

**GROUP INSURANCE COMMISSION**

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

**MINUTES OF THE MEETING**

NUMBER: Six Hundred Thirty-Three  
DATE: October 19, 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)  
JOSEPH GENTILE (AFL-CIO, Public Safety Member)  
BOBBI KAPLAN (NAGE)  
MELVIN A. KLECKNER (Massachusetts Municipal Association)  
MICHAEL HEFFERNAN (Secretary of Administration and Finance)  
ROBERT J. DOLAN (Massachusetts Municipal Association)  
TIMOTHY D. SULLIVAN, Ed. D. (Massachusetts Teachers Association)  
KEVIN DRAKE (Council 93, AFSCME, AFL-CIO)

**Members Absent:**

EILEEN P. MCANNENY (Public Member)

MARGARET THOMPSON (Local 5000, SEIU, NAGE)

**Approval of Minutes**

Commission meeting minutes for both the July 27th and the Sept. 7th meeting were unanimously approved. An amendment was made to the July minutes to reflect the absence of Commissioner Paulsen.

**Director's Report****Roberta Herman, MD**

The Executive Director set out the meeting goals, including regular Commission business, the vote on the minutes, and an item in the financial report that needed active input from the Commission. She emphasized the importance of focusing on key concepts that would serve the Commission in later discussions.

She stated that there would be a review of the current status of the procurement process, and then the primary focus of the meeting would be on the educational sessions. The Executive Director acknowledged the present uncertainties of healthcare in regard to the President's Executive Order and the negotiations taking place at the federal level.

The Executive Director also reminded the Commission that although the GIC is not directly affected by the conversation about the CSRs, it is important to underscore that to the extent that anything creates that much uncertainty and risk for the state budget, we are affected. We are one big, interconnected family and it is therefore important to stay abreast and give appropriate policy input to stay on track.

The Executive Director also mentioned that the state Senate had released its long-awaited report, *Healthy Living and Healthy Massachusetts*. This yearlong study addressed national and international solutions to problems in healthcare. The report covers issues ranging from avoiding or reducing hospital readmissions; reducing use of post-acute care; reducing growth in prescription drug spending; commercial market reforms; Medicaid report reforms; and other best practices and transparency reforms.

Also discussed was a meeting the previous day with Senator Jason Lewis regarding diabetes prevention programs and Senator Lewis asked the GIC to weigh in on some of the provisions of the Health Care Bill and the report recommendations. The Executive Director said that there was a comment period for approximately a month or so, and that the GIC would be able to report back at the next Commission meeting.

The Executive Director stated that Health Policy Commission cost trend hearings were conducted this month. The most significant finding was that the Commonwealth was meeting the Health Policy Commission's goals for containing costs. She explained that much of that is coming from the performance of the individual market exchanges, where they had a negative trend in the last year.

The Executive Director said it was important to point out that the policies on the exchange often are a limited network product, and what the shopping experience had demonstrated was that people are likely to shop around when given the option to do so. Often, they choose less expensive options or those that are better tailored to their needs or the network that they would like. She said it was a fascinating experiment and that the GIC is watching with great interest.

The Executive Director announced that the GIC would be hosting a site visit with Secretary Heffernan on November 14<sup>th</sup>, and that there were some upcoming Commissioner transitions. She announced that Commissioner Dolan will be departing in the next month. The Executive Director also discussed the progress of filling a vacancy for the role of Academic Finance Expert.

The Chair asked that the Commission take a moment to thank Mayor Dolan for his service to the Commission. Commissioner Dolan spoke about his time with the Commission, and he wanted to address three specific points. He mentioned the first as joining the Commission at the same time as Commissioner Kleckner, when the new legislation came in. He said that many difficult decisions had been made over the past year, and he felt confident that the GIC was the best place for municipalities. He thanked the staff for the amount of compassion shown to cities and towns during a difficult time of transition. Secondly, Commissioner Dolan commented on the difficulty of transition to new leadership. He stated that Dolores Mitchell was legendary, and that it was difficult to find someone to follow her after her departure, but that he felt the GIC had done an incredible job with Dr. Herman as Executive Director. He said the GIC was in outstanding hands and that the GIC is very lucky to have her lead. Commissioner Dolan's third point was that his own family is a part of the GIC, and he felt very fortunate that his wife, children, and parents receive the excellent care that they do.

The Executive Director thanked Commissioner Dolan for his generous remarks and reiterated that the GIC wants to be the best solution for municipalities.

The Chair asked if the Executive Director could discuss her restructuring plans outlined in the memo they had received. The Executive Director explained the restructure of the GIC, and the history of the agency. She said that in every challenge, there is an opportunity, and that she had been given the opportunity to rethink the structure of the agency. She felt that the GIC

would be better served by a small executive team rather than a single deputy, and that the team would have a deeper functional knowledge capability and responsibility across three broad areas.

The first area is communications and external affairs, including government relations, and that is overseen by Chief of Staff Ashley Maagero Lee. The Chief of Staff is also overseeing finance and human resources. The next broad area concerns operations and is overseen by Director of Enterprise Integration Travis Manzione. His role at the GIC involves knitting together the various operating units and potentially connecting with other capabilities in other agencies or the state. The third broad area is Program and Project Management, which has been integrated with the legal department, as it aligns nicely around our contracted relationships and insurance policy oversight. The Executive Director stated that she was open to structures evolving and that the focus should remain on which structure best serves the purpose at the time. She also expressed that the staff the GIC has recently recruited, as well as the resident staff in the agency, has formed a very strong team.

Next the Executive Director turned to the survey. She expressed the need for multiple channels through which to get information from GIC members rather than relying on a once-a-year event. She stated that she did not want to have such a limited relationship with our constituents, and that she expects a series of changes which will continue to evolve over time and provide feedback and guidance from our members.

The Chief of Staff described the thought process involved in the survey, and expressed its primary focus as being more proactive in seeking feedback from members and our key stakeholders. The survey was launched October 11<sup>th</sup>, and continued through October 25<sup>th</sup>. There were four key focus areas of the survey. The first area concerned our members' experience with our various health plans; the second was gauging member perceptions of the GIC; third was gauging sentiments regarding the future plan designs that may come out of the procurement process; and fourth was to get a sense of our members' communication preferences and improving their access to GIC information.

The Chief of Staff also spoke regarding the distribution of the survey, which was sent to 30,000 GIC members and also to the GIC coordinators responsible for being the Commission's communication eyes and ears within each of the agencies across the state. She also commended the PPM team for partnering with the health plans to ensure that the survey was posted on all of the GIC microsites.

In terms of responses, the Chief of Staff stated that the GIC was pleased. Approximately 5,800 responses had been received, and based on feedback from the GIC's consultants at Willis Towers Watson, this number is very significant for an employee survey. It is on par with results

from a more scientific and formal market research study, and the Chief of Staff stated that the GIC was very happy with that feedback and was anticipating seeing the results. She also mentioned that the survey had strong diversity in terms of income levels, gender, and other demographics, as well as a variety of agencies represented. The Chief of Staff explained that the survey was one of a broader series regarding how we engage our key stakeholders. She had been working closely with Commissioners Joe Gentile and Tim Sullivan to find other opportunities to meet our members where they are, and would reach out to the rest of the Commission to get feedback as well. The thought process here is to conduct a 'listening tour', with the goal being that members and other stakeholders have the opportunity to ask questions of the Executive Director and for the GIC to build relationships so that when the public meeting occurs, there have been multiple touch points and opportunities for communication.

The Chair then asked about hearing more on the results, and the Executive Director responded that the Commission should have results by the next Commission meeting on November 15<sup>th</sup>.

The Executive Director emphasized that the GIC worked hard to not let perfection be the enemy of the good, and wanted to benefit by having the survey results in time for the procurement cycle and public meeting. She recognized that there are thousands of voices to be heard, and that not everyone can find the time to come to a meeting; some may also be more comfortable maintaining their anonymity. She felt it was therefore very important to get ahead of the process as best they could.

The Chief of Staff referred to the presentation and provided some visual examples of the great work that the health plan partners had been doing to promote the survey. She also mentioned that the GIC had worked with the [Massachusetts] Retiree Association to promote the survey in their newsletter as an example of trying to hit all channels and provide multiple opportunities for engagement. The Chair stated that she was very pleased, and that it was good to know that the Commission was making a concerted effort to engage with its constituents, and that hopefully they will take advantage of the opportunities to weigh in.

## **Functional Reviews**

### **Fiscal & Budget Report**

**Catherine Moore**

The Budget Director and acting CFO listed the areas to be discussed: Three months of estimated premium payments, three months of claims receipts, and a first look at the budget for the year. The estimated premium payments are made in advance of a month based on

enrollment, and the GIC had two months of data to report, as well as a request for the month of November, which required a vote.

The key takeaway was that all three months of estimated premium payments are for similar amounts of money. This was because the premium payments are a function of enrollment, and enrollment does not vary radically from month to month under normal conditions.

In September, there was approximately \$52,000,000 in premium payments, and a similar number in October. The Budget Director pointed out that the Commonwealth does not pay premiums for the optional life and long-term disability programs listed on the report. With regard to the dental programs, one is the active dental plan for legislators, managers, and confidential employees, which has a state contribution; the other is the retiree enrollee-pay-all plan, which is the reason the listed payments were more heavily weighted toward enrollees. The Budget Director presented the November estimated premium payments for approval, and the Chair moved for a vote, which was unanimously approved.

The Budget Director then moved on to claim reimbursements, starting with July, the beginning of the fiscal year. She stated that July is an unusual month, as the new fiscal year is starting while a variety of payments from the prior fiscal year are being made as well. In July, 2016, there were an unusually large volume of payments from the prior year. This year had a smaller volume of such payments, which led to a lower overall spend in July of 2017.

Other changes included an increase in the medical deductible, effective July 1<sup>st</sup>, 2017, and the newly instituted prescription drug deductible. These deductibles were expected to decrease the claims volume relative to last summer. Caremark and SilverScript had an additional 25,000 enrollees, who moved over from their Medicare HMO plans, thereby increasing this year's Caremark/SilverScript figures.

The Executive Director pointed out that there was also an important change this year in that the GIC had negotiated better pharmacy contract rates. The Budget Director responded that that would hopefully keep the numbers low throughout the year.

The Budget Director compared the actual and budgeted premiums, as well as claim reimbursements for FY 17 and 18. The key takeaways were that GIC spending was tracking fairly closely to the appropriation, and that monthly spending varies due to a number of factors, including the number of payments to self-insured vendors, prescription drug credits, and the time of the year. The GIC was performing well against the projected budget with surpluses in several accounts, the largest being the main premium account.

Commissioner Paulsen asked if the fact that the GIC is staying on budget is due to being more fully funded by the legislature than in past years. The Budget Director answered that it was.

Commissioner Choate suggested putting a line on the chart indicating the experience year over year. . The Executive Director explained that the GIC will do that a bit later on in the year, and that Commissioner Choate's suggestion is critical. She explained that the GIC really wants to understand two different issues. The first was how the agency is performing against the budget, and the second was if the GIC is doing anything to influence the inherent costs per member, and she agreed that the GIC will need to do a year over year PMPM comparison in order to have a look at that.

## **Affordability**

**Roberta Herman, MD**

The Executive Director next moved on to begin a discussion with the Commission regarding affordability, which she emphasized will be a continuing conversation. The Executive Director presented the four goals that she understood to be the agency's mandate. The first goal was to provide access to high-quality, affordable benefit options for employees, retirees, and dependents.

The second goal was to limit the financial liability of the state and others to sustainable growth rates, which ensures that the GIC can meet its first goal.

The third goal was to leverage our influence in the marketplace to do good, whether that is through innovation, rebalancing the market, or influencing macro trends.

The fourth goal of the GIC was evolving the business and operational environment of the agency to better meet business demands and security standards. The Executive Director stated that a good strategy is supported by good operational practice, and that the GIC has a lot of opportunity in each of these categories.

The question that had come up was what do we mean by 'affordable' for our members? The GIC wanted to respond to that. The important thing to take away in the short term was that there are federal standards for how affordability is defined for employers, and the GIC is well above meeting those standards. The question is, does the agency want to do something more?

The Executive Director reviewed the federal affordability standard that is part of the ACA.. An employer must offer affordable coverage that provides minimum value to 95% of its FTEs (full-time equivalent – those who work 30 hours or more). The ACA deems a plan 'affordable' if it costs employees 9.69% or less of the employee's household income; however, as the Executive Director explained, since employers rarely know an employee's household income, they have three alternative Safe Harbor Provisions, that all involve a figure of 9.5%. The lowest cost minimum value plan has to be available for not greater than 9.5% of an individual employee's W-2 taxable income, or not greater than 9.5% of the employee's rate of pay as of the first day of coverage, or not greater than 9.5% of the federal poverty level for a single individual. An

employer is deemed to offer a minimum value plan if the plan covers at least 60% of the total allowed cost of benefits.

Commissioner Gentile asked what was included in costs, and if it was just the working premium or if it estimates out-of-pocket expenses. The Executive Director responded that it includes out-of-pocket, so that the total is looked at, including the deductible.

General Counsel clarified this point as well, explaining that the health plan must cover 60% of all the insured's costs, which is inclusive of all out-of-pocket expenses, benefits paid, and deductibles. All of these costs are considered as part of the 60% that the employer is responsible for. A 60% plan would be considered to be a bronze level plan. The current GIC plans are somewhere between gold and platinum.

Commissioner Paulsen asked if the Commissioners could get a breakdown of out-of-pocket expenses, and the Executive Director responded that they will receive one; it is currently in production. This will be looked at in the future in tandem with the survey.

The Executive Director explained that the Comptroller has access to information regarding those on the HRCMS payroll. Currently, we do not have complete sight lines into the University of Massachusetts and the MBTA. The evaluation showed that the GIC is compliant for 99.6% of our members against the 9.5% standard. The Chair asked if the Commission has information regarding who the individuals are that are not in compliance. The Executive Director replied that we do not have all that information yet, but from a regulatory point of view, we are well within compliance. She also stressed her desire to protect the GIC's lowest-income members, but recognized that it was a challenging domain and she does not yet have a recommendation. She encouraged the Commission to express their interest and ideas in this area, and she and the Chair agreed that this was a good opportunity for two or three Commissioners with different constituent backgrounds to frame this discussion.

Commissioner Kleckner commented that affordability was a huge consideration for the GIC. He was concerned that the GIC could not sustain affordability in the current environment, and that passing on costs to employees was not a good solution. He also supported the idea of helping employees manage their out-of-pocket costs and focusing efforts on the lowest-income individuals. He felt that changes the GIC makes should attempt to create a lower-cost environment for health insurance overall, and was supportive of promoting the FSA program.

Commissioner Drake arrived at this point.

The Executive Director responded to Commissioner Kleckner's concerns and spoke about the current procurement process, which was pertinent to his observations. She stated that the procurement process was going well, and that there was a lot of interest. She pointed out that



the strategy going forward was to deliberately focus early on pharmacy with the expectation that the GIC could achieve significant cost savings. Another important goal was to conserve options for our members to offer a diverse portfolio of products to serve members' needs. She added that the goal of the GIC in the coming year was to not increase co-pays and deductibles for our members. She also wanted to underscore that the GIC did not just shift costs. The Executive Director explained that there were several avenues that the GIC pursued, and that product changes and contract adjustments were made. What was left over and couldn't be solved with those two avenues forced the GIC to make some deductible changes.

Commissioner Paulsen said she echoed Commissioner Kleckner's sentiments and felt that the GIC's lowest-income members need to be helped with their premiums and out-of-pocket expenses. She asked whether, when this was done for the 68,000 people, was that including the retirees or just actively working members? The Executive Director responded that it was not including the retirees, and General Counsel added that it was just for the actives and that it is straight out of the payroll system.

Commissioner Paulsen stated that she felt the problem for retirees is that many of them are on very low pensions, the average amount being slightly more than \$20,000. She also pointed out that we have a group of people who are retired but not eligible for Medicare, and that those people are paying the same amount of money that the active employees are paying. She added that 10% of \$20,000 is a lot of money for those people, and so the question was how we can help that group of people as well as the low-wage active employees. The Executive Director responded that, in general, the approach has been that retirees are last in line for consideration if the GIC needed to make out of pocket adjustments and that will continue to be the approach going forward.

Commissioner Choate commented that he was in support of affordability, and that last year, he felt that the GIC tried to take a balanced approach wherein there was some give and take. He suggested that the GIC set aggressive targets, as he sees it being an annual fight regarding costs. He also added that if the agency is to influence the market, it needs to innovate in affordability. He felt it was important to give people options, because he felt that people make good choices when they have adequate options. He stated that people make such choices every day in the store and that he thinks they can make them in health care as well. He stated that this may mean very expensive health care at times, and that at other times perhaps going to the CVS pharmacy to get their flu shot. He concluded that he was happy to participate in whatever way he could.

Commissioner Kaplan stated that she wanted to echo what others had said. She said that the co-pays are extremely high for any physician other than the primary care provider, and that she hears repeatedly that people who work in the physicians' offices are shocked when a member presents a card and the co-pay is \$90. She stated that she was in favor of reducing the current cap of \$4,000 per individual and \$8,000 per family for in-network care, and that she felt that this was an extraordinary expense for many people. She said many people tell her repeatedly that they simply cannot afford to go to their doctor, and that many of these end up in the ER, which drives costs further.

The Executive Director asked if this was something the Commission felt they should take on, and Commissioner Kaplan responded that the GIC should absolutely take this on, and that she would like to be a part of a subcommittee or other entity established to look at this issue, especially one in which different interests are represented.

Commissioner Dolan pointed out that when municipal issues are presented to the GIC, it often results in pitting many people against each other. The GIC has to understand that when it increased premiums from 3%, which had been the average, to 5% instead of increasing the co-payment or going after the providers, it directly impacts the budgets of the cities and towns; he added that Commissioner Kleckner will attest to this.

Commissioner Dolan stated that the people that the GIC is trying to protect end up getting hurt the most. This is because, unlike the Commonwealth, which has the right to raise taxes as per vote in the legislature, cities and towns are limited in terms of revenue by proposition two and a half. For most communities, a 3% or 4% increase in the GIC rates is almost all of the new taxable dollars that they're bringing in, and that many members are then looking at no raises or a small raise, or, layoffs. And the people being laid off tend to be DPW workers and custodians, firemen, and teachers, whose skill set is not necessarily transferable to other occupations. He said that when the Commission talks about the decision of whether or not we increase the co-payment by \$5 or take other measures, it reverberates down and hurts those people we are trying to protect.

The Executive Director thanked Commissioner Dolan for his eloquent input and stated that the GIC's job is to ensure, as best it can, an optimal balance, and that in any given year it is the Commission's role to make sure that it obtains the best possible balance among those interests.

Commissioner Kaplan noted that education is critical, and that with the cost of living so high and the possibility of no increases in salary, choosing a provider with more beneficial options makes a huge difference for our members. She also suggested equalizing contribution ratios and reducing them to 20% rather than 25%; she said there is a need to make healthcare less expensive for members, as it is beginning to seriously impact people's lifestyles.

The Executive Director replied that she was hearing a few themes, especially with regard to enabling better consumerism and lowering out-of-pocket costs, as the latter kept appearing in the survey. She asked the Commission if there was something we could do for low-income group. She mentioned that the survey asked if perhaps the rest of the membership could help out by absorbing those costs, as it would be a barely perceptible change for the bulk of the membership.

Commissioner Davis stated that she would like to see what the spectrum is, in terms of income levels. It may be that some groups of people are getting their health insurance fairly cheaply, while low-income members pay much more relative to their income. She stated that she thought we should not focus on just one group, but rather look at the whole spectrum, so that we have the intelligence and information that can help us then make the decision as to what is feasible, viable, and sustainable.

The Executive Director suggested doing some modeling regarding what was possible and deciding what was feasible and fair. She stated that no matter what the Commission does, it may not feel like enough to some people, but that this should not get in the way of doing what we can.

Commissioner Paulsen asked if the GIC was bound by state statute, in terms of what kinds of relief we give people. General Counsel responded that we might need legislative help to do certain things, like establishing income-based premiums, which we briefly had at one time, but that there may be other things that the GIC can do that are consistent with our existing authority.

Commissioner Kaplan asked if the maximum amount deducted could be increased for the FSA. The Executive Director responded that there is a federally mandated cap.

Commissioner Kleckner asked if there was a way in which members could increase the amount they can use, perhaps voluntarily and not subject to pre-tax dollars. General Counsel responded that there were many things that can be done, such as to offer a different type of account, such as an HSA, or donations to a pool. The Executive Director stated that we are presently well within regulatory and legislative bounds, and if we choose to do more, it will be a complex but worthy effort.

The Chair stated that this was very helpful and she thought it was a good follow-up from our general meeting.

Commissioner Drake said he would like to echo a few things that have been said, and that while there are a lot of good ideas going around, some of his constituents have actually put off surgeries due to co-pays and that there needs to be some relief there. As far as the rates, the

biggest source of his frustration is that we're opening up our customer base to these insurers: 400,000 people and over 200,000 policies; with these numbers, they need to come back with a better price.

The Executive Director responded that she couldn't agree more, but that the issue is the provider price. The GIC needs to use its leverage in a constructive way. As we also have a very important healthcare economy, we don't want to do rash things, but we need to help members by reining in pricing mechanisms.

Commissioner Davis added that part of the education is that many people don't understand the difference in cost between visiting MGH versus a community hospital. She also mentioned that there are some online opportunities to cut costs, such as Blink, but that many people are not comfortable or are not aware of these services. The Chair added that in addition, the GIC has Smart Shopper, but that few members use it.

The Executive Director stated that the GIC needs to find a way to reach people and promote these tools, such as continuing surveys and a back-and-forth conversation that's ongoing.

The Chair suggested that those who have constituents could find out how to make it easier to have these conversations and keep the dialogue going over time. She also stated that it would be more than a one-time discussion at a meeting, and that she wanted to ask the Commission if they wanted to convene a separate group to discuss the path forward. The Commissioners agreed to revisit that decision next meeting.

Next the Executive Director introduced Tracy Beasley of Willis Towers Watson, who presented Healthcare 101, which provided the Commission with educational information regarding different types of health plans.

#### **Healthcare 101: Presented by Willis Towers Watson**

**In Closing: Out & About, Misc. Updates, Wrap-Up & Discussion**

Roberta Herman, MD

In the interest of time, the Executive Director kept her wrap-up brief and told the Commission that they would catch up on recent events at the next meeting.

#### **Other Business**

Valerie Sullivan

There was no other business, and the Chair motioned to adjourn. The motion was seconded by several Commissioners and the meeting adjourned at 12:02 p.m.

Respectfully submitted,

A handwritten signature in blue ink that reads "Roberta Herman". The signature is written in a cursive style with a long, sweeping underline.

Roberta Herman, M.D.,  
Executive Director

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**Appendix A**

**Materials Distributed at October 19, 2017**

- 1. Commission Meeting Package – October, 2017**
- 2. Commission Meeting Minutes – September 7, 2017**