



COMMISSION MEETING

JANUARY 16, 2020

 *Group Insurance Commission*

 *@MassGIC*

I. Approval of Minutes (VOTE)

Commission Meeting Minutes
December 19, 2019

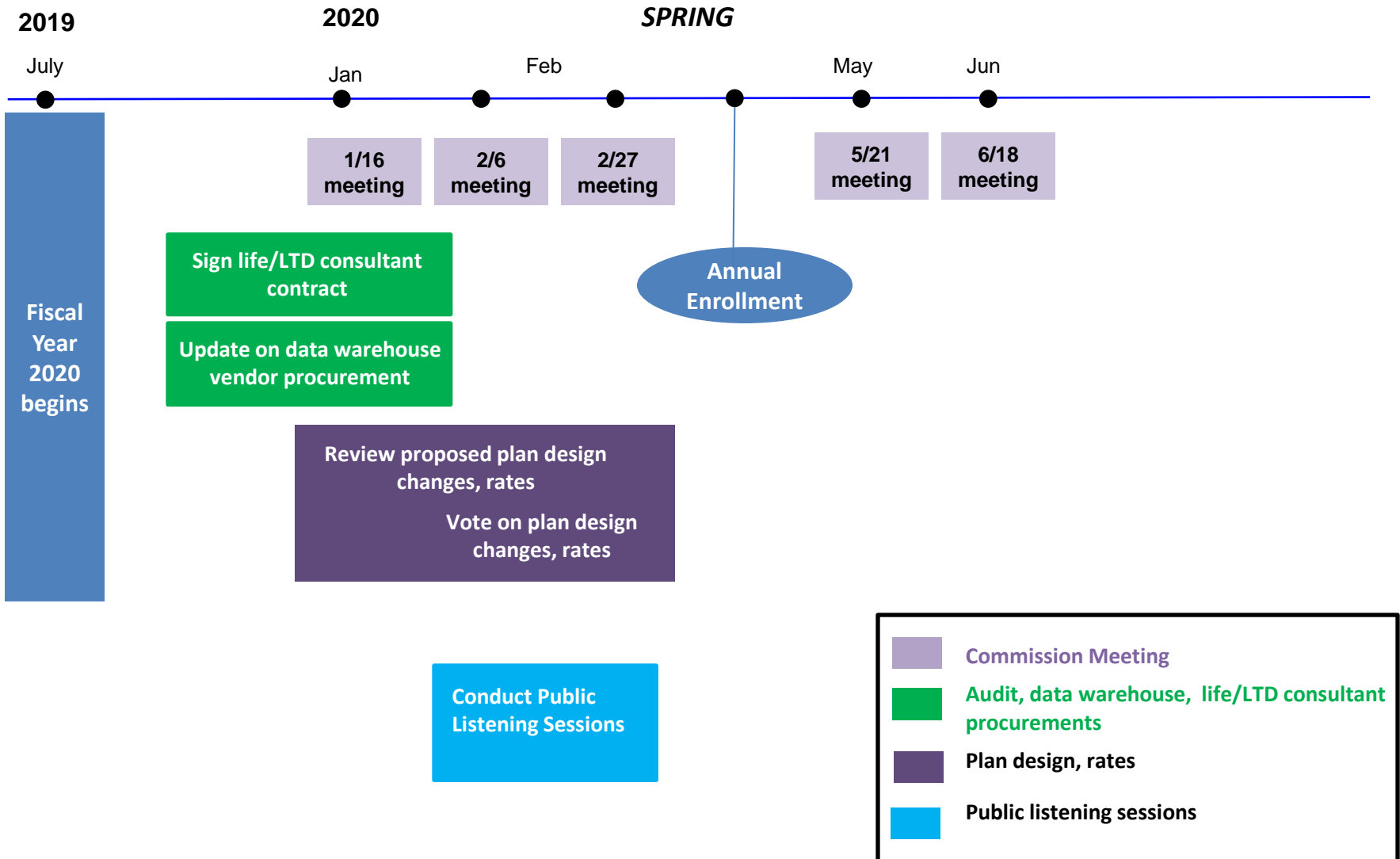
Agenda

	Topic	Speaker	Time
I.	Approval of Minutes (VOTE) 12/19/19	Commission	8:30-8:35
II.	Directors Report (INFORM) <ul style="list-style-type: none"> • Welcome - Patricia Jennings • Calendar • Legislative Update • Annual Report FY2019 • Modernization Update 	Joan Matsumoto	8:35-8:45
III.	Review Preliminary Plan Design (INFORM)	Denise Donnelly	8:45-9:15
IV	Out of Pocket Report (INFORM)	Jeff Levin-Scherz, Willis Towers Watson	9:15-9:45
V.	CFO Update (INFORM) <ul style="list-style-type: none"> • FY20 Budget Update 	Jim Rust	9:45-10:00
VI.	Contracts & Amendments (INFORM) <ul style="list-style-type: none"> • Life/LTD Consultant Contract (Sign) • Data Warehouse Update 	Andrew Stern	10:00-10:10
VII.	Other Business (INFORM) <ul style="list-style-type: none"> • Executive Director Selection Process 	Andrew Stern & Valerie Sullivan	10:10-10:30

II. Director's Report (INFORM)

- Welcome - Patricia Jennings
- Calendar
- Legislative Update
- Annual Report FY2019
- Modernization Update

Calendar of Commission meetings, public listening sessions, vendor procurement milestones, and FY20 rate development



III. Review Preliminary Plan Design (INFORM)

- FY 21 Proposed Plan Design Recommendations

FY 21 Proposed Plan Design Recommendations

No change to carriers or products offered

Product type	Available through
National Indemnity Plan	UniCare
Broad Network	UniCare Harvard Pilgrim Tufts Fallon
Limited Network	UniCare Harvard Pilgrim Tufts Fallon
Regional Network	AllWays Health New England

FY21 Proposed Plan Design Recommendations

Modify the UniCare behavioral health from a network to a tiering system

Result: Parity between medical care plan and behavioral health plan structures as required by federal law.

Impact: Members will see no increase in co-pays and the elimination of some deductibles and co-insurances

IV. Out of Pocket Report (INFORM)

- FY19 Out-of-Pocket Spending Update

FY19 Out-of-Pocket Update

Background definitions



What are Out-of-Pocket (OOP) costs?

- Deductibles, copayments, coinsurance, pharmacy cost sharing, and any submitted uncovered services paid by members for healthcare services. This does not include anything members paid for without a claim submitted by the member or the carrier
- These costs are capped at \$5,000 per benefit year for Individual Plans and \$10,000 per benefit year for Family Plans if the member claim is covered. Members who go out of network or outside of Rx plan design can exceed these limits.



What are premiums?

- Out-of-pocket costs are not included in premiums
- A premium reflects the total amount expected to cover claims and fees, including the employer and employee portions; typically paid in a monthly amount. Claims submitted may exceed the premiums collected which creates a risk to the insurer.



Who is the insurer taking on the risk for GIC members?

- Self-insured: The state is self-insured and takes on the entire risk so GIC can keep costs lower for taxpayers and members. GIC insurance carriers are paid a fixed administrative service fee for contracting with provider networks and managing claims.
- Fully-insured: The carriers assume full risk of loss in the hopes of keeping all the gains. The only fully-insured plan is the Medicare Advantage Plan, currently Tufts Medicare Preferred. Medicare is regulated at the federal level.



How are the premiums developed?

- Premiums are determined differently depending on the risk model, self-insured or fully-insured.
- Self-insured: GIC retains actuaries to calculate premiums for each product utilizing claims data, member data, and market data; the individual and family premiums for the coming year reflect the past, present, and anticipated claims activity and market trends
- Fully-insured: The carriers do the same for GIC's Medicare Advantage plan but include their profit calculation

FY19 Out-of-Pocket Update

What Drives Out-of-Pocket Trend

- **General Medical Inflation:** The GIC's plans are primarily copay-based, which shields members from much of the impact of medical inflation. This is because copays are a set dollar amount while co-insurance is a percentage of costs billed.
- **Claims Volatility:** Variation in claims volume as well as place of service can drive increases or decreases in out-of-pocket costs for members.
- **Benefit Design:** Facility tiering and network facility exclusion can drive out-of-pocket costs up. When using a facility not included in the plan, the member pays for the difference between what GIC has contracted to pay, if anything, and the balance of the bill
- **Plan Design Changes:** FY2019 design changes included a reduction in the member out-of-pocket cost for select services performed at freestanding facilities and lowered copay for Tier 3 specialists. There were no design changes that increased out-of-pocket costs.

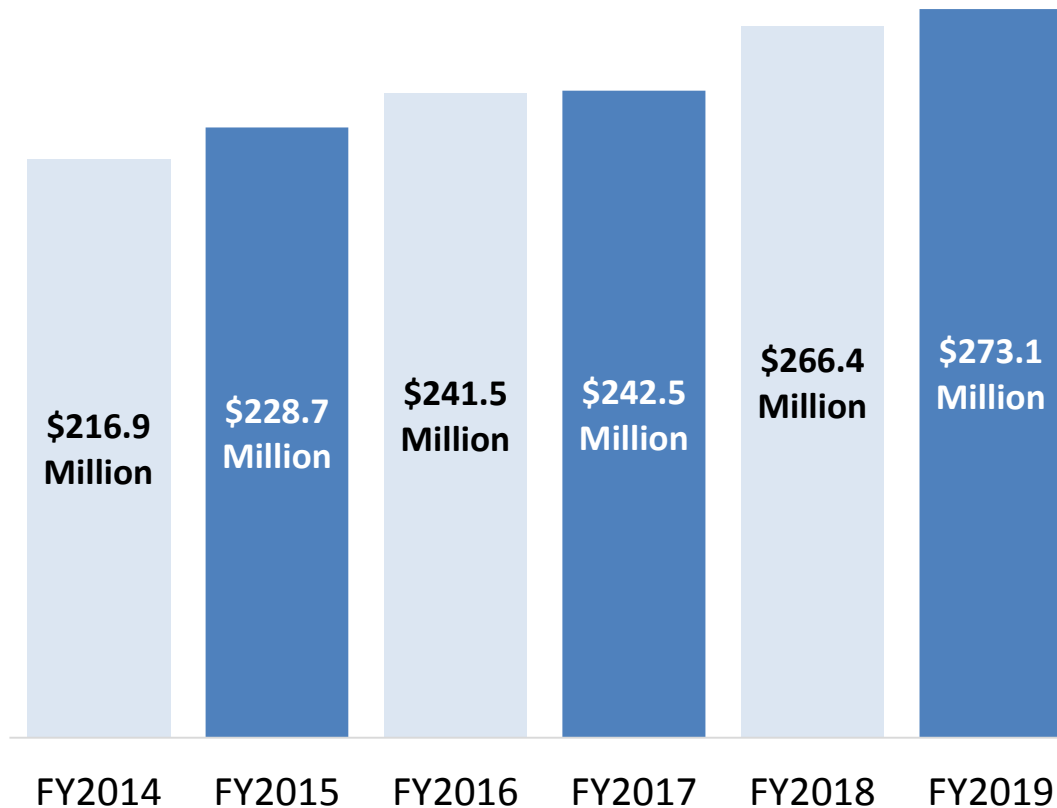
Total OOP Cost FY2015 – FY2019

Year-over-Year
Snapshot



Key Insights

- Out-of-Pocket costs have increased by 25.9% from FY2014 to FY2019
- During that same time period, the GIC-paid healthcare costs increased by 26.7%



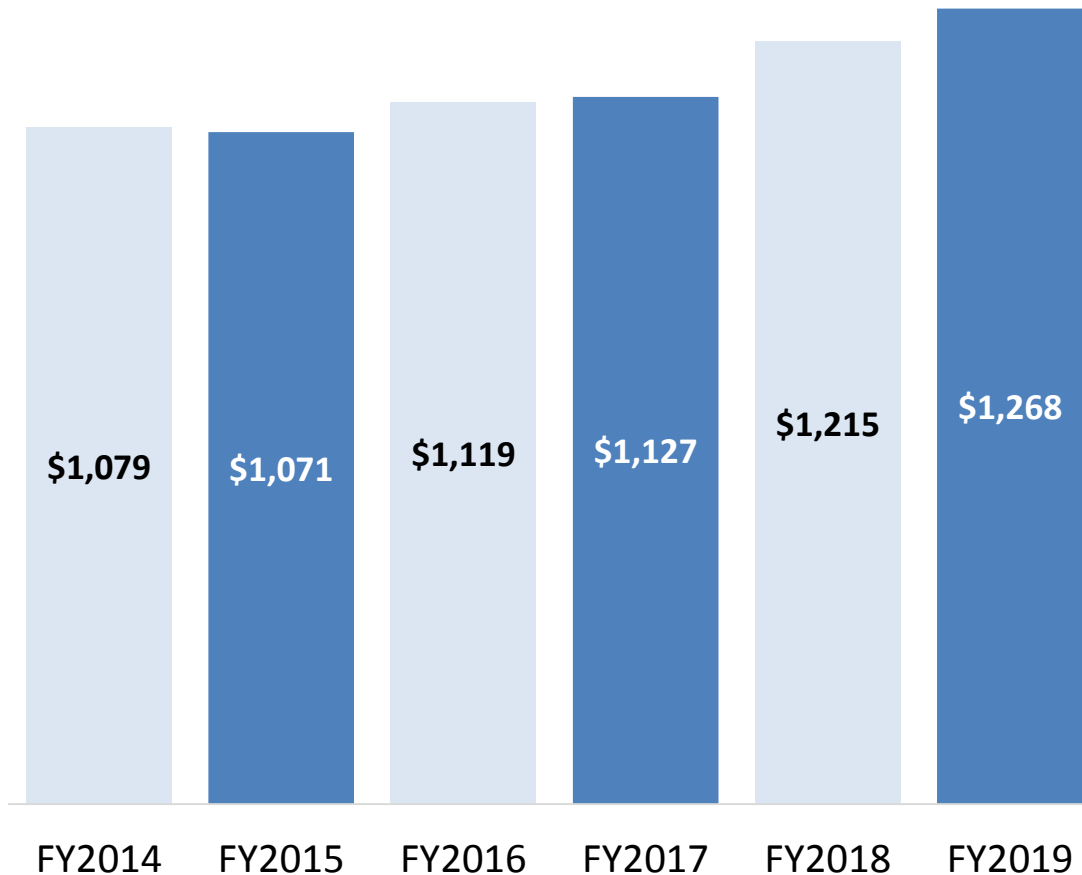
Average OOP Cost per Household FY2015 – FY2019

Year-over-Year
Snapshot



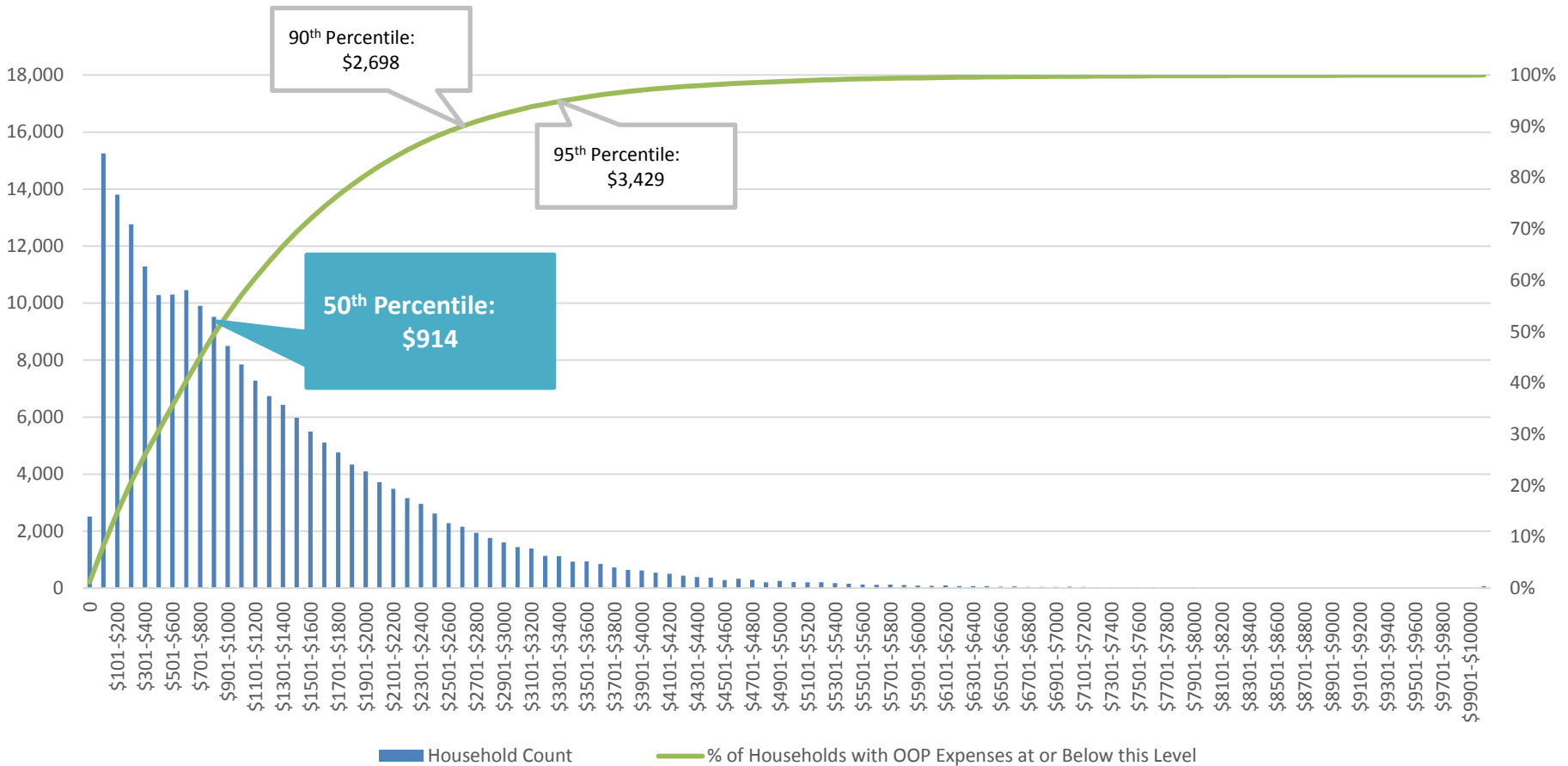
Key Insights

- Out-of-Pocket costs have increased by 17.5% from FY2014 to FY2019
- The GIC's costs increased by 18.2% during the same period



OOP Cost by Household FY2018

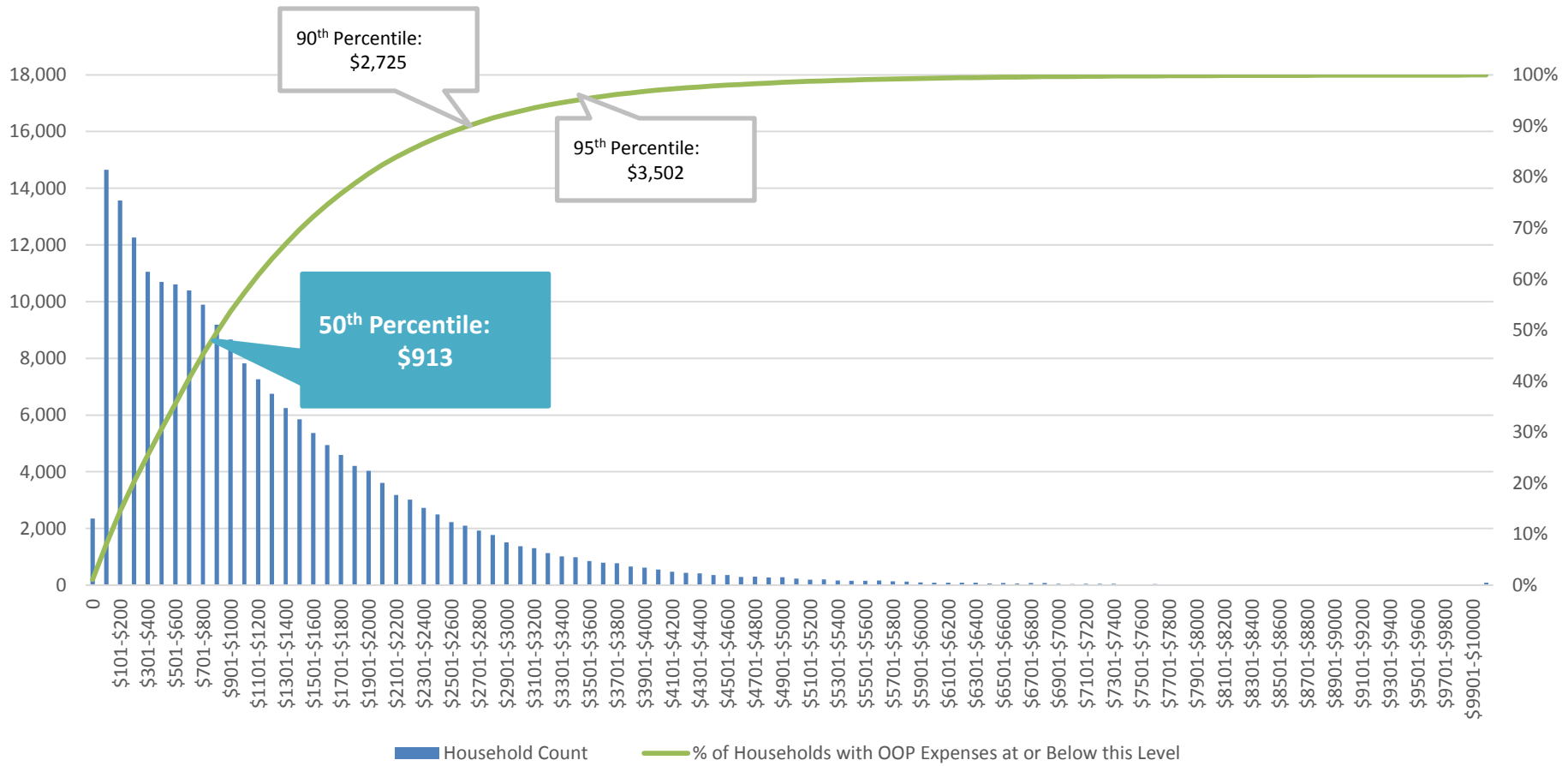
Previously Presented
to the Commission



- Includes Active and Medicare Populations consistent with prior years
- Includes in-network and out-of-network costs consistent with prior years

OOP Cost by Household FY2019

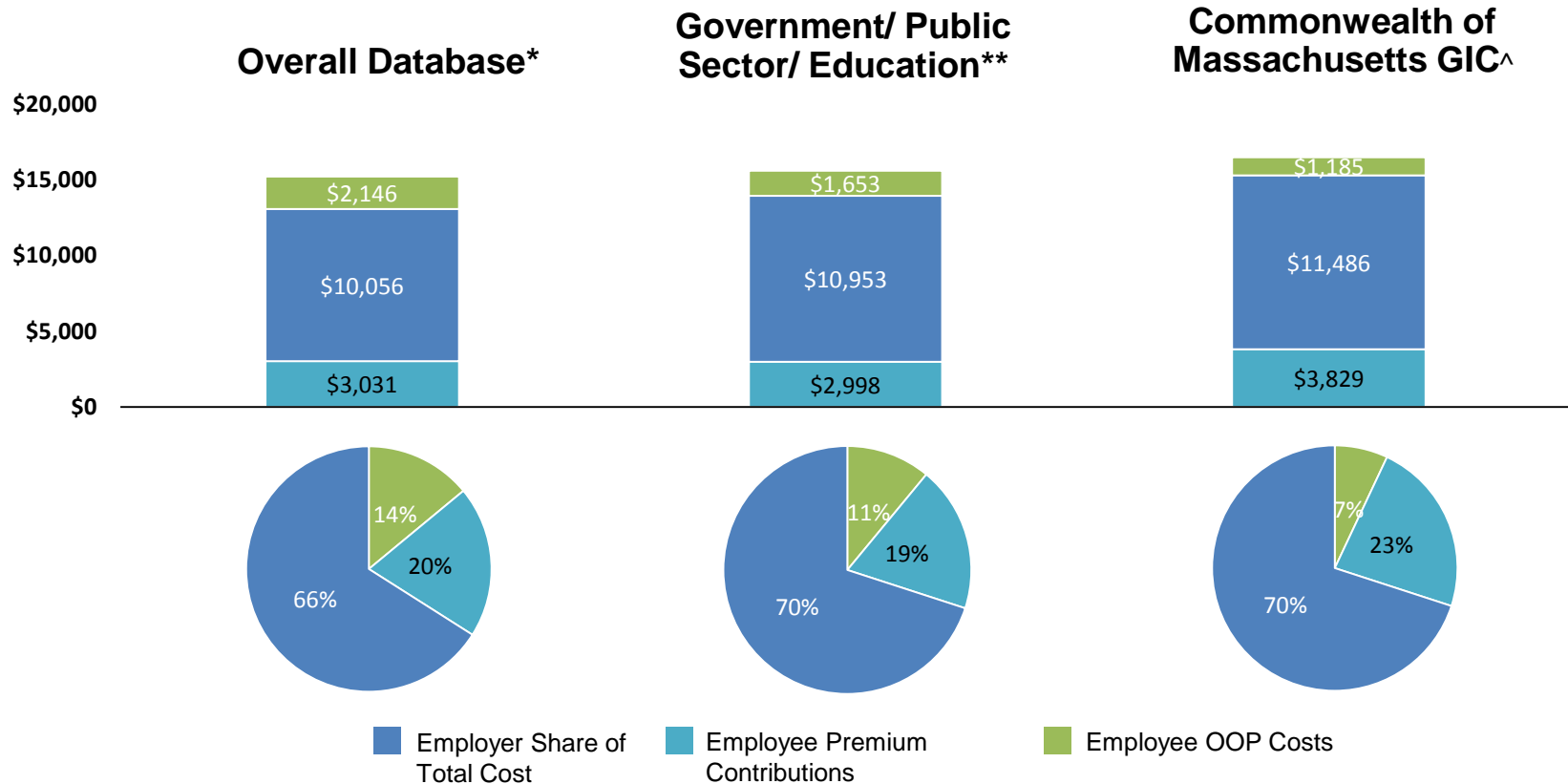
Previously Presented
to the Commission



- Includes active and Medicare populations, consistent with prior years
- Includes in-network and out-of-network costs, consistent with prior years

Who Pays What?

Contribution and OOP Benchmarking



Total costs in MA are higher than for both the overall database and for the public sector
 Compared to the overall database, GIC employees' share of total costs is lower
 Compared to others in the public sector, GIC employees' share of total costs is on par

*554 employers with at least 1,000 employees ** 37 public sector employers

Source: WTW Financial Benchmarking Survey

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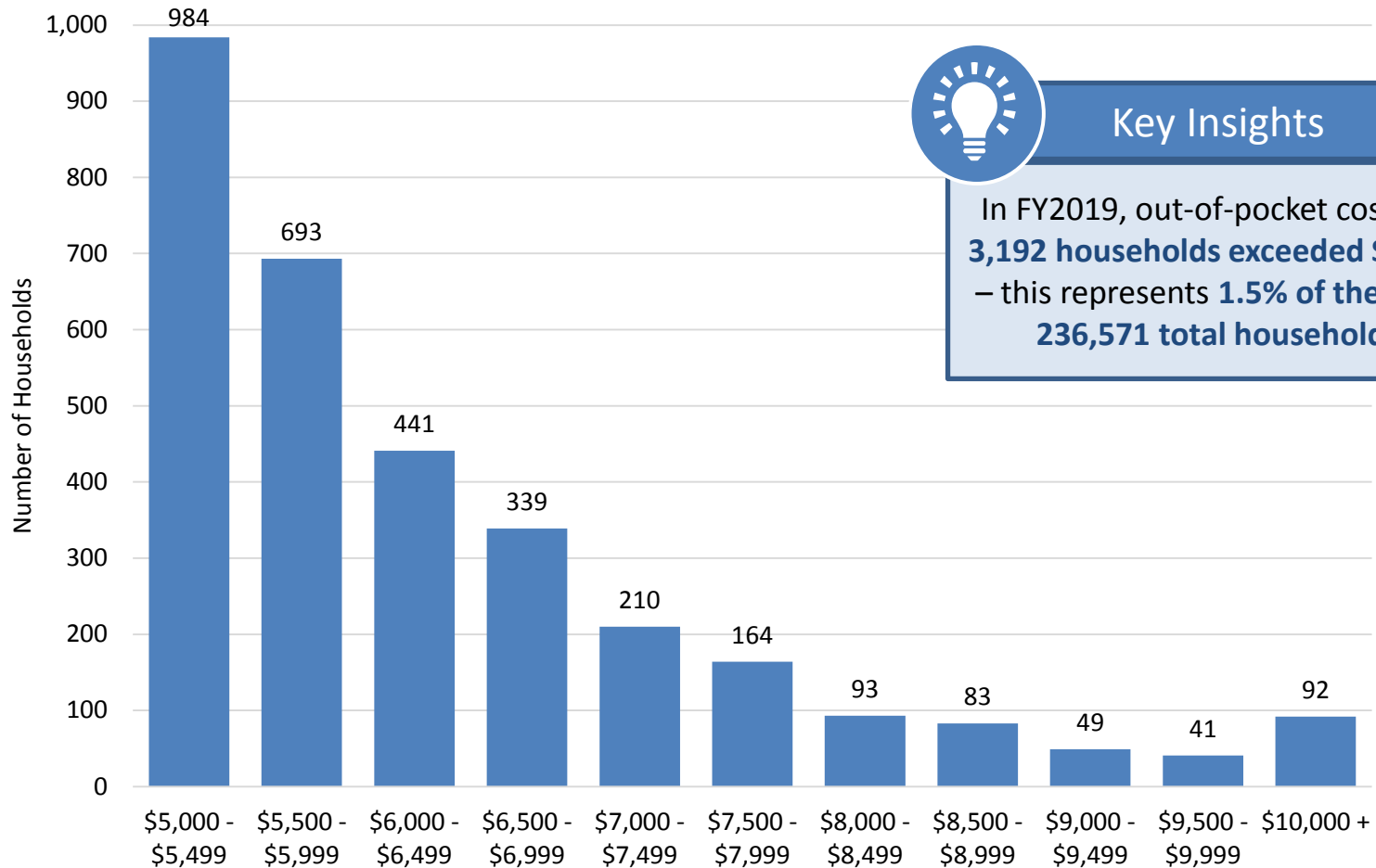
Commonwealth of Massachusetts
Group Insurance Commission

^ Employees with 25% premium cost share only

High FY2019 Out-of-Pocket Costs

**Households with OOP costs of
greater than \$5,000 in FY2019**

FY2019 Household Distribution \$5,000 - \$10,000 Out-of-Pocket



Key Insights

In FY2019, out-of-pocket costs for **3,192 households** exceeded \$5,000 – this represents **1.5%** of the GIC’s **236,571 total households**

Key Characteristics

High Out-of-Pocket
Households (>\$5,000)

Large family size was a driver of high out-of-pocket costs – high out-of-pocket households had an average family size of 3.12 (compared to 1.96 of the full membership)

Recurrent high out-of-pocket utilizers – 29% of the 3,192 households exceeded \$5,000 in out-of-pocket costs in both FY18 and FY19

Members with high out-of-pocket costs had significant total medical expenses

- *On average, GIC's total medical and pharmacy plan paid claims for:*
 - *All 236,571 households was \$12,828*
 - *All 3,192 high-cost out-of-pocket households was \$105,000*
- *31% of the high-cost households had total costs over \$100,000 in FY2019*
- *8% of the high-cost households had total costs over \$250,000 in FY2019*

Major Diagnostic Category Breakdown

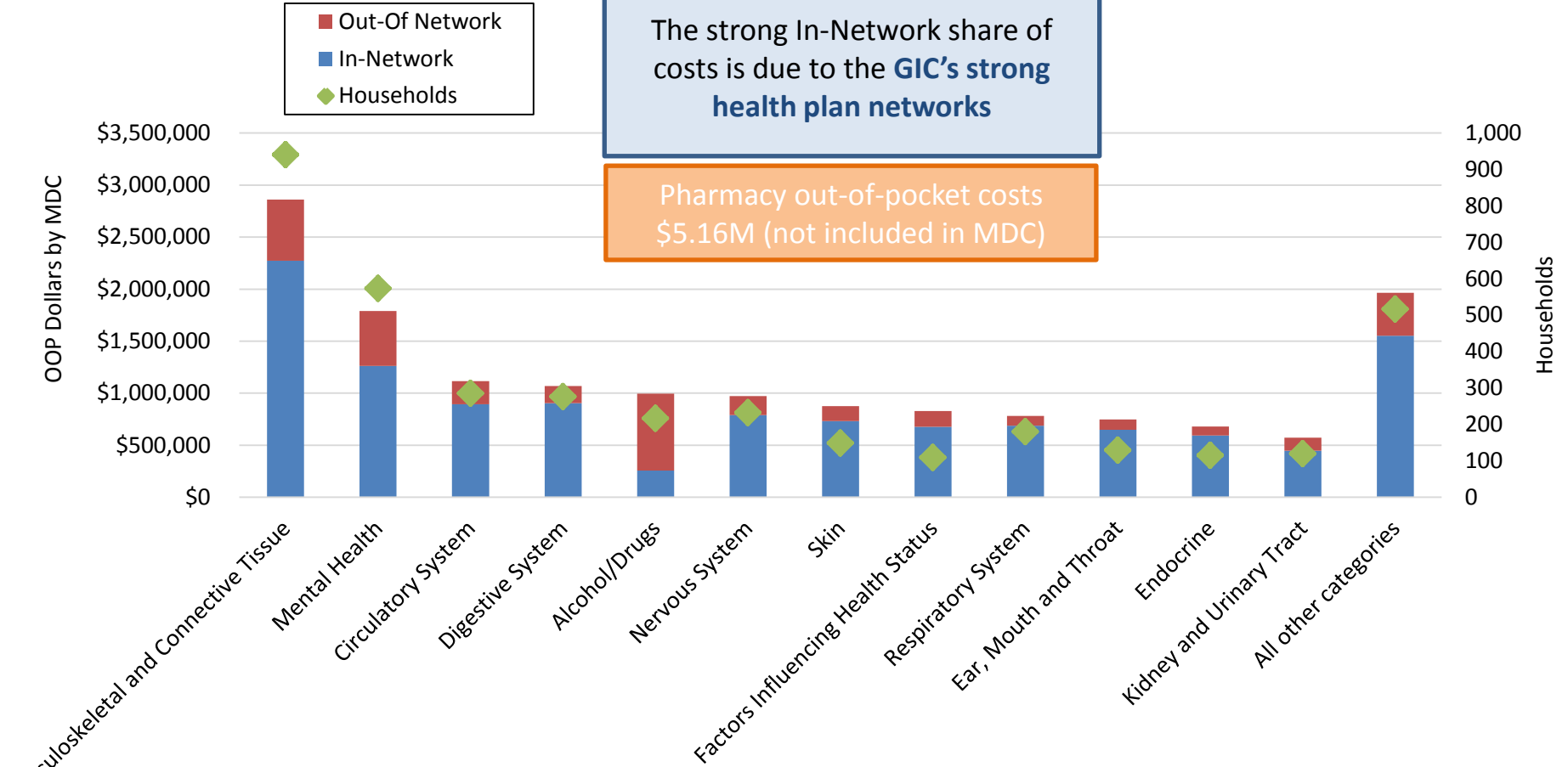
High Out-of-Pocket Households (>\$5,000)



Key Insights

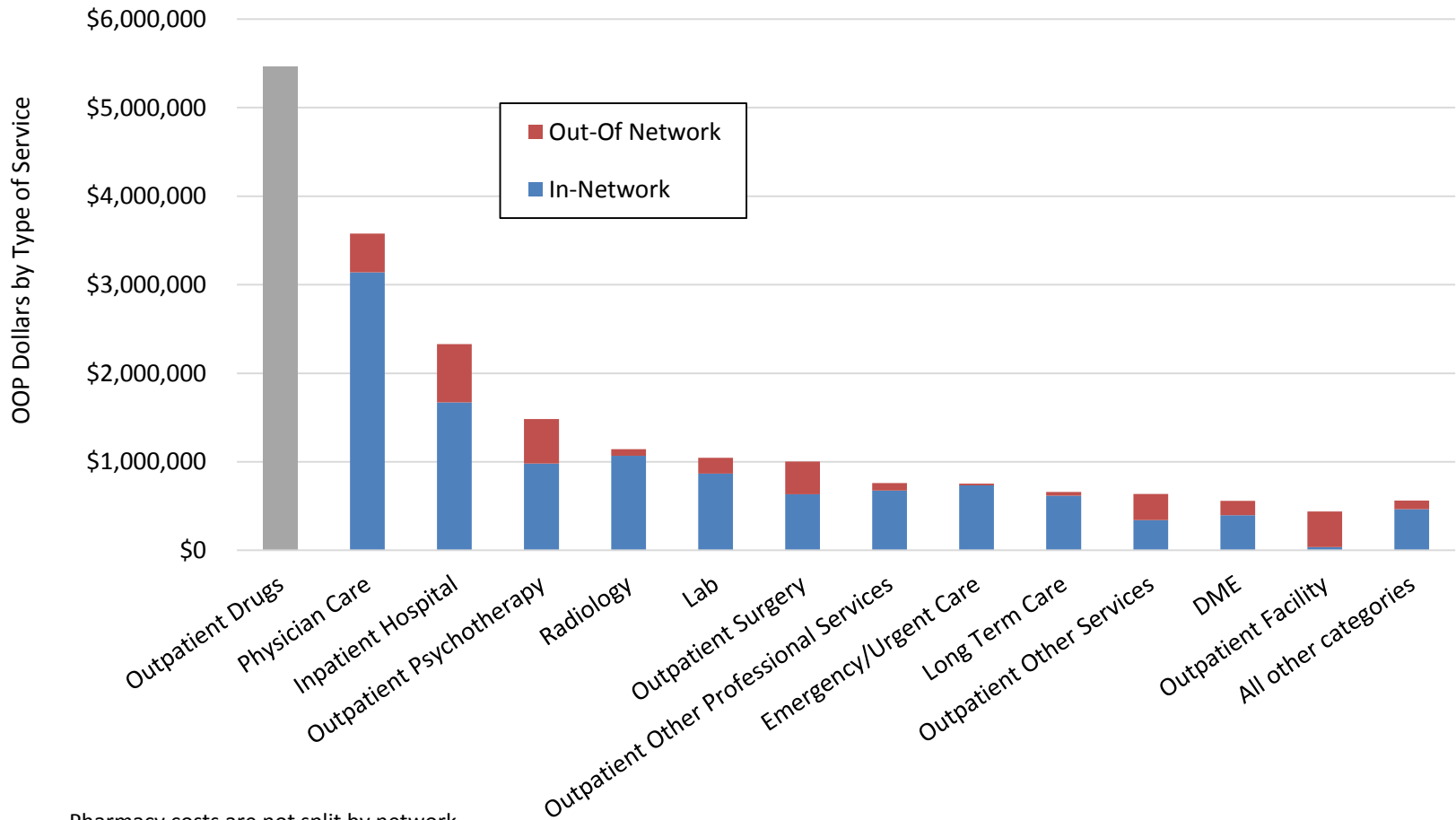
The strong In-Network share of costs is due to the **GIC's strong health plan networks**

Pharmacy out-of-pocket costs \$5.16M (not included in MDC)



Type of Service Breakdown

High Out-of-Pocket Households (>\$5,000)

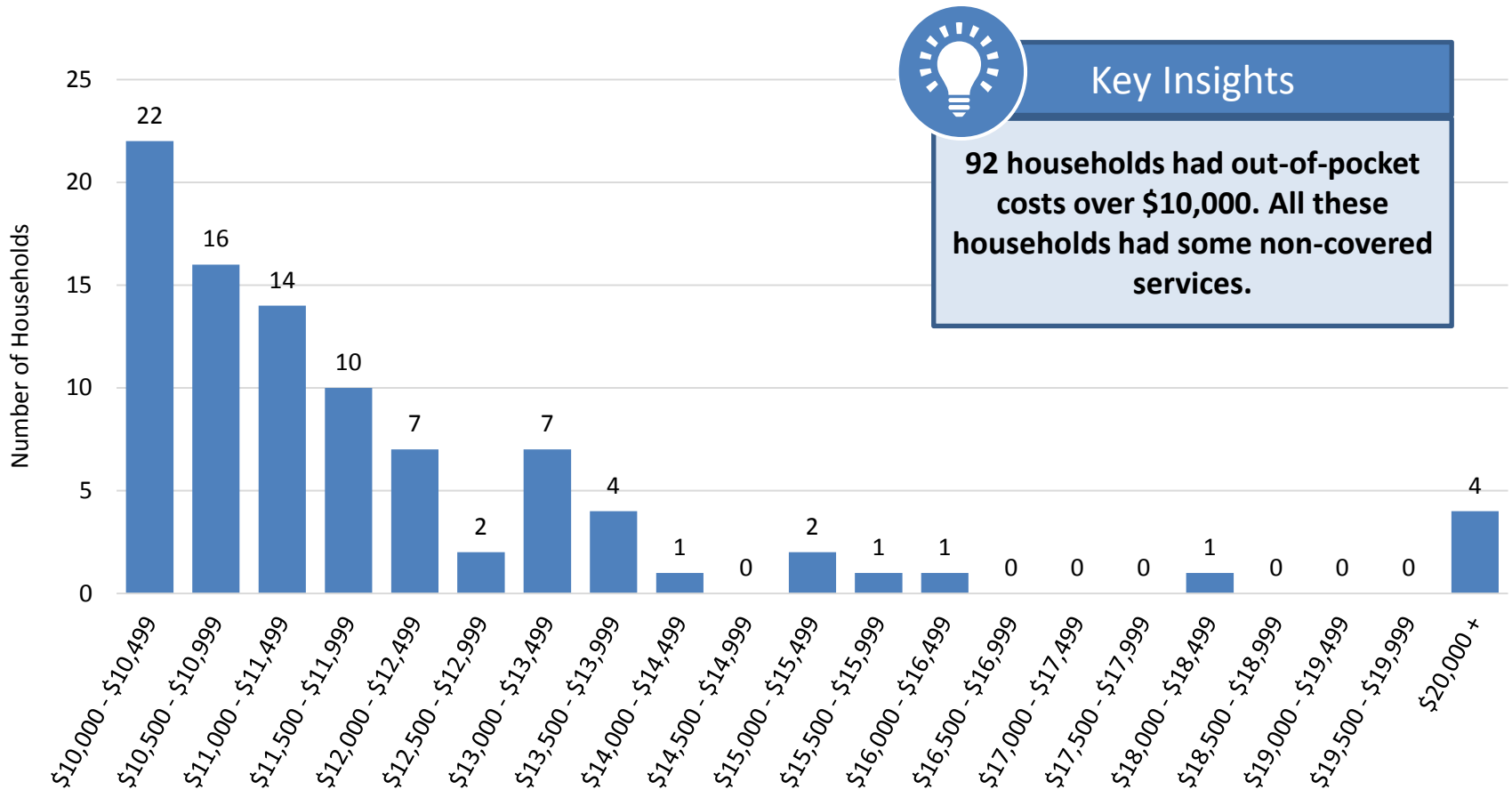


Pharmacy costs are not split by network

Highest FY2019 Out-of-Pocket Costs

**Households with OOP costs of
greater than \$10,000 in FY2019**

FY2019 Household Distribution \$10,000 - \$20,000+ Out-of-Pocket



Key Characteristics

Highest Out-of-Pocket Households (>\$10,000)

- The GIC asked the health plans and PBMs to review the claims history for all members with out-of-pocket costs above \$10,000. Here are a few key themes

100% of the households with high medical out-of-pocket costs were reached out to for care management – **0% engaged**

Pharmacy OOP costs were the primary driver for 30% of the 10K+ households, and only 10% of 5K+ households

Highest medical out-of-pocket costs were driven primarily **by private SNF services or out-of-plan facilities (for narrow networks)**

Highest pharmacy OOP costs exceeding \$10,000 were the result of **maintenance medications being filled outside of the plan parameters** – WTW believes many of these members are receiving copay assistance and not paying these OOP costs listed

Major Diagnostic Category Breakdown

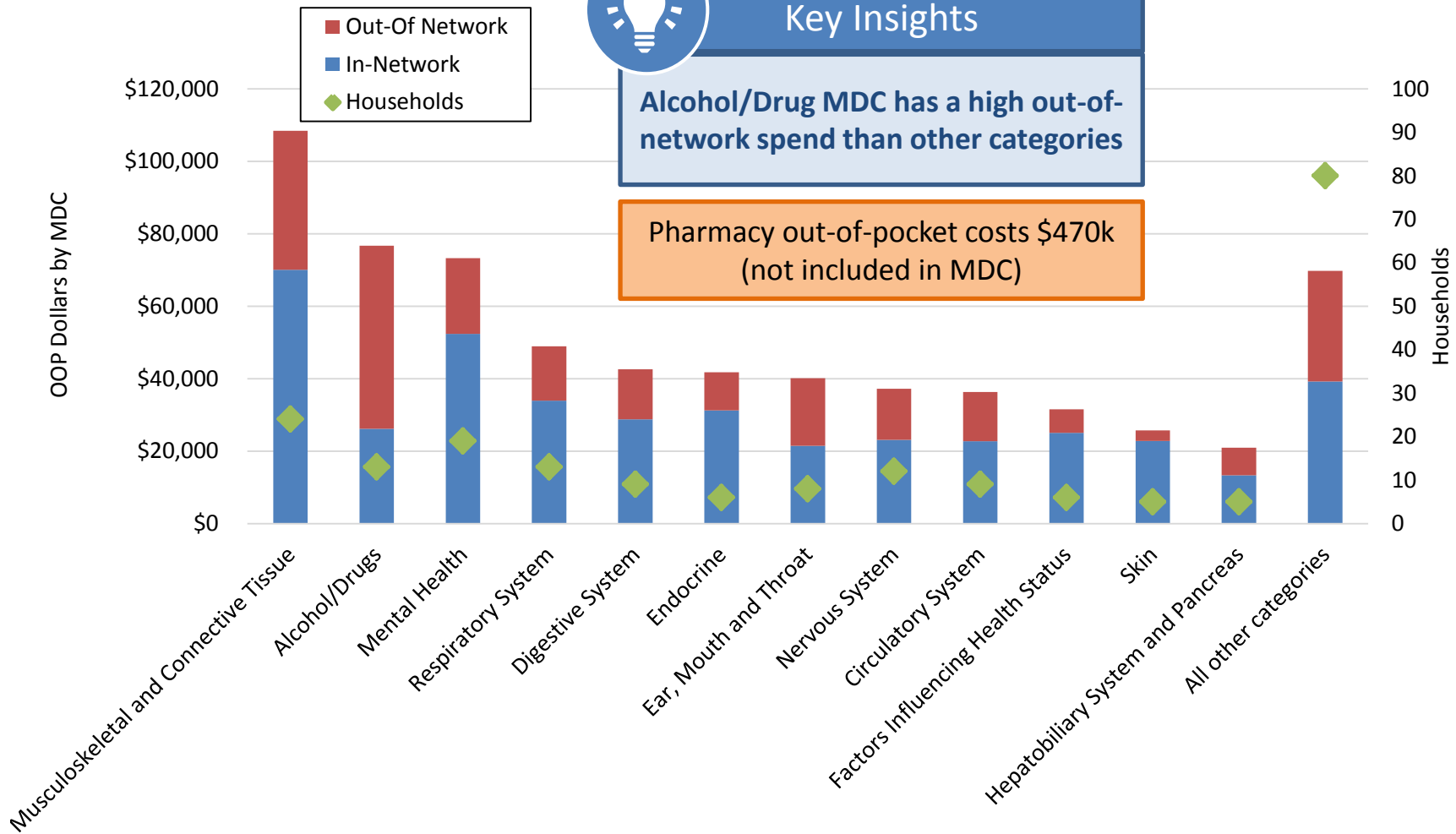
Highest Out-of-Pocket Households (>\$10,000)



Key Insights

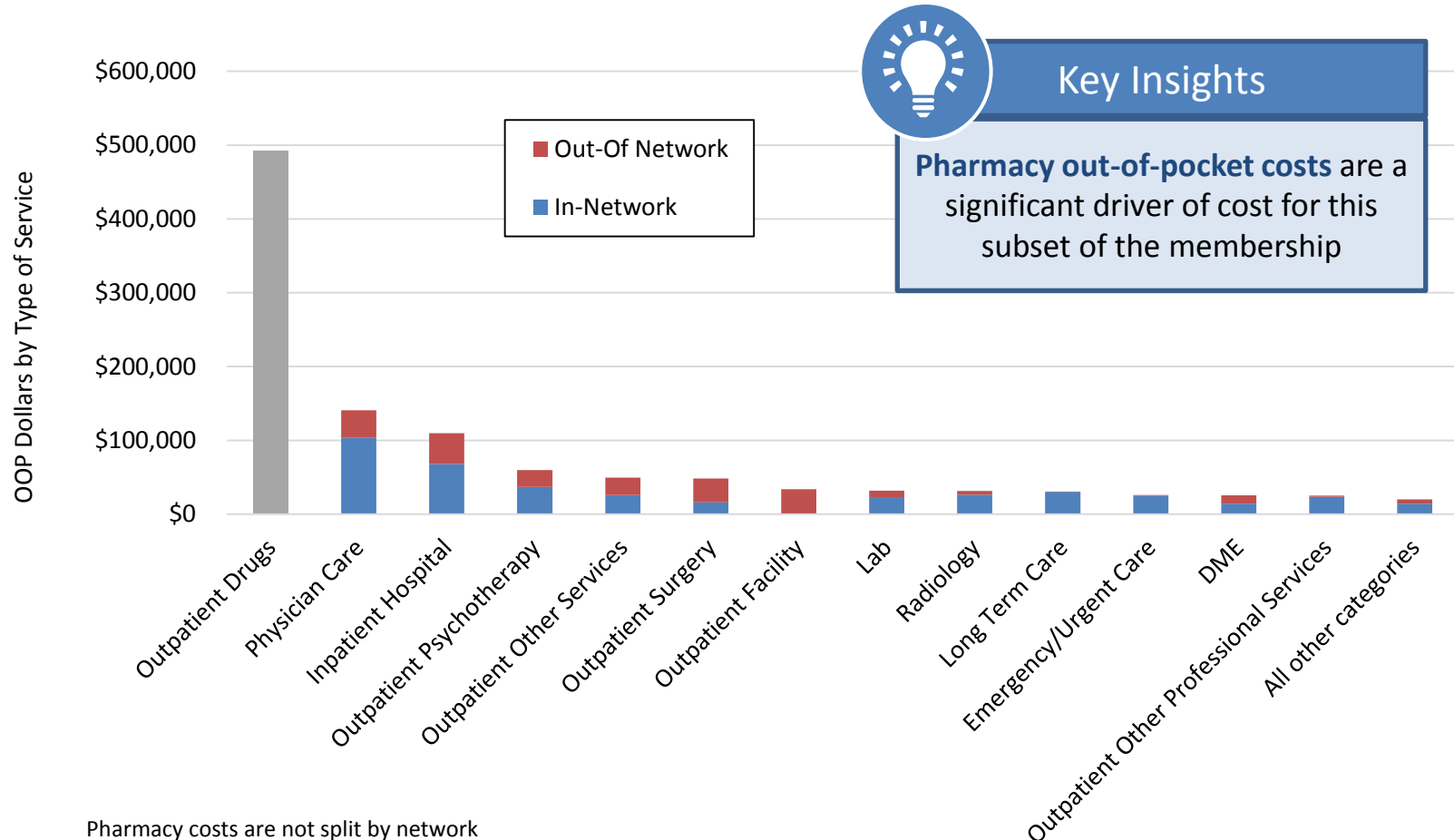
Alcohol/Drug MDC has a high out-of-network spend than other categories

Pharmacy out-of-pocket costs \$470k (not included in MDC)



Type of Service Breakdown

Highest Out-of-Pocket Households (>\$10,000)



BH Drill-Down

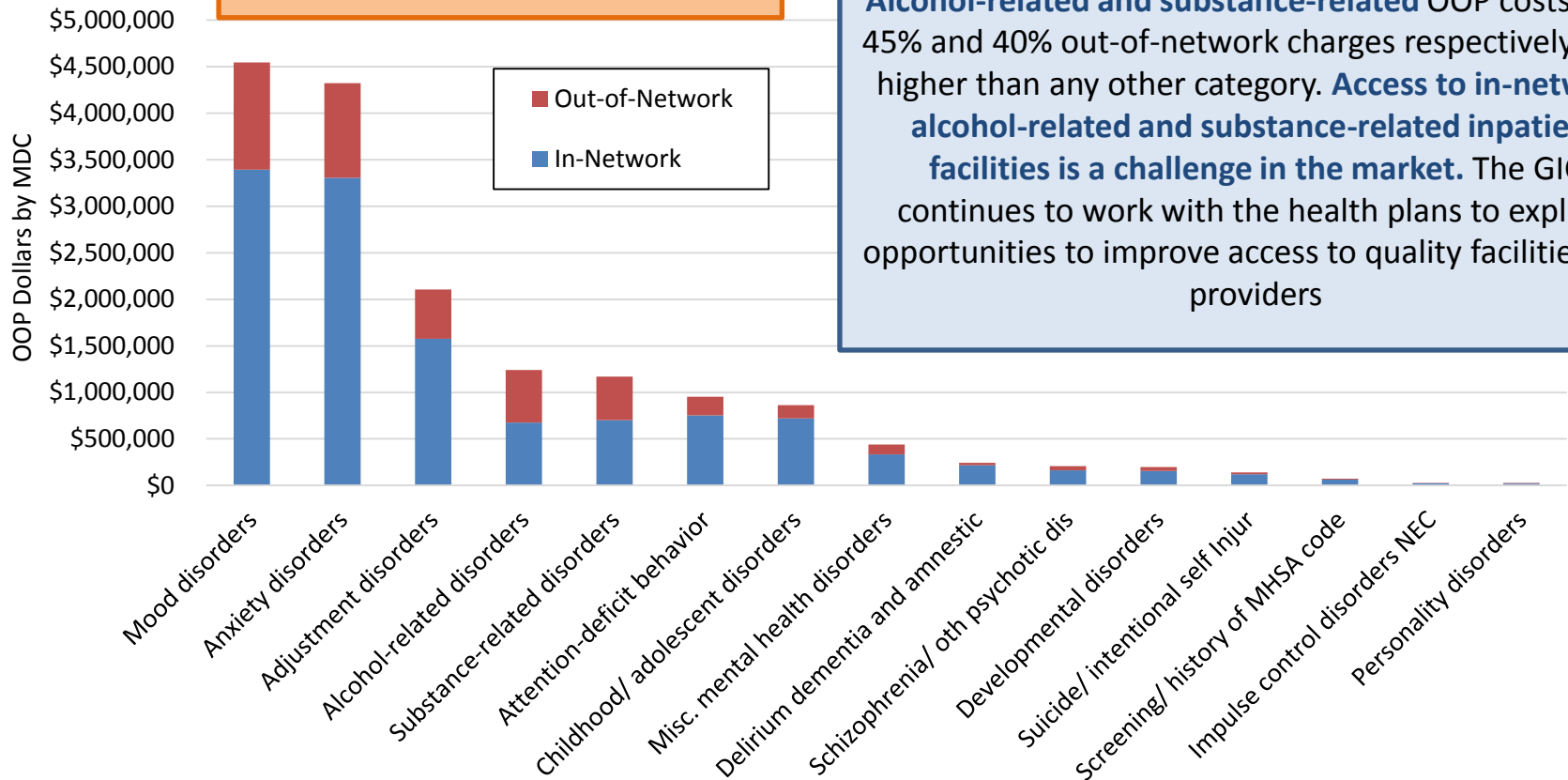
Breakdown by Diagnosis



Key Insights

Pharmacy out-of-pocket costs \$7.5M (not included in Diagnosis)

Alcohol-related and substance-related OOP costs have 45% and 40% out-of-network charges respectively, 20% higher than any other category. **Access to in-network alcohol-related and substance-related inpatient facilities is a challenge in the market.** The GIC continues to work with the health plans to explore opportunities to improve access to quality facilities and providers



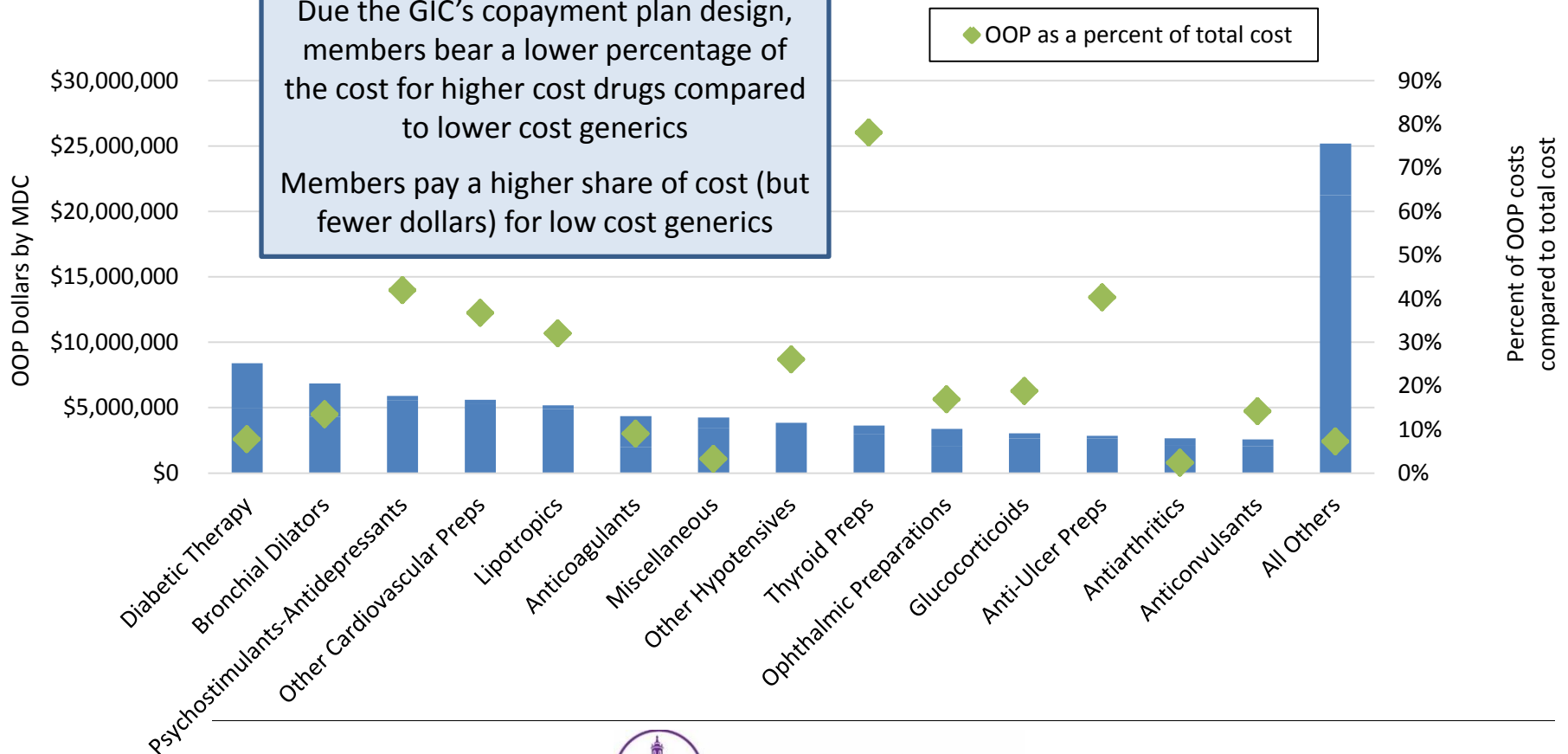
Pharmacy Drill-Down

Pharmacy OOP Costs split by therapeutic class



Key Insights

Due to the GIC's copayment plan design, members bear a lower percentage of the cost for higher cost drugs compared to lower cost generics. Members pay a higher share of cost (but fewer dollars) for low cost generics.



Proposed Insulin Copay Legislation

Minimal GIC Impact due to GIC's current design

Massachusetts Senate Bill proposed to eliminate insurance plan deductibles and coinsurance and cap co-pays on the drugs at \$25 a month



Key Insights

This legislation caps a patient's insulin costs without addressing the total cost of the insulin.

The difference will be paid by the insurer, which for GIC members is the Commonwealth.

GIC's generous pharmacy design already protects members through its Generic, Formulary and 90-day supply pricing.

This legislation will impact only those members on Tier 3 drugs.

Broadly, this approach of capping costs for members while shifting costs to the insurer can lead to premiums increases. In this instance, there will not be an impact to premiums.

GIC Current Design		
	Retail 30 Days	Home Delivery or 90 Days at CVS
Generic	\$10	\$25
Formulary	\$30	\$75
Non-Formulary	\$65	\$165

GIC Proposed Design under Proposed Legislation for Insulin Products		
	Retail 30 Days	Home Delivery or 90 Days at CVS
Generic	\$10	\$25
Formulary	\$25	\$75
Non-Formulary	\$25	\$75

Appendix

Data Specifications

Unless otherwise specified, all data throughout follows the attached specifications:

- Data is collected from the Optum Datawarehouse
- Data is based on Fiscal Year 2019 (July 1, 2018 through June 30, 2019) incurred date with three months of runout
- Data is reflective of all GIC members (active, Non-Medicare, & Medicare Retirees) unless otherwise noted
- Data reflective of all Medical and Pharmacy claims unless otherwise noted

V. CFO Update (INFORM)

- FY20 Budget Update

V. CFO Update

Budget & Financial: INFORM

FY20 STATE SHARE EXPENSE FOR GIC PREMIUM ACCOUNTS							
	July 2019	August 2019	September 2019	October 2019	November 2019	December 2019	TOTAL
Allways Health Claims	\$5,528,664	\$5,654,556	\$6,937,638	\$5,943,557	\$5,116,837	\$5,025,773	\$34,207,025
Beacon Claims	\$49,574	\$84,542	\$6,433	\$15,546	\$15,104	\$14,392	\$185,592
Caremark/Express Scripts/SilverScript Claims	\$19,375,601	\$58,385,504	\$52,109,190	-\$4,279,499	\$39,486,857	\$43,559,176	\$208,636,828
Davis Vision Claims	\$30,959	\$46,490	\$36,364	\$36,857	\$30,017	\$26,490	\$207,178
Fallon Health Claims	\$5,614,161	\$3,949,581	\$5,354,186	\$4,671,654	\$4,674,639	\$5,353,186	\$29,617,407
Harvard Pilgrim Claims	\$34,409,156	\$23,376,918	\$22,596,876	\$28,839,814	\$23,907,222	\$28,058,633	\$161,188,619
Harvard Pilgrim Medicare Enhance Claims	\$2,482,203	\$1,586,501	\$1,454,809	\$1,946,173	\$1,620,410	\$2,260,623	\$11,350,720
Health New England Claims	\$7,008,415	\$5,471,252	\$7,073,287	\$5,257,294	\$7,956,078	\$6,596,941	\$39,363,266
Tufts Navigator & Spirit Claims	\$34,893,991	\$37,057,362	\$27,415,988	\$27,575,217	\$35,648,702	\$29,598,112	\$192,189,371
Tufts Medicare Complement Claims	\$965,724	\$1,242,841	\$827,642	\$1,028,559	\$1,162,408	\$2,569,817	\$7,796,993
Unicare Claims	\$61,427,928	\$49,910,835	\$64,979,212	\$55,040,217	\$57,235,408	\$58,582,111	\$347,175,711
Other costs	\$869,942	\$104,534	\$103,329	\$312,569	\$381,660	\$293,192	\$2,065,226
Claims sub-total	\$172,656,319	\$186,870,916	\$188,894,953	\$126,387,959	\$177,235,342	\$181,938,447	\$1,033,983,936
Basic Life	\$825,747	\$826,028	\$825,872	\$826,168	\$828,150	\$829,390	\$4,961,354
RMT Life	\$46,029	\$49,966	\$42,219	\$46,761	\$46,801	\$46,762	\$278,538
Dental	\$699,962	\$701,195	\$701,488	\$700,310	\$704,374	\$708,876	\$4,216,206
Tufts Medicare Preferred	\$642,105	\$642,524	\$642,037	\$643,618	\$646,320	\$645,457	\$3,862,061
UBH Optum	\$111,384	\$111,384	\$111,384	\$111,384	\$101,837	\$111,384	\$658,757
ASO Administrative Fee	\$6,651,088	\$6,640,088	\$6,628,328	\$5,220,590	\$6,653,342	\$6,391,463	\$38,184,900
Premiums sub-total	\$8,976,315	\$8,971,185	\$8,951,327	\$7,548,831	\$8,980,825	\$8,733,332	\$52,161,816
TOTAL	\$181,632,634	\$195,842,101	\$197,846,281	\$133,936,790	\$186,216,167	\$190,671,779	\$1,086,145,752

Monthly Commonwealth share of the claims reimbursements, premiums, and administrative fees through December of FY20.

V. CFO Update

Budget & Financial: INFORM

FY20 ENROLLEE SHARE EXPENSE FOR GIC PREMIUM ACCOUNTS

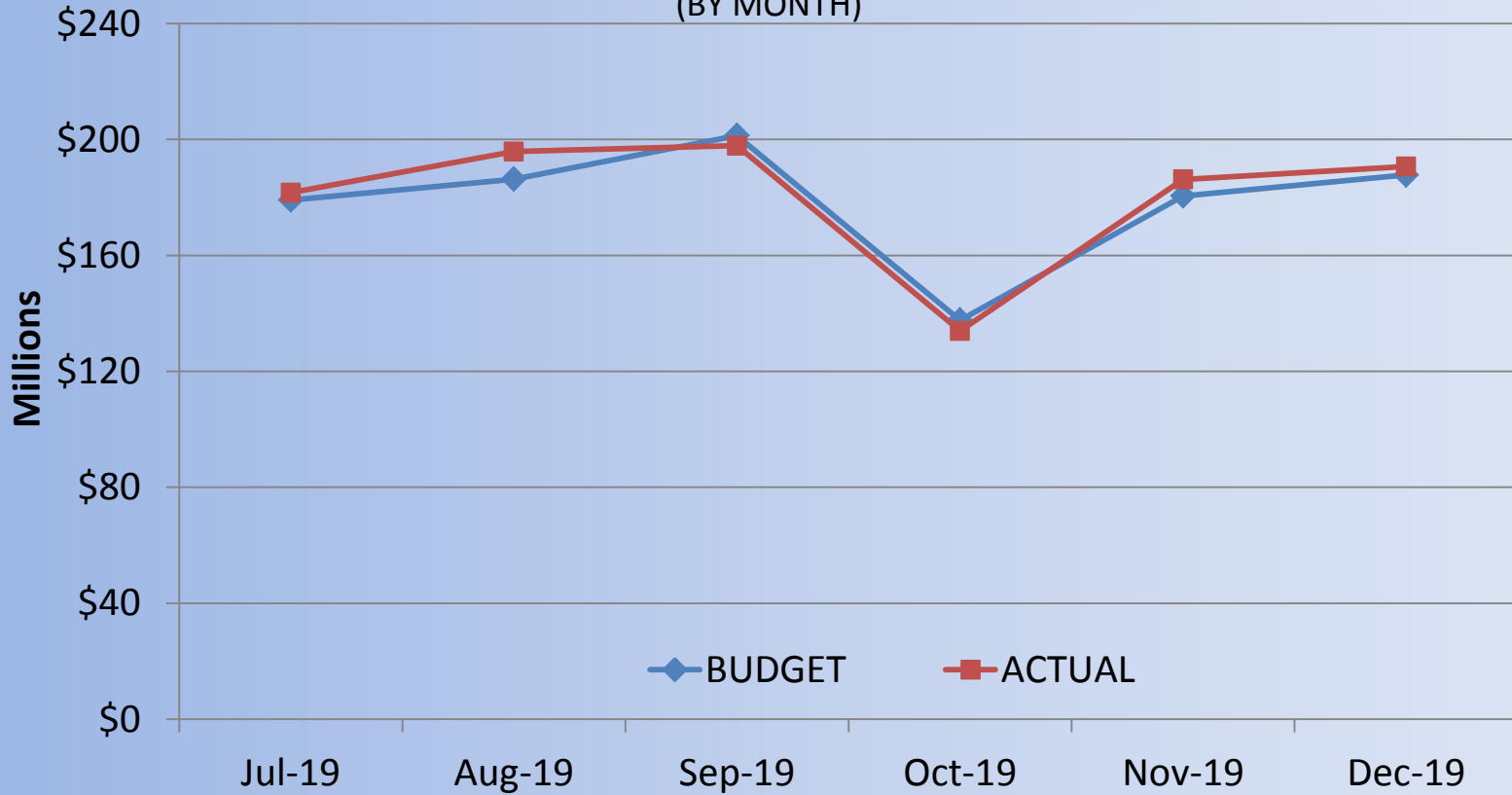
	July 2019	August 2019	September 2019	October 2019	November 2019	December 2019	TOTAL
Allways Health Claims	\$1,625,022	\$1,659,722	\$2,041,000	\$1,749,129	\$1,508,685	\$1,485,020	\$10,068,578
Beacon Claims	\$13,896	\$23,205	\$1,742	\$4,328	\$4,217	\$4,088	\$51,477
Caremark/Express Scripts/SilverScript Claims	\$4,681,102	\$14,924,699	\$13,190,747	-\$796,160	\$10,684,793	\$11,345,607	\$54,030,788
Davis Vision Claims	\$5,463	\$8,204	\$6,417	\$6,504	\$5,297	\$4,675	\$36,561
Fallon Health Claims	\$1,608,346	\$1,136,808	\$1,540,740	\$1,343,466	\$1,348,552	\$1,539,817	\$8,517,729
Harvard Pilgrim Claims	\$9,311,283	\$6,369,163	\$6,143,013	\$7,867,821	\$6,523,333	\$7,649,882	\$43,864,496
Harvard Pilgrim Medicare Enhance Claims	\$547,998	\$349,265	\$320,510	\$428,722	\$357,092	\$498,184	\$2,501,771
Health New England Claims	\$1,977,691	\$1,547,789	\$2,010,081	\$1,493,036	\$2,273,691	\$1,875,928	\$11,178,216
Tufts Navigator & Spirit Claims	\$9,610,967	\$10,207,674	\$7,567,604	\$7,615,990	\$9,848,859	\$8,144,681	\$52,995,775
Tufts Medicare Complement Claims	\$210,929	\$271,624	\$181,173	\$225,364	\$254,921	\$685,456	\$1,829,468
Unicare Claims	\$16,712,959	\$13,673,156	\$17,871,773	\$15,178,581	\$15,821,750	\$15,916,703	\$95,174,923
Other costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Claims sub-total	\$46,305,657	\$50,171,310	\$50,874,801	\$35,116,782	\$48,631,191	\$49,150,040	\$280,249,782
Basic Life	\$220,902	\$221,129	\$221,454	\$221,548	\$222,465	\$222,973	\$1,330,470
Optional Life	\$3,725,679	\$3,733,370	\$3,781,488	\$3,795,948	\$3,809,044	\$3,831,109	\$22,676,638
RMT Life	\$11,554	\$11,538	\$11,602	\$11,736	\$11,747	\$11,738	\$69,915
Long-Term Disability	\$1,179,311	\$1,178,550	\$1,194,492	\$1,237,832	\$1,242,030	\$1,243,629	\$7,275,845
Dental	\$2,018,580	\$2,031,166	\$2,040,954	\$2,051,751	\$2,056,164	\$2,060,885	\$12,259,499
Tufts Medicare Preferred	\$133,893	\$133,987	\$134,132	\$134,432	\$134,979	\$134,816	\$806,239
UBH Optum	\$19,656	\$19,656	\$19,656	\$19,656	\$17,971	\$19,656	\$116,251
ASO Administrative Fee	\$1,795,711	\$1,795,397	\$1,795,069	\$1,419,990	\$1,802,877	\$1,726,219	\$10,335,263
Premiums sub-total	\$9,105,286	\$9,124,793	\$9,198,848	\$8,892,893	\$9,297,277	\$9,251,025	\$54,870,122
TOTAL	\$55,410,943	\$59,296,103	\$60,073,649	\$44,009,676	\$57,928,468	\$58,401,066	\$335,119,904

Monthly employee share of the claims reimbursements, premiums, and administrative fees through December of FY20.

V. CFO Update

Budget & Financial: INFORM

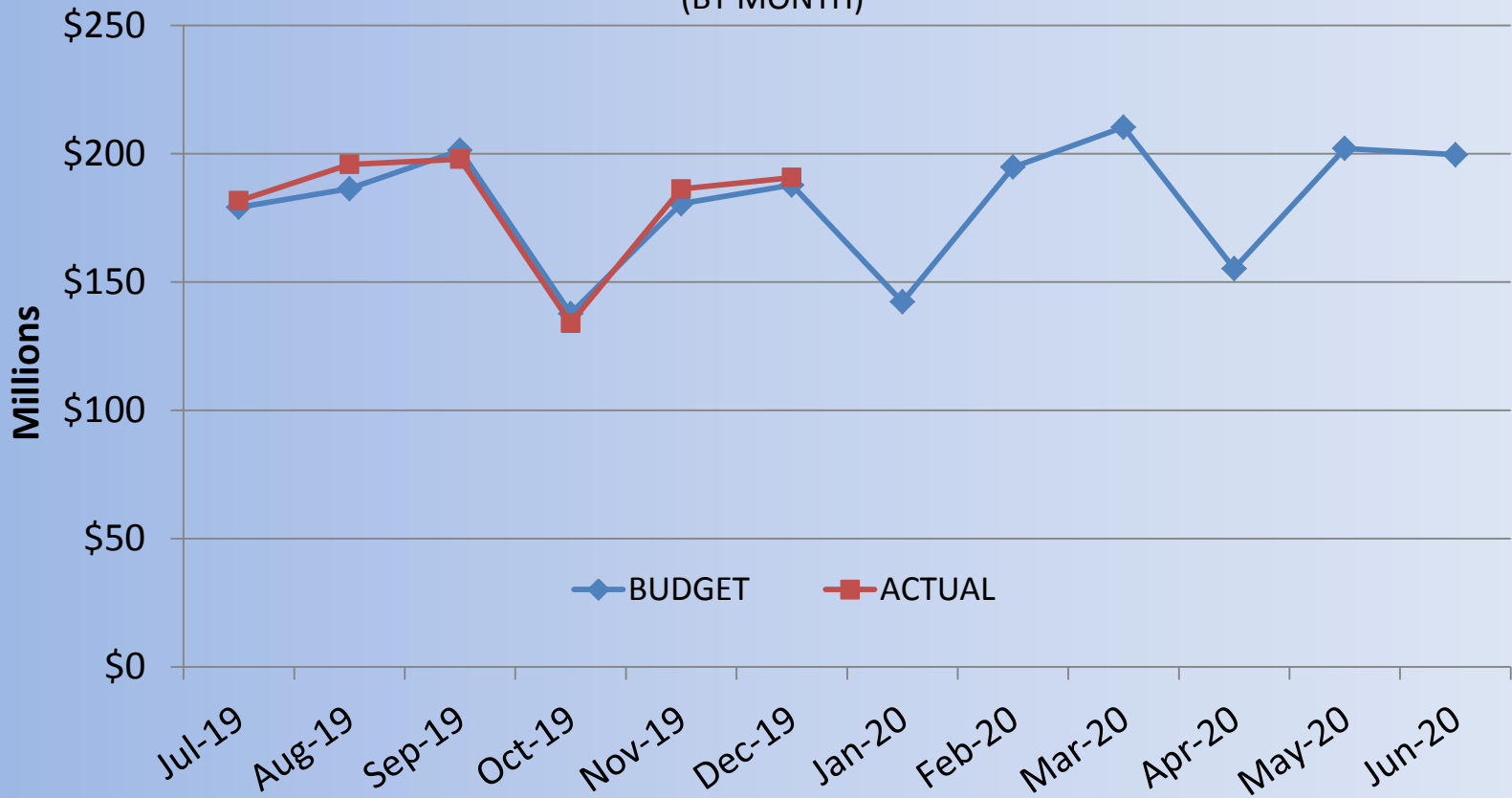
GROUP INSURANCE COMMISSION
APPROPRIATION FOR PREMIUM ACCOUNTS
FY20 BUDGETED VS. ACTUAL
(BY MONTH)



V. CFO Update

Budget & Financial: INFORM

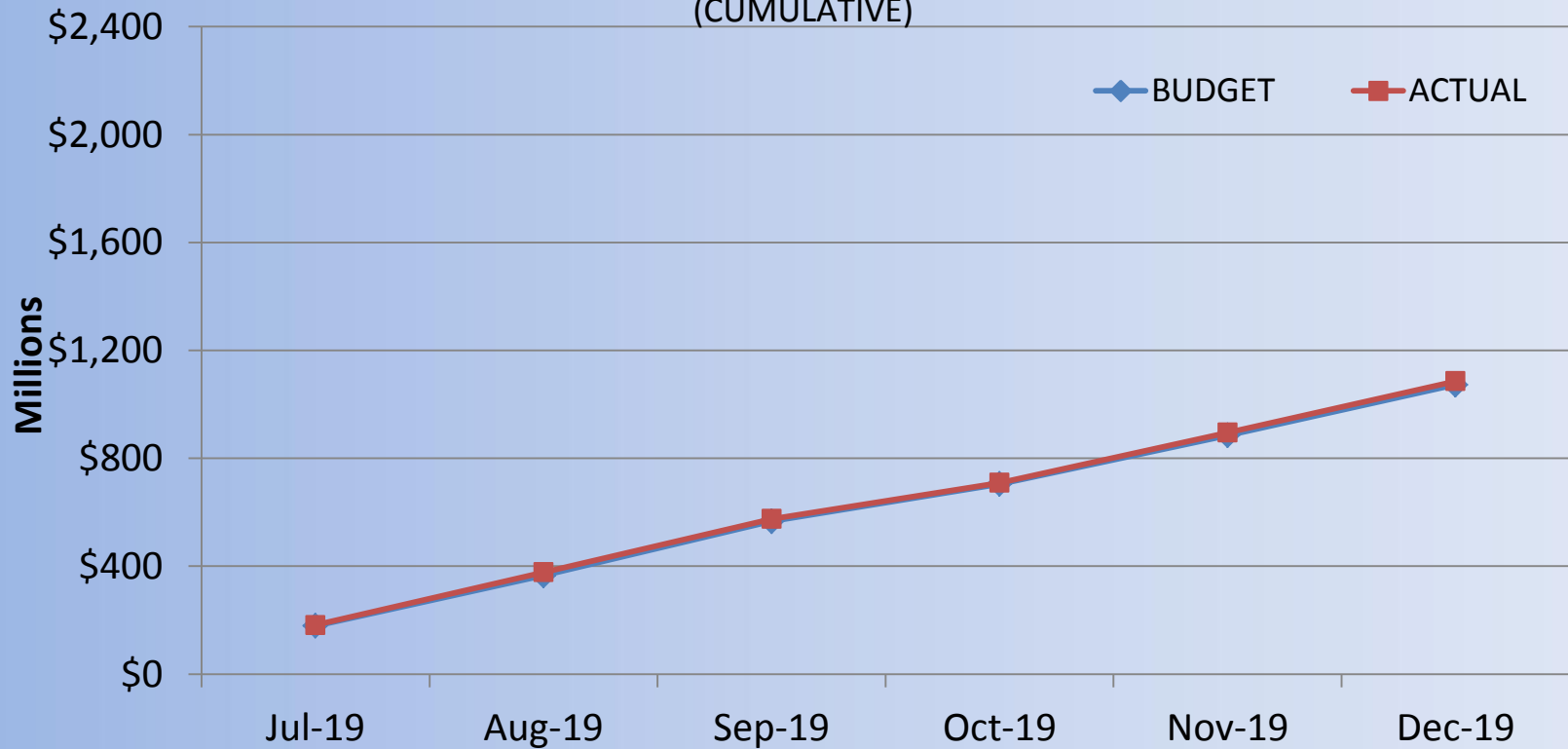
**GROUP INSURANCE COMMISSION
APPROPRIATION FOR PREMIUM ACCOUNTS
FY20 BUDGETED VS. ACTUAL
(BY MONTH)**



V. CFO Update

Budget & Financial: INFORM

**GROUP INSURANCE COMMISSION
APPROPRIATION FOR PREMIUM ACCOUNTS
FY20 BUDGETED VS. ACTUAL
(CUMULATIVE)**



V. CFO Update

Budget & Financial: *INFORM*

FY20 STATE SHARE PREMIUM BUDGET FOR GIC PREMIUM ACCOUNTS AS OF NOVEMBER 30, 2019

	BUDGET	EXPENSES	Under Budget/(Over Budget)	% VAR
Basic Life & Health Account #1108-5200 & #1599-6152	\$1,068,426,646	\$1,081,722,369	(\$13,295,723)	-1.2%
Active Dental & Vision Benefits Account #1108-5500	\$4,257,956	\$4,423,384	(\$165,428)	-3.9%
Total State Share YTD	\$1,072,684,601	\$1,086,145,752	(\$13,461,151)	-1.3%

- The majority of GIC spending is in the accounts that provide health insurance and basic life for state and municipal enrollees
- Higher utilization appears to be the primary driver of the 1.2% unfavorable variance to budget
- Dental variance is attributable to higher than expected enrollment

VI. Contracts & Amendments (INFORM)

- Life/LTD Consultant Contract (Sign)
- Data Warehouse Procurement Update

VII. Other Business

- Executive Director Selection Process Update

APPENDIX

- Commission Members
- GIC Leadership Team
- GIC Goals

Members

Valerie Sullivan (Public Member), Chair

Bobbi Kaplan (NAGE), Co-Chair

Michael Heffernan, Secretary of Administration and Finance

Gary Anderson, Commissioner of Insurance

Elizabeth Chabot (NAGE)

Adam Chapdelaine (Massachusetts Municipal Association)

Edward Tobey Choate (Public Member)

Christine Clinard (Public Member)

Tamara P. Davis (Public Member)

Kevin Drake (Council 93, AFSCME, AFL-CIO)

Jane Edmonds (Retiree Member)

Joseph Gentile (Public Safety Member)

Patricia Jennings (Public Member)

Eileen P. McAnneny (Public Member)

Melissa Murphy-Rodrigues (Massachusetts Municipal Association)

Anna Sinaiko (Health Economist)

Timothy D. Sullivan (Massachusetts Teachers Association)

GIC Leadership Team

Joan Matsumoto, Interim Executive Director

Denise Donnelly, Director Benefit Procurement & Vendor Management

John Harney, Chief Information Officer

Paul Murphy, Director of Operations

James Rust, Chief Fiscal Officer

Andrew Stern, General Counsel

Brock Veidenheimer, Senior Human Resource Business Partner

Mike Berry, Director of Legislative Affairs

Linnea Walsh, Director of Marketing and Communications

GIC Goals

- Provide access to high quality, affordable benefit options for employees, retirees and dependents
- Limit the financial liability to the state and others (of fulfilling benefit obligations) to sustainable growth rates
- Use the GIC's leverage to innovate and otherwise favorably influence the Massachusetts healthcare market
- Evolve business and operational environment of the GIC to better meet business demands and security standards