

**GROUP INSURANCE COMMISSION**

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

**MINUTES OF THE MEETING**

NUMBER: Six Hundred Thirty-Five  
DATE: December 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)

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)

ELIZABETH DENNISTON, DESIGNEE FOR MICHAEL HEFFERNAN (Secretary of Administration and Finance)

MARGARET THOMPSON (Local 5000, SEIU, NAGE)

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

EILEEN P. MCANNENY (Public Member)

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

**Members Absent:**

TAMARA P. DAVIS (Public Member)

**I. Approval of Minutes****Commission**

The Chair called for a vote to approve the November 16<sup>th</sup> minutes. Margaret Thompson noted that she was not listed as being present. Pending this change, and on a motion by Anne Paulsen and seconded by Tim Sullivan, the minutes were approved.

The Chair announced that Commissioner Paulsen would be leaving the Commission, as her term had ended. The Chair expressed how helpful Commissioner Paulsen had been throughout various transitions and that she had been a great advocate for her constituents. Commissioner Paulsen was thanked for her remarkable service, and the Chair stated that the Commission would have more information in January regarding her successor.

**II. Director's Report****Roberta Herman, M.D.**

The Executive Director touched on goals for the meeting, and stated that following regular business the main focus would be the pharmacy benefit procurement and the FSA contract. She also informed the Commission that they would be updated on the listening tours.

Regarding the legislative affairs engagement, the Executive Director stated that the GIC has been actively reaching out to stakeholders and those who had sought the agency out to respond to various relevant issues.

The Executive Director had a meeting with Rep. Hannah Kane regarding how to talk about family units and structures. Rep. Kane was interested in naming conventions, and wanted the GIC to be more thoughtful in how we describe those units.

The Chief of Staff announced recent staff recognitions. She stated that several of our staff members had been recognized for their achievements, both by the GIC and by the Commonwealth. Associate General Counsel Rachelle Mercier and Operations Assistant Stacey Hickey were presented with a certificate from the Governor for their contributions to the GIC. Administrative Services Director Karin Eddy was also recognized for leading the HR onboarding e-signature pilot effort, as was Executive Director Roberta Herman, M.D.

As for hiring updates, the Executive Director stated that the GIC is in late stages of hiring for the Communications Director position.

### III. Functional Reviews

- **Budget & Financial**

**Catherine Moore**

The Acting Fiscal Director presented the estimated premium payments for December, which totaled \$51 million; she also presented the proposed estimated payments for January, 2018, which required a vote from the Commission. The Chair asked if there were any questions or comments prior to the vote; there were none. On a motion by Commissioner Kleckner and seconded by Commissioner Kaplan, the January estimated payments were approved.

Regarding claims payments, the Fiscal Director noted that the GIC had had another month in which paid claims were lower than expected, in large part due to a one-time large payment from the federal government as a part of the EGWP program. Year over year, the GIC has had a substantial decrease in payments, and the year-to-date monthly average is \$7 million below last year. The budgeted and actual spending figures were very similar. Most of the GIC's surplus is contained in the main premium account; the surplus equals about \$5 million per month, with a surplus across all accounts totaling about \$30 million.

Commissioner Paulsen asked how EGWP is reflected in the premiums and copays. The Fiscal Director responded that it has substantially reduced premiums, and in some circumstances affected the copays, especially with regard to low-income subsidy payments. Commissioner Paulsen also asked why governmental retirees' expenses are so low. The Budget Director replied that this is due to EGWP subsidies and rebates, and that last year's prescription drug budget has been funding this year's prescription drug expenses. The Executive Director added that this population illustrates another point: the tyranny of small numbers, meaning that on a percentage basis, it is much harder to make predictions with precision in such a small population. Chair added that the EGWP initiatives have been very beneficial and that the GIC implementing these so quickly resulted in being able to capture those savings.

Commissioner Kaplan had a question regarding the November claims totals, and asked why there was such a huge decrease in November. The Budget Director responded that this can be a function of how many weeks there are in a month (4 or 5) and therefore how many invoices the GIC receives, along with rebates and subsidy payments that may come in. She stated that the combination of these things can cause a significant variation from month to month.

### IV. Procurement Update

**Roberta Herman, M.D.**

The Executive Director stated that there had been extraordinary interest regarding the PBM procurement and that the GIC has benefited from an excellent partnership with CVS. In the bid process, the GIC has had very active participation with several vendors. She presented the

background of the process and explained what the GIC was trying to achieve. The GIC needed to consider the Medicare population in one bucket and the non-Medicare population in another, as they have different sets of needs and circumstances. The GIC also has a combination of carve-in (the health care plans manage) and carve-out (the GIC manages) drug benefits. The main question the GIC had with respect to pharmacy was how to get the best value for its members. The Executive Director provided a summary of the pharmacy recommendations from WTW in July, which was to carve out pharmacy from all medical carriers, so that the GIC holds the PBM relationship for all of its members. The assumption was that if the GIC did that, it would get preferable contract terms. WTW also recommended that the GIC expand EGWP as far as possible for our Medicare members, and that the agency think about specialty pharmacy management. The Executive Director explained that the expectation was that the GIC would come back with a single vendor, but that is not what happened; the recommendation was to have Express Scripts for active and non-Medicare members and CVS for Medicare members. A main reason for this was to provide as little disruption as possible for the Medicare membership. Express Scripts was selected for reasons of cost savings as well as a market-leading suite of clinical and member programs; it was also noted that Express Scripts had a strong implementation team to support the transition, as well as excellent references.

#### **Pharmacy Benefit Manager: Review Results & Formalize Decision**

**Nick Federoff**

Program Manager Nick Federoff introduced Deven Shah from Willis Towers Watson and also acknowledged and thanked the GIC procurement team for their time and effort. The Program Manager presented the results of the initial scoring for all bidders and discussed the rigorous scoring process that bids go through during a procurement. The key elements for scoring are: Supplier Diversity, Essay Questions, Technical Questions, Disruption Reports, Cost Proposal, and Finalist Interviews. CVS, Express Scripts, and Optum were invited to participate in the finalist stage.

The Executive Director explained that one of the criteria for scoring, disruption, encompasses either a change in the formulary or a change in which pharmacies members can go to for their prescriptions, and that this is something we want to minimize. The Program Manager explained that Express Scripts has an extremely broad network which includes all major pharmacies and that there would be very little, if any, disruption. With regard to the formulary, 97% of members will see no change. Commissioner Gentile asked if any of the major pharmacies would be excluded, and was told they would not be. Commissioner Bradley asked if there would be a change regarding whether medications are on or off the formulary, or if there would be a change in tiering. The Program Manager responded that there may be some change in tiering, but it would be minimal.

**Procurement Update (cont.)****Deven Shah, Willis Towers Watson**

Mr. Shah gave a summary of the results of best and final offers, including the finalists' gross three-year projected savings figures. The baseline was calculated using the incumbent's existing data and compared against the bidders' proposals to obtain three-year projections. ESI (Express Scripts) showed a 27% decrease from baseline over three years, which would amount to approximately half a billion dollars in savings for the GIC's active and non-Medicare members. Commissioner Paulsen asked if these were firm figures, and Mr. Shah responded that they were estimated figures.

The Executive Director commented that the bid process gives some directional sense as to where the bid is going; however, the exercise is primarily a means of comparing vendors to each other, as opposed to coming up with an absolute savings number. The estimates are also only as good as the assumptions underneath them. The Executive Director also stated that since the estimates are so large, she felt confident that the GIC is making a good decision by outsourcing pharmacy. She also mentioned that although the numbers will not be entirely 100% accurate, a large deviation from the contract terms would be noticed. Commissioner Paulsen asked what recourse the GIC had in such a situation, and the Executive Director responded that the GIC would be able to negotiate and would have some degree of recourse. The Chair asked what the contractual obligations of the vendor were to assume some savings and to follow through on numbers presented during the bid. General Counsel responded that the bids are part of the contract. Mr. Shah added that the guarantees that will be offered by the vendors are the discount levels. The Chair inquired whether the formulary remains fixed throughout the three-year period or if it can be changed to keep to the quoted disruption rate, and the Executive Director and General Counsel both replied that the vendor cannot change the formulary without the permission of the GIC. Commissioner Gentile asked about the differences between ESI and CVS and the fact that they have similar savings results. He stated that the GIC must feel strongly about the differences when making a choice of vendor, and the Executive Director agreed, adding that the size of the differential matters. She also pointed out that the GIC currently has several different health plans and with pharmacy becoming such a major piece of health care, it would follow that it might be advantageous to have more than one vendor in pharmacy as well. Commissioner McAnney asked if all the bidders had access to the same baseline data when formulating their bids. Mr. Shah responded that the vendors have access to baselines but not to trends or factors used in the projections for the coming three years. Commissioner McAnney asked if this helped to tease out the vendors' different approaches, and Mr. Shah and the Executive Director responded affirmatively. The Chair asked if the cost savings justified the work and offset the inconvenience involved in changing pharmacy vendors, and if the vendors were held accountable contractually. Mr. Shah replied yes, and that whatever savings percentage the vendors failed to achieve, they were responsible to pay to the

GIC. Commissioner Choate asked about the vendors' obligation of control of the price. Mr. Shah replied that with regard to mean trend management and guarantee, all the vendor can guarantee are the discounts. Commissioner Choate also commented that ESI is a smaller player, relatively speaking, and that there has been talk in the business world of ESI being acquired. The Executive Director agreed that there are various questions regarding both this possibility and a potential CVS/Aetna deal. However, what she ultimately felt was most important was to work with the information currently at hand and to get the best value for our members, which could necessitate working with more than one PBM vendor.

Commissioner Paulsen asked if, in the event that either of these vendors was acquired, the contracts with the GIC would hold firm. Mr. Shah said they would. Commissioner Kleckner asked what kind of practical or logistical changes there might be for an employee regarding a change of vendor. Mr. Shah indicated that members would receive a new card, but could still use the same retail pharmacies as they did before. ESI would take care of mail-order and specialty pharmacy changes.

The Chair mentioned that often with a change of vendor, there can be medication rejections at the new pharmacy. The Executive Director responded that there will be a period of transition and some disruption regardless of which vendor the GIC chooses. She pointed out that when people transition from commercial insurance to Medicare, which happens for certain members each year, the GIC needs to be astute regarding transition processes and stipulating behavior from both vendors in that process.

Commissioner Kaplan asked if there would be changes in the tiering, with medications moving from tier 2 to tier 3. She felt that the increase in pricing at tier 3 was concerning. The Executive Director replied that the GIC could determine the pricing and will have decisions to make with the vendor. She also expressed thoughts about how to go about informing GIC members of any forthcoming changes. Mr. Shah added that formularies are never static, with most changing at least once a year. He also stated that 85% of GIC members' medications are generics, and generics produce very little or no disruption. Most price changes occur within the remaining 15% of brand-name drugs. Members will be notified of negative impacts with regard to pricing and tier changes, giving them an opportunity to speak with their doctor and perhaps find another viable drug option.

Commissioner Clinard mentioned that she felt that members should be informed of both positive and negative changes. From her experience at the Worcester listening tour, the consensus of the attendees was that some changes seem arbitrary and that members would be appreciative of news of positive impacts. Commissioner Kaplan concurred and said it would be

a nice change for members to receive positive correspondence from the GIC. The Chair also added that from an accountability perspective, informing members of positive impacts would assist in cementing the GIC's reasoning for its choice of vendor, as well as holding the vendor accountable. Commissioner Kaplan also asked if members will have sufficient lead time so that they may contact their doctors before changes go into effect. Mr. Shah responded that these were all excellent points and brought the commissioners' attention to the GIC operational framework description within the presentation. This framework spoke to focus points that, if the bid was accepted, would be worked through. He said that some of these questions needed to be answered in future, but that the framework as laid out gave a comprehensive list of needs and concerns that would be addressed.

The Chair asked if there was a financial penalty for bad implementation, and was informed that there was. The Executive Director added that there are standard service requirements built into the contract.

The Chair suggested that the Commission consider a vote to approve the PBM recommendation. Commissioner Kleckner moved to accept the recommendation, seconded by Commissioner McAnneny. The Commission's vote on the motion was unanimous.

The Chair commended the work of the GIC team and the leadership of the Executive Director. The Executive Director thanked all the current vendors as well as the bidders, Willis Towers Watson for their guidance and recommendation, and the GIC staff.

### **FSA Contract Approval**

**Andrew Stern**

The General Counsel introduced the FSA (ASI Flex) contract amendment. The FSA plan had recently been transitioned from a calendar year to a fiscal year, so as to align all benefits on the same schedule. The GIC is now in the process of getting the FSA plan contract to align with the actual plan. Given the circumstances of being in the midst of three procurements, the agency felt it would not be a convenient time to change vendors. General Counsel presented for approval an 18-month renewal, which will get the contract onto a fiscal year and gives the GIC another year in which to procure another vendor. The Chair asked if there are penalties if performance does not improve. General Counsel replied that there are and that those sanctions have been implemented. Commissioner McAnneny asked in which areas ASI Flex was lacking presently. General Counsel replied that members had expressed that the plan requires a large degree of documentation for claims. The Executive Director commented that the GIC's prior vendor was lacking in the opposite direction and that there had been concerns about compliance. Designee Denniston asked in what ways ASI Flex had shown improvement regarding its documentation issues. General Counsel responded that the website has quite a

bit more information than it did previously. There is also a card that has been given to members with detailed instructions on how to use their benefits. ASI Flex also has an app in which members can upload documents from their phones. Commissioner McAnney mentioned that these issues are not unique to this vendor. General Counsel agreed and stated that the GIC's last vendor had had to pay a substantial amount in penalties for not doing things correctly. Commissioner Paulsen asked if it was incumbent upon the vendor to point out to members what the plan offers and how they can best receive services. General Counsel replied that this was the vendor's responsibility, and that there were weekly calls with the vendor in which members' suggestions and input can be relayed. Commissioner Kaplan pointed out that many people don't understand their benefits in the plan, such as being able to use funds for dental and vision, and that she felt we need to communicate better with members about the benefits available to them.

General Counsel then called for a vote to approve the amendment. Commissioner McAnney made the motion, seconded by Commissioner Kaplan. The Commission voted to approve the amendment. Commissioner Timothy Sullivan voted against the approval.

## **V. Listening Tour**

**Ashley Maagero Lee**

The Chief of Staff introduced the listening tour results by presenting a card the GIC received from a member, thanking the Executive Director for her time and dedication to doing what is best for GIC members. The member was an attendee at the UMass Dartmouth location.

The Chief of Staff stated that the first stop on the listening tour was October 30<sup>th</sup>, in Springfield. Other subsequent stops included Boston, Worcester, Dartmouth, and Framingham. Turnout was around 20 to 50 members per event. Different member groups (e.g., retirees and actives) were well-represented. The events ran approximately 90 minutes.

With regard to what the GIC heard and learned, there were two types of feedback: process and topical. Process feedback included members' appreciation of different times and locations; positive feedback regarding holding the listening tour in advance of the public hearings in January; and an appetite for more events, especially in western Massachusetts.

With regard to topical points, there was a strong interest in the structure of the Commission and the corresponding representation of each of the seats on the Commission. Another point concerned generic vs. brand-name drugs and access to both. Members also mentioned cost rise vs. wage increases as a primary concern. Members expressed some confusion about the role of the GIC vs. the role of the health plans. They also felt that modernization in technology and communications was very important. Although the listening tour did not focus on one particular group of members, there were group-specific questions that either needed to be



answered individually or that might necessitate a specific event (e.g., for retirees.) Snowbirds and out-of-area coverage were two major areas that produced many case-specific questions.

The Executive Director added that members were very appreciative of the GIC coming to them and the fact that they were not required to drive into Boston. The Chief of Staff also pointed out that the GIC was able to meet with the Mass. Teachers Association (MTA) and that in future, the GIC will make sure to get the perspective of this and other specific groups and to go where they are already assembling. The Executive Director also mentioned that at each of the events, there was a staffperson taking notes and generating a log of issues to be followed up on.

The Chief of Staff also recognized those Commissioners who were very involved in the listening tour process, including Chair Sullivan, Commissioner Kaplan, Commissioner Tim Sullivan, Commissioner Gentile, and Commissioner Clinard.

Commissioner Tim Sullivan commented on the MTA meeting, which was well-attended, emphasizing that cost shifting was a major issue, as was communication. He also pointed out that Cape Cod wanted to be represented during the listening tour, and that they felt they were not heard. The Chair commented that the GIC met the MTA where they were, and that that proved to be very helpful in drawing a large audience. Commissioner Tim Sullivan added that meeting members where they are is very important, and that a dialogue needs to continue with the MTA. The Chief of Staff also indicated that the GIC had attempted to schedule an event for Cape Cod in December, but was unable due to time constraints. She mentioned that the GIC is looking to schedule a January public hearing on the Cape.

Commissioner Clinard attended the Worcester event, and relayed the members' concerns about rising out-of-pocket costs and about communication. The sentiment of members also concerned a lack of resolution for existing problems. She commended General Counsel, the Executive Director and the Chief of Staff for a great job putting the events together. She also mentioned how much it meant to members to have their information taken for follow-up, rather than just giving them a phone number.

The Chair echoed Commissioner Clinard's words. The Chief of Staff pointed out that attendees appreciated the presence of the commissioners in addition to the Executive Team, and the Chair mentioned that there would be opportunities for commissioners to attend future events.

Commissioner Kaplan attended the Springfield event, and felt that it was a good presentation. She stressed the importance of providing information to our active members regarding the change in pharmacy. She mentioned that although there will be health fairs, they are not the optimal time to speak to people, and thus she hoped that the GIC will get out in front of this and address members regarding the results of the pharmacy procurement. She says members will have concerns about the pharmacy change, specifically out-of-pocket costs and the new formulary.

The Chief of Staff recognized Executive Assistant Janine Hynds as the heart and soul of this effort and commended her for the fine work she has done in support of the Chief of Staff, the Executive Director, and the Director of Enterprise Integration. Kimberly Nyce, who joined the GIC as a temp, was also commended as an invaluable resource.

The Executive Director introduced our new and incumbent pharmacy vendor partners. Roger Hahn, Vice President of Sales for the public sector for Express Scripts, expressed his excitement about the opportunity to work with the GIC. He also added that the amount of concern around the Commission table made it quite evident that the GIC was very concerned with the welfare of its members. He also mentioned that during the transition process, Express Scripts had a very extensive communications strategy in order to minimize confusion and disruption.

Caremark representative Pallav Tatapud, Director of EGWP Sales and Account Services, thanked the GIC for continuing to partner with them. He also added that he is aware that EGWP is complex and that Caremark would work to keep things clear through communication.

**VI. In Closing: Out & About, Misc. Updates, Wrap-Up & Discussion**      **Roberta Herman, M.D.**

The Executive Director gave a brief update on GIC meetings and travels, including the NEEBC benefits event, South Shore Hospital, the Massachusetts Women's Forum, the Massachusetts Medical Society, the Massachusetts Teachers Association, New England Quality Care Alliance, and Boston Business Partners.

Commissioner Paulsen, who is departing the Commission, thanked everyone for the opportunity to be on the Commission, and thanked the helpful staff for responding to her questions

**Other Business**

**Valerie Sullivan**

There was no other business. Commissioner Tim Sullivan moved and Commissioner Thompson seconded the motion to adjourn at 10:05 a.m.

Respectfully submitted,



Roberta Herman, M.D.  
Executive Director

**Appendix A**

**Materials Distributed at December 19, 2017 Commission Meeting**

- 1. November 16, 2017 Commission Meeting Minutes**
- 2. Commission Meeting Package – December 19, 2017**