

GROUP INSURANCE COMMISSION

Charles F. Hurley Building
19 Staniford Street
Boston, MA 02114

MINUTES OF THE MEETING

NUMBER: Six Hundred Thirty-Three
DATE: September 7, 2017
TIME: 8:30 A. M.
PLACE: 19 Staniford Street, Boston, MA 02114

Members Present:

VALERIE SULLIVAN (Public Member), Chair

ANNE M. PAULSEN, (Retiree Member), Vice Chair

GARY ANDERSON, (Acting Commissioner of Insurance)

THERON R. BRADLEY (Public Member)

TAMARA P. DAVIS (Public Member)

EDWARD T. CHOATE (Public Member)

CHRISTINE HAYES CLINARD, ESQ. (Public Member)

KEVIN DRAKE (Council 93, AFSCME, AFL-CIO)

JOSEPH GENTILE (AFL-CIO, Public Safety Member)

BOBBI KAPLAN (NAGE)

MELVIN A. KLECKNER (Massachusetts Municipal Association)

EILEEN P. MCANNENY (Public Member)

MARGARET THOMPSON (Local 5000, SEIU, NAGE)

MICHAEL HEFFERNAN (Secretary of Administration and Finance)

Members Absent:

ROBERT J. DOLAN (Massachusetts Municipal Association)

TIMOTHY D. SULLIVAN, Ed. D. (Massachusetts Teachers Association)

Approval of Minutes

On a motion by the Chair and seconded by Commissioner Davis, the minutes of the meeting held on July 27, 2017 were unanimously approved, pending edits. The Executive Director stated that there are several process changes being made, and that these will continue through the fall; she asked the Commissioners to have patience during this time of transition.

Director's Report

The Executive Director introduced and welcomed new Secretary Michael Heffernan and invited him to say a few words. Secretary Heffernan praised the GIC for its good work for the Commonwealth and expressed that he was looking forward to working with and beside the other Commissioners. The Executive Director expressed that although this meeting's agenda was brief, she felt it important to accomplish the goals of regular business, approval of the minutes, and an update on the procurement process. She also wished to devote a significant portion of time to the Healthcare 101 presentation, as there were several new commissioners and this would be a good review for others. The Executive Director also wished to inform the Commission about its audit findings. She described the atmosphere of the GIC over the summer as one of team-building and transition.

The Executive Director announced that Communications Director Cindy McGrath had decided to leave the GIC and pursue new endeavors. The Executive Director commended her for her many efforts and accomplishments, including her critical work through periods of enormous expansion; her spearheading of the development of the benefit newsletter and benefit decision guide; the design and launch of many new websites; and her participation in several rounds of EGWP implementation. She asked the Communications Director to stand and be acknowledged for her contributions. The Communications Director stated that it had been a rewarding seventeen years and an honor to work for the GIC and the Commonwealth. The Executive Director announced that recruiting for this position had begun and that the new Communications Director will report to Chief of Staff Ashley Maagero Lee.

The Chief of Staff encouraged the Commissioners to provide feedback on the new format of GIC materials. The key concept the Chief of Staff wanted to convey is modernization. The goals of the GIC are an updated look and feel; ease of use; and concise, easy-to-follow decks and

presentations. Key takeaways are highlighted. Some package materials have been retired and others will be added, including a glossary of terms.

Commissioner Kaplan stated that she was impressed with the new materials and liked the new format, and she thanked the Chief of Staff for all her hard work. The Chief of Staff answered that it was a team effort.

Commissioner Davis agreed with the commendation and appreciated the changes being made. She stated that the presentation helps the Commission decide which questions to ask,

Functional Reviews and Payment Reports

Budget Director Catherine Moore presented budget and financial reports regarding the June, 2017 reconciliation and the estimated premium payments for August, 2017. The Budget Director stated that, as in previous years, the monthly report tracking spending against the appropriation would resume next month, with a report that encompasses the first quarter of FY2018.

The Budget Director stated that this month staff is reporting on the final four months of premium reconciliation payments from FY2017, and also a report on estimated premium payments from August. The premium reconciliation payments show that the actual amounts due were fairly close to the estimated payments made earlier in the year.

Starting in April, the variances on the HMO premiums started getting larger. The Budget Director explained that an accountant in the department had noticed a pattern over the years, namely, the estimated HMO premiums were systematically too high in the last quarter of the year. She reduced the estimated payments to the HMO plans this spring to correct that, but overcorrected somewhat. We plan to continue, but refine the adjustments next spring so that there is no need to recoup large amounts of money from our plans after the fiscal year closes,

The final item presented was August estimated premium payments. The estimated premium payments were approximately \$56,000,000 per month last year; this year they are approximately \$52,000,000. 25,000 fully-insured Medicare plan members' drug costs were carved-out on July 1, 2017; those drug costs are no longer part of their fully-insured premium payments (their drug costs are now self-insured, as part of the GIC's EGWP drug plan with Silverscript).

Commissioner Davis asked if the estimated payments were made before the actual incurring of charges and why we are making the payments before the fact. The Budget Director explained that these items are all guaranteed fixed charges based upon enrollment, whether it is a life insurance or HMO premium, or administrative fees for self-insured plans. The GIC has

enrollment data one month in advance (a count of the people for whom we are taking payroll or retirement check deductions). The Budget Director stated that invariably there will be changes in the interval between the time we have the enrollment data and the time that the month actually occurs, e.g., people passing away or having children. The difference between the estimate and the final is that the estimate is based on payroll deductions, whereas the final is calculated after the month has occurred and there is a lag in which to make adjustments based on how actual enrollment changed due to events that occurred after deductions were taken.

Margaret Thompson arrived at this point.

Legislative Summer Recap

General Counsel Andrew Stern provided a summary of legislative activity over the summer. He stated that there are currently 6,000 bills pending; a few became law over the summer, and 37% of those bills were with regard to sick leave time. There are still about 5,400 bills in committee. Additionally, there were a total of 128 new bills filed in the House and Senate in August.

Much of the recent legislative activity concerned the regulation of cannabis and several appointments to the newly-formed Cannabis Control Commission have been made. There have also been some leadership changes in the House and Senate: Rep. Sanchez, former Chairman of the Joint Committee on Healthcare Finance, has been named as Chairman of House Ways and Means and Sen. Jennifer Flanagan, former Chair of the Joint Committee of Mental Health, has left to join the Cannabis Control Commission. Her replacement has not yet been announced.

When the budget was returned by the Governor, some provisions he vetoed and commented on became separate bills. The only one that has been acted on is his initiative with regard to the employer mandate to bring some balance to the public health law.

Of interest to the GIC is HB3502, as it requires that all FSA participants be notified by certified mail regarding any changes to the plan or policies. This could be very expensive for the GIC.

HR: Quarterly Temporary Employment Report

Director of Administrative Services, Karin Eddy, announced that the GIC had hired the Executive Director's Executive Assistant and a Paralegal for the Legal Department. Summer projects included records retention and working with the state archives. The Executive Director announced an office reassessment yielded a new common space that will be functional and useful to staff.

Procurement Update

The Executive Director reviewed the Willis Towers Watson presentation from the July 27th Commission meeting and discussed some key observations that were made regarding the active and non-Medicare population. She discussed the challenges of administering multiple offerings and varied funding arrangements, which include a mixture of self-insured and fully insured plans.

Pharmacy is a mixture of 'carve-in' and 'carve-out' and it was noted that Medicare supplement plans were moved to EGWP. Regarding behavioral health, the Executive Director noted it too is a mixture of 'carve-in' and 'carve-out' and that EAP utilization is low.

The market intelligence helped us to inquire about capabilities that may be useful in the future and aid in problem-solving. The key concept is providing value for our members. Regarding behavioral health, it was noted that there will be a procurement for EAP services; although EAP is small, it is also critical to our members. The Chair asked if the timing would be the same for this procurement, and the Executive Director noted that all three procurements would take place simultaneously.

Updated timeline

The Executive Director pointed out that upcoming Commission meetings were interspersed within the RFRs, providing opportunities for review within the bulk of work.

Overview of Medical, Behavioral Health and Pharmacy Benefit Management Procurements

Assistant Director of Strategic Initiatives, Tracy Reimer, referenced the timeline in her presentation, noting that the GIC is holding several procurements simultaneously: pharmacy, medical, and behavioral health. Willis Towers Watson is consulting regarding healthcare offerings and the carve-in/carve-out of behavioral health services.

Within the RFR, the GIC has asked health plan vendors to provide information regarding their plans' actuarial value. A bidders' conference followed the release of the RFR and was very highly attended. All current vendors attended; in addition, potential new bidders included Aetna, United Healthcare, Blue Cross Blue Shield of Massachusetts, and Minuteman.

Answers to 289 submitted questions will be available September 8th and the bids are due by September 25th. The GIC will be evaluating the proposals from October 2nd to November 10th, and will provide recommendations at the January 18th commission meeting.

Commissioner Davis asked about the role of the stakeholders in the procurement process and how their feedback affects the GIC's decisions. The Executive Director responded that there

are multiple considerations at work, including last year's feedback, the market, RFR responses recommendations from WTW and guidance from the Commissioners. That said, regardless of what the Commission does, there will always be people who are happy and those who are not. Chief of Staff Ashley Maagero Lee added that a survey to be fielded soon would also help shape our decisions and that this is evolving to reflect stakeholders in the process.

Commissioner Davis stated that decisions may not be altogether good if management is too close to the business, and that we need to know the right questions to ask. She stressed the importance of keeping stakeholders informed about which decisions were made and how the GIC arrived at those decisions. She added that transparency is important, as well as understanding strategic thinking. The Executive Director responded that it is part of the Commission staff's obligation to keep the Commissioners informed, but not to have them on the procurement team.

Commissioner Choate commented that controversial issues get broken down and well presented at Commission meetings and that the public input is considered. He stated that there is adequate discussion of issues and that he felt comfortable with last year's process, except for the public meeting

Commissioner Kleckner concurred with Commissioner Choate's statements and asked, with regard to public hearings and meetings, if there would be staff recommendations developed at that point.

The Executive Director replied that the goal is to be well-informed about what we are expecting to do at the time of the public hearing, and have the opportunity, based on what we hear, to reference multiple channels and to make sure that we are connecting and fully informed about the perspective of our membership.

Commissioner Paulsen asked about the timing of the public hearing, pointing out that the public hearing is on January 10th and then there is a vote on the recommendation a week later. She asked if, considering that the decisions are being made so quickly after the public meeting, the public can truly believe that they have input. It would appear that the decisions have already been made. The Executive Director responded that if we have no recommendations, it is hard to have a discussion. She pointed out that we will have had some prior information from our survey but that because of the procurements this year is an extremely compressed process.

Commissioner Choate commented that the GIC had made some changes after the last public hearing.

Commissioner Davis commented that she feels that we will understand the financial ramifications and the cost savings to the GIC, in addition to the improvement in services. She asked how the GIC can factor in what the public finds important, as the public cares less about monetary issues and more about the quality of service that they receive.

The Executive Director stated that the GIC has a commitment to the Commonwealth to keep costs down for the workforce and to uphold the interests of and obligations to the Commonwealth and the marketplace. She stated that there is a lot of work to do with regard to developing trust, and that the measure of success is not only monetary. She hoped that in the future that the process becomes a mutual dialogue.

Commissioner McAnneny commented that she was looking forward to the Healthcare 101 presentation, and stated that the Commission's job is to look at the bigger and longer-term picture, and to have a fundamental understanding of long-term goals.

The Executive Director responded that the GIC would like to create an onboarding package for new commissioners, employees, and staff.

The Assistant Director of Strategic Initiatives spoke about the EAP procurement. She stated that we currently have a limited program through Tufts Health Plan and UniCare, and would like this service throughout the Commonwealth. EAP is a workforce-based program and eligibility includes GIC members who are actively working. EAP would provide the following scope of services: work/life balance; counseling; legal help; and family care. Successful bidders will be required to interface with the behavioral health subcontractors and/or healthcare plans. This service will be effective July 1, 2018. The notice of intent was posted today on COMMBUYS. Finalists will be identified December 11th and final decisions will be made by January 18th, 2018.

Commissioner Gentile asked if the EAP will be available to municipal government employees. Assistant Director of Strategic Initiatives replied yes, but that it is not ready to be announced yet.

Commissioner Kaplan asked how this will be marketed to those who don't know about the EAP, as many people are not aware that it exists. Also, how can employees use it without the employer finding out and violating their privacy?

The Executive Director replied that that is why it is underutilized, but that EAP was more neutral, rather than coming from a strictly behavioral perspective previously, and that it's a better place for it to be coming from.

Program Coordinator Nick Federoff updated the Commission on the status of the pharmacy procurement. The four vendors attending the bidders' conference were Caremark, Express

Scripts, MedImpact, and Optum. The GIC has addressed additional questions since the conference and posted them on COMMBUYS. The GIC and Willis Towers Watson will be evaluating the proposals, and the GIC will conduct finalist interviews in late October and early November.

Health Plan Audit Findings

Lead Auditor, John Meka, of Truven presented the audit findings. Mr. Meka reviewed the scope of the audits, Truven's unique audit approach; key findings and results, and recommendations. Truven audited four health care carriers: UniCare, Health New England, Fallon Health, and Beacon Health Options. Truven conducted claims audits and an operational reviews to assess how well the carriers serve the GIC and its membership. The audit's goals were to determine adherence to benefit plan design, compliance with new products and benefits, copays, coinsurance, and an overall assessment of the administration of the health plans.

Mr. Meka next discussed Truven's one hundred percent claims audit approach. Truven uses a proprietary software program which reviews one hundred percent of claims to identify potential exceptions in the claims populations. Truven then selects a sample across those exception categories to look at more closely.

The takeaway is that Truven had favorable results to report about carriers, and that all administrators are performing at or above acceptable levels for accuracy of claims processing.

As for key findings and observations, Mr. Meka stated that member cost-sharing, which involves application of copayments and coinsurance, showed that approximately 12, 500 claims had either an incorrect copayment or no copayment taken resulting in both overpayments and underpayments. Regarding payment integrity, Truven observed that UniCare paid for services billed and paid that were incidental to the primary service rendered for after-hours services. With regard to ineligible services, Truven found that all health plans, with the exception of Fallon, had paid claims for ineligible services, e.g., foot orthotics, out-of-network lab services, out-of-network telemedicine, and unauthorized mental health treatments.

Commissioner Bradley asked whether UniCare's payments for afterhours services was the result of a policy decision rather than an error. Mr. Meka responded that it was an area in which there could be some discussion, but that there was a standard that is looked at to determine if a service should not be allowed. If there is agreement with the health plan that a particular service should be paid, that is certainly something that should be discussed and decided. Commissioner Bradley mentioned visits to the ER as an example, and Mr. Meka agreed that there will always be exceptions and reasons why certain costs will be allowed to be paid.

Commissioner Davis inquired that if someone doesn't collect a copay, would the GIC go back to the insured and ask for that? How did this audit fit into how we work going forward? The General Counsel responded that the audit serves to alert us to issues that we may want to know about and then facilitates discussion we have with the individual health plan carriers regarding the audit findings and how we may want to change things from a policy or operational standpoint. He stated that the audit gives us information regarding how certain claims are being processed and things that we may not have been aware of, and that having this information will allow us to have an opportunity to talk about the extended office hours and why the individual health plan has chosen to pay the claim. The Executive Director stated that this is a very favorable audit.

Mr. Meka next discussed unbundling, the largest opportunity area from a dollar perspective that Truven had identified. Truven uses the National Correct Coding Initiative (NCCI) that CMS uses as an industry standard. The individual health carriers do not have to follow those code editing standards, but they are aligned with what CMS allows and does not allow. Mr. Meka pointed out that applying these edits represents a potential opportunity for savings. Truven focused in on physician and outpatient facility unbundling, which happens when the provider bills for separate services rather than the combined services provided. Mr. Meka provided an example of this, in which a physician might combine an immunization with an office visit.

With regard to the operational review, Mr. Meka reported that Beacon had not received a favorable Service Organization Control (SOC) opinion for 2016. The Executive Director stated that that was concerning. Mr. Meka continued that Beacon's business continuity program was not aligned with best practices and they had a lack of standardized departmental plans. Fallon was found to be not reporting GIC-specific results for the claims accuracy performance guarantees. They were also not conducting any tabletop exercises. Health New England and UniCare had no operational findings. Commissioner Davis asked Mr. Meka if the auditors had considered ways in which to improve what the GIC does, whether it might be operational or in regard to cost savings. Mr. Meka responded that there are several changes that could be made that were detailed in the audit findings.

Mr. Meka next discussed Truven's recommendations. With regard to claims processing, he recommended reviewing exceptions where unbundling was found; reviewing other key exception category findings with the carriers to ensure appropriate changes are made and that claims are paid correctly; and to review financial and claim impact analyses for all exceptions. As for operational recommendations, Mr. Meka suggested ensuring that Beacon makes the necessary changes to receive a favorable SOC report for 2017, and that both Beacon and Fallon address performance guarantee reporting for GIC claims.

Commissioner Bradley asked if there was a focus on customer service considerations. Mr. Meka replied that with respect to customer service, the structure of the customer service department can be evaluated on several criteria: how many staff are in the department; how quickly the agents can pick up the phone; workforce management systems; and recordings of calls that would allow customer care to be evaluated.

Healthcare 101: Medical

Jeff Levin-Scherz of Willis Towers Watson presented part of a Healthcare 101 primer. He discussed the differences between fully insured and self-insured products including differences in how they are regulated at the state and federal levels. He also discussed total medical costs and its components; utilization, unit cost and administrative overhead and some ways these components can be reduced. Lastly, he defined terms such as deductible, copay, and coinsurance and discussed what is referred to as the chargemaster, how it is used by hospitals and then reflected on EOB's.

In Closing: Miscellaneous Updates, Wrap-Up & Discussion

The Executive Director urged the Commission to review the materials presented at the meeting and discussed events and people with whom the GIC has been meeting. The GIC has been speaking with General Electric regarding cost containment. The Executive Director is also a member of the Health Connector Board and is a Board member at Joslin Diabetes Center. Upcoming events include the Executive Director as keynote speaker in Chicago at a Willis Towers Watson event. Events at NEHI and NEEBC will be coming up in the near future as well, in addition to a retirement party at the Massachusetts Health & Hospital Association.

Other Business

Chair Valerie Sullivan applauded the efforts of the GIC in the design and presentation of the new meeting materials. The Chair made a motion to adjourn the meeting and several Commission members seconded the motion. The meeting adjourned at 10:33 a.m.

Respectfully submitted,



Roberta Herman, M. D.
Executive Director

Appendix A

Materials Distributed at September 7, 2017 Commission Meeting

- 1. Commission Meeting Package – September, 2017**
- 2. Commission Meeting Minutes – July 27, 2017**