscopies in UniCare Basic, Community Choice and PLUS plans

# POTENTIAL BENEFIT CHANGES ALL EMPLOYEE/NON-MEDICARE PLANS

- Consider increasing emergency room copay to \$150 to encourage use of Urgent Care facilities and physician offices
- Consider for one or more health plans to add a fourth copay tier for high priced drugs



# STRATEGIC OPTIONS TO CONSIDER

- Freeze enrollment in a health plan that hasn't controlled spending
- Eliminate high-cost plans and consolidate provider negotiations
- Carve out pharmacy benefits from the self-insured plans to a single pharmacy benefit provider
- Increase the fiscal year deductible (Current \$300/\$600/\$900)
- Encourage members to use Telehealth services through copay or other incentives
- Encourage members to use certain Centered Care providers through a pilot program that offers copay and deductible incentives
- Evaluate the viability of the GIC Retired Municipal Teacher Program

# UNICARE STATE INDEMNITY PLAN/MEDICARE EXTENSION (OME)

- Implemented Employer Group Waiver Plan (EGWP) for prescription drug plan effective January 1, 2016
- Very low premium increase for July 1, 2016 as a result



# UNICARE BASIC, COMMUNITY CHOICE AND PLUS

- New SmartShopper program
- Members will receive a check of \$50-\$500 (depending on procedure) if they call or use SmartShopper's website to find a provider and if they use the lower cost provider.



# CALENDAR YEAR DEDUCTIBLE FOR EMPLOYEE/NON-MEDICARE PLANS BECOMES FISCAL YEAR DEDUCTIBLE JULY 1, 2016

- Easier to change health plans at Annual Enrollment – no new deductible if switch plans
- Flexible Spending Account (FSA) benefits for state employees will also change to fiscal year – open enrollment during the spring GIC annual enrollment period

# NEW GROUPS JOINING JULY 1, 2016

- Health Insurance
  - Pentucket Regional School District
  - Town of Winchendon
- Retiree Dental
  - Town of Westwood
  - Town of Winchendon

# STATE EMPLOYEE AND RETIREE BENEFITS EFFECTIVE 7/1/16

The Hartford selected to continue as life insurance carrier

- Most rates will stay the same; some will go down
- Accelerated death benefit – certain insureds confined to home will now be eligible

Davis Vision selected to continue as vision vendor

- Benefit enhancement for employees: premier and non-plan frames will be covered at Visionworks retail stores, a significant increase in available frames with \$0 copay

Employee and Retiree dental enhancement

- Mouth guards for teeth grinding covered

# WHAT'S NEXT?

- Commission determines health plan benefit changes and life insurance rates February 12
- Health plan rates determined March 2
- Coordinator training March 28 – April 1
- Annual Enrollment: Wednesday, April 6 – Wednesday, May 4 for changes effective July 1, 2016



# RESOURCES NOW OR SOON AVAILABLE

- Public hearing presentation on website later today
- Home mailing – end March
- 13 health fairs; for ADA accommodations, send email two weeks in advance [GIC.ADA.Requests@massmail.state.ma.us](mailto:GIC.ADA.Requests@massmail.state.ma.us)
- *Benefit Decision Guides* delivered immediately before Annual Enrollment begins – to active employees via HR office and to retirees/survivors at home
- On website by end March: [www.mass.gov/gic/bdgs](http://www.mass.gov/gic/bdgs)



2016-2017  
GIC Benefit Decision Guide  
For Commonwealth of Massachusetts  
**EMPLOYEES**



2016-2017  
GIC Benefit Decision Guide  
For Commonwealth of Massachusetts  
**RETIREES & SURVIVORS**



2016-2017  
GIC Benefit Decision Guide  
For Commonwealth of Massachusetts  
**MUNICIPAL**  
EMPLOYEES, RETIREES AND SURVIVORS



# WEIGH YOUR OPTIONS

Are you in a wide network plan with rates that are going way up?

- Consider switching to a limited network plan: same benefits, fewer providers
- Consider switching to a different wide network plan with a lower premium

