

## **GROUP INSURANCE COMMISSION MEETING**

**Thursday, December 21, 2023**

**8:30 A.M.-10:30 A.M.**

Meeting held virtually through online audio-video platform (ZOOM) and accessible on the GIC's YouTube channel.

### **MINUTES OF THE MEETING**

NUMBER: Six hundred seventy-eight  
DATE: December 21, 2023  
TIME: 8:30 A.M.  
PLACE: ZOOM, livestreamed to YouTube

#### **Commissioners Present:**

VALERIE SULLIVAN (Chair, Public Member)  
BOBBI KAPLAN (Vice Chair, NAGE)  
MATTHEW GORZKOWICZ (Secretary of Administration and Finance) Designee: Cassandra Roeder  
GARY ANDERSON (Commissioner of Insurance) Designee: Rebecca Butler  
JOSEPH GENTILE (AFL-CIO, Public Safety Member)  
TIMOTHY D. SULLIVAN (Massachusetts Teachers Association)  
EDWARD T. CHOATE (Public Member)  
TAMARA P. DAVIS (Public Member)  
EILEEN P. MCANNENY (Public Member) - joined late at 9:06 A.M.  
PATRICIA JENNINGS (Public Member)  
MELISSA MURPHY-RODRIGUES (Massachusetts Municipal Association)

#### **Commissioners Absent:**

ANNA SINAICO, Ph.D. (Health Economist)  
GERZINO GUIRAND (Council 93, AFSCME, AFL-CIO)  
ELIZABETH CHABOT (NAGE)  
JANE EDMONDS (Retiree)

#### **Call to Order**

Chair Sullivan called the meeting to order at 8:30am. General Counsel Andrew Stern acknowledged the list of Commissioners in attendance. Chair Sullivan turned the meeting to Executive Director Venio, who then reviewed the agenda.

#### **I. Approval of Minutes**

The Chair asked for a motion to approve the November minutes. Vice Chair Kaplan moved to approve the minutes and Commissioner Davis seconded the motion. The General Counsel took a roll call vote where all Commissioners voted to approve, except Commissioner Jennings who abstained.

## **II. Executive Director's Report**

The Executive Director noted that the GIC is tracking a bill on prescription drugs, Senate Bill 2249 and the House is expected to act next. The town of Hamilton is evaluating whether to join the GIC, and Director of Government Affairs Mike Berry presented at an information session hosted by the Town. The GIC will be participating in the Massachusetts Municipal Association Annual Meeting and Trade Show. GIC Open Enrollment is scheduled for April 3-May 1, 2024. The GIC has scheduled their Annual Public Information Sessions for January. These sessions are a good way to connect with and inform its members. Commissioners are encouraged to attend. More information will be forthcoming on how to register and all sessions will be recorded and posted to our website.

The Vice Chair asked whether another public information session on a different day could be added because Tuesdays, Wednesdays, and Thursdays are heavy in-office days for state employees. She is concerned that it might be difficult for state employees to attend a session on the scheduled days, whereas Monday and Friday may be better for the constituents. The Executive Director thanked her for the feedback and stated that he will see if that can be done.

The Executive Director then reviewed the Commission Calendar. He stated that the preliminary 2024 meeting calendar has been given to the Commissioners and will be posted to the GIC website in the next week or so. He mentioned that while today would be the first look at proposed aggregate cost increases for next year, in January the Commissioners will be presented with proposed plan design changes. In February, he continued, the Commissioners will hear a summary of the feedback received in the public information sessions. Additionally, he noted that there will be a second February meeting to accommodate the approval of rates for FY25. He reminded Commissioners that there will not be a meeting in March to allow staff to complete necessary work for Annual Enrollment.

## **III. FY25 Preliminary Cost Increase**

The Executive Director turned the meeting to Chief Financial Officer (CFO) James Rust to introduce the presentation on projected aggregate FY25 cost increases.

CFO Rust reminded the Commission that this is the time of year that projected cost increases are presented. He stated that over the next month he will work on and submit the proposed budget for FY25. He then turned the meeting to Vince Kane, actuary from WTW.

Mr. Kane began by reminding everyone that the full cost premium is the amount expected to cover fees and charges to cover the population. Out-of-pocket costs are not included in these premiums. For the most part GIC's plans are self-insured, which means that the state is responsible for paying all healthcare claims. The only exception to this is the Point32 Medicare Advantage plan, which is fully insured.

He explained that he and his team looked at claims experience from FY23 by plan and product to develop the projections. He then stated that there will be an expected aggregate increase of 9.6%, which is a weighted average across the GIC population. The market benchmark is a lower range from 5-9% and is a little bit higher than last year, he said, and is based on a survey WTW does yearly from about 450 clients, covering 750 million employees. If the survey response was reflected later in the year, he

explained, the market benchmark would likely be higher because there has been a wave of higher prescription costs. Being more current data, these costs are captured more accurately in the GIC data, he said, compared to the survey data. Mr. Kane also compared increases in the merged market over the last few years and noted for 2024 the pricing trends used in their analysis were 7.1% for medical and 9+% for drugs, which are higher than what the GIC is experiencing. He mentioned that there has been a significant medical and prescription drug unit cost increase that has a compounding yearly impact and that, additionally, the GIC had higher claims experience than previously projected. Partially offsetting this were improved rebates from the commercial prescription plan and increased subsidies on the EGWP Medicare prescription drug plan. Mr. Kane stated that WTW took a deeper look at GPL-1 drugs used to treat diabetes and weight loss, the use of which is growing significantly, driving a 1½- 2% increase by itself as a class of drugs. He said that while general inflation is cooling off, medical cost inflation continues to increase and not slow down.

Commissioners asked whether GIC members are having trouble getting access to the GPL-1 medications, how many members are using these kinds of drugs and whether the outcomes are valuable. They also asked if the rate increase the GIC is experiencing is being seen by our peers more broadly.

Mr. Kane stated that about 2% of non-Medicare membership are using these drugs, which is quite reasonable compared to other employers who cover these drugs for weight loss. He predicted that these medications will continue to present cost increases for employers who cover them. He said that some guidance cites that the prevalence of obesity in the US is at about 30%, therefore they expect medication use to grow substantially. Mr. Kane indicated that many employers have chosen not covering the GPL-1 drugs for weight loss so the impact varies.

The Division of Insurance designee Butler stated that in general there are medical necessity criteria for these medications, regardless of whether the medication use is for weight loss versus diabetes.

The Executive Director stated that the challenges and opportunities with the GPL-1 drugs for weight loss are a struggle across the health care system. He stated that he recently attended a conference of his peers in other states where this was discussed at length and the concerns and impacts are broadly felt. This is a recent trend and the GIC benefits from more recent information captured in our premium increase analysis, compared to other purchasers of health insurance. He then asked Jeff Levin-Sherz if he wanted to add anything else.

Jeff Levin-Sherz, MD from WTW made additional comments on these medications. Dr. Levin-Sherz stated that this topic is high on the list of concerns of all their clients. There are medical benefits to treating obesity with GPL-1s, he stated, and the data just keeps getting better and better. In addition to weight loss, these drugs are effective treatment for heart problems, fatty liver disease, and in diabetes it stops/slows the progression to end-stage renal disease. He speculated that the medications are priced far too high. Some newer versions of the drugs are more powerful, he said, and are actually priced lower than others. He expressed hope that the unit price will drop over time. He emphasized that obesity is a metabolic disease, not a lifestyle choice, and that these medications can improve the health of people who take them. He said that 53% of plan sponsors with 20,000 or more members cover these drugs. Even if the medications are not covered for obesity, most plans cover it for diabetes. He reminded the

Commissioners that these medications are inappropriate for people who may desire to lose 10-20lbs, but are clinically appropriate for patients with an obesity diagnosis.

The Chair asked whether any government payers are negotiating Value Based Contracts for these medications.

Dr. Levin-Sherz stated that some plan sponsors and government plans mandate a behavioral modification along with or before the drugs, but they have to pay for both and right now the data isn't pointing to a positive impact of the behavioral modification pieces.

Commissioner McAnneny joined the meeting at 9:06am.

Commissioner Choate asked if the unit cost of these drugs will come down as more versions come onto the market and speculated that it should save costs in other areas, preventing adverse events. He asked what the timeline of that return on investment might be.

Dr. Levin-Sherz stated that drug companies emphasize the savings in expensive adverse events. He explained further that broadly most medical interventions do not save money in the long term, they just make people healthier. Except for birth control and childhood vaccines, no treatments or interventions actually save money beyond fewer sick days the replacement cost of premature deaths (due to sickness or disease). He emphasized that good health and quality of life can be worth spending money on and are valuable.

The Executive Director added that a huge cost driver of these medications is that they're new. There's an unknown, undefinable cost impact, but he emphasized that Commissioners ought not lose sight of the primary driver of costs and that is the increase in provider unit costs for medical care. He reminded Commissioners that the HPC also focused on this persistent challenge at the last Commission meeting. Provider cost increases have always been and continue to be the main driver of increased healthcare costs and, in Massachusetts, that trend is escalating.

Commissioner McAnneny stated that provider unit price increases for medical care have indeed been a driver for many years. At one point it was because of brand recognition of certain provider systems. She asked if this is still the case or if it is consolidation within the marketplace or some other factor.

The Executive Director stated his belief that it is all those factors combined. In part, it is a hangover effect from COVID-19 and the labor costs stemming from the pandemic. He said his bigger worry is that there is an increasing tendency of providers to dismiss the health care cost benchmark set by the HPC when negotiating contracts with health plans. COVID-19 did have a system wide impact but that happened on top of a largely dysfunctional provider market, and provider systems with market leverage continue to command more negotiating power. Those systems, in fact, did not fare nearly as poorly financially because of the pandemic. Therefore, he said, the impacts put the most pressure on smaller, provider groups and health and hospital systems with less negotiating leverage. For example, he said, it has been well documented that Tufts Medicine has been struggling financially, whereas Mass General Brigham has not.

Commissioner McAnneny asked if the HPC's benchmark is having trouble keeping prices down, are the prices increases in Massachusetts higher than across the country?

The Executive Director responded that Massachusetts continues to have much higher use of high-cost teaching hospitals and provider market consolidation, which inhibits the ability to have a value-based marketplace.

Dr. Levin-Sherz added that in Massachusetts, inflation rates have been substantially more than the rest of the country. He noted that compounding the problem is that there are only a few more years of Beth Israel Lahey Health price increase limitations imposed by the Attorney General. Following the expiration of those measures, provider price increases may explode in that system.

The Vice Chair asked what the dwindling numbers of independent primary care practices has been on the system.

The Executive Director stated that this is also an important policy question for policy makers. He lamented that the GIC has limited tools to address this, but did address it in the recent health benefit procurement and challenged carriers to develop strategies to address it. He stated that the GIC is fortunate to have the HPC using data and analysis of market trends to propose policy changes.

Commissioner Davis left the meeting at 9:30am.

The Chair suggested that they move to the next topic.

#### **IV. Proposed Regulatory Amendments**

The Executive Director introduced the General Counsel, Andrew Stern, to present on proposed regulatory amendments. The Executive Director reminded Commissioners that the GIC has had a long-standing waiting period for new benefits of around 60 days, which has been a hardship on many who newly enroll in GIC benefits upon hire. He stated that the GIC set out about 2 years ago to determine what would be needed to shorten or eliminate the waiting period. More recently, the legislature directed the GIC in their FY24 budget to offer insurance on the 1<sup>st</sup> of the month following an employee's date of hire. As a result, he continued, GIC's regulations must be updated to comply with that law and the change in policy. The process to adopt these changes is long, with many steps, and this is the start of that process, he said.

The General Counsel began his presentation by stating that outside section 83 of the FY24 budget gave the GIC this directive. The GIC assembled a working group to review its regulations and determine which were impacted by the new statutory requirement. He noted that the Commissioners were provided with summary information in their meeting packet on which sections need to be changed and explanations for each. He said that there are also a few other, unrelated changes to regulations that need to be updated.

He reminded Commissioners of the process to make regulatory amendments. The first step, he stated, is to inform the Commission and get its approval to move forward with the process. Following that, he continued, the GIC needs to conduct a cost/benefit analysis and a small business and regulatory impact analysis, and submit this along with the proposed amendments to the Executive Office for Administration and Finance (ANF) for review. Assuming ANF approves the amendments, the GIC would proceed to public notification and conduct hearings. Taking any relevant feedback from those sessions, the GIC would then need to make any necessary changes. Following that, he continued, the Secretary of State will review the proposed changes to ensure they are in proper form. Last, he concluded, GIC staff would return to the Commission with the final draft seeking its final approval to move forward with publication.

The Vice Chair commended the GIC for doing this, noting that it's a huge impact on employees' lives.

Commissioner Choate asked if this cost was accounted for in the proposed rates.

The Executive Director stated that capital funds were set aside for the project, and he is grateful to the administration for supporting this project.

Commissioner McAnneny inquired whether the changes will affect the end date of coverage. She was informed that it would not, as deductions will continue to be taken a month in advance on an ongoing basis.

The Vice Chair asked when payroll deductions will start for new hires. The Executive Director stated that it would begin the first of the month following the employee's start date.

Director of Operations Paul Murphy noted that the GIC will still allow the new hire 21 days to elect their benefits, so when they elect benefits will determine when payroll deductions start. He explained that if new hires act quickly, the GIC will be able to take deductions the first month, but some members who take longer may need to be billed for the missing payroll deductions. He noted that some agencies have the ability to take make-up deductions, so that the employee retains the pre-tax savings, while some cannot. He concluded therefore that a lot will depend on the individual facts of each case.

Commissioner McAnneny expressed her concern over the importance of informing new hires of these impacts so that they can make an educated decision. She noted that being informed may prompt new hires to elect more quickly. The Executive Director noted that GIC staff are planning extensive communications and change enablement efforts for precisely this reason.

The Chair asked whether all this information will be on the portal. The Director of Operations confirmed that the GIC is putting together an updated new-hire packet into the portal to inform them of all the different scenarios.

The Chair requested that the GIC reinforce the value of the portal at the information sessions.

The Vice Chair thanked the Director of Operations for his work. She recognized that a lot of things will be determined by the onboarding process of each agency, over which the GIC does not have direct control.

The Executive Director stated that the GIC will be running many trainings to underscore the aforementioned issues and make sure agency GIC coordinators are informed of the implications on them of this change so that they can support their newly hired employees.

The General Counsel stated that administrative bulletins have been drafted to inform agencies and municipalities on the topics raised by Commissioners.

The Chair asked for a motion. The Vice Chair made the motion to authorize the GIC to proceed with the regulations, which was seconded by Commissioner Gentile. The General Counsel took a roll call vote. All Commissioners voted yes, except Commissioner Davis who had previously dropped off the call. The motion passed unanimously.

#### **V. Municipal Insurance Program Update**

The Executive Director moved to the topic of the Municipal Insurance Program, and turned to Director of Government Affairs Michael Berry to present.

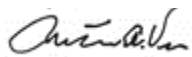
Mr. Berry stated that the municipalities and regional entities that are in the GIC account for 69,850 subscribers. He announced that Shore Education Collaborative in Chelsea will be joining the GIC for coverage starting on July 1, 2024 and their employees will enroll during Annual Enrollment this spring.

The Chair asked whether, with rising costs, should the GIC expect more to join. The Executive Director answered recognizing that costs are rising across the board, but whether more join remains to be seen.

#### **VI. Other Business and Adjournment**

The Chair asked if there was any old or new business. There being none, she adjourned the meeting.

Respectfully submitted,



Matthew A. Veno  
Executive Director